One Energy Place
Pensacola, Florida 32520

Tel 850.444.6111

ORIGINAL

March 28, 2003

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. 011384-EI, Order Number PSC-01-2497-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 28, 2003, 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

ck

Enclosures

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

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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.: 011384-EI Filed: March 28, 2003

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-01-2497-FOF-EI entered in Docket No. 011384-EI on December 21, 2001, hereby reports for the fiscal year ending December 31, 2002:

A. 1. After negotiated arrangements, on January 18, 2002, Gulf Power Company (the "Company") entered into an Underwriting Agreement with A. G. Edwards & Sons, Inc. and SunTrust Capital Markets, Inc., (the "Underwriters"), for the purchase of an aggregate of $45,000,000 (denominations and multiples of $1,000 each) principal amount of Series E 6.00% Senior Notes (the "Notes") due January 30, 2012. The Depository Trust Company ("DTC") will act as the initial securities depositary for the notes. The notes will be issued only as fully registered securities in the name of Cede & Co., DTC's nominee. On January 30, 2002, the Company delivered such notes to the Underwriters. On January 30, 2002, the Company received $44,055,000 representing payment in full of the purchase price less $945,000 underwriting discount and commissions of the underwriters for their services.

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2. The proceeds from the sale of the new notes were used by the Company to finance certain construction costs incurred in connection with Plant Smith Unit 3, the Company's 574 megawatt combined cycle facility currently under construction, and for general corporate purposes.

3. Interest on the new notes will be payable at the rate of 6.00% per annum and payable quarterly in arrears on January 1, April 1, July 1 and October 1 of each year, commencing April 1, 2002.

4. Payment of the principal of and interest on the notes when due will be insured by a financial guaranty insurance policy (the "policy") to be issued by Ambac Assurance Corporation (the "insurer") simultaneously with the delivery of the notes. On January 30, 2002, the Company paid $331,875.00 to the insurer.

5. The notes will be direct, unsecured and unsubordinated obligations of the Company ranking pari passu (equal in priority) with all other unsecured and unsubordinated obligations of the Company.

B. 1. After negotiated arrangements authorized by Gulf Power Company (the "Company"), SunTrust Capital Markets, Inc. (the "Underwriter") entered into an agreement with the Development Authority of Monroe County (Georgia) (the "Authority") for the purchase of $42,000,000 aggregate principal amount of Development Authority of Monroe County (Georgia) Pollution Control Revenue Bonds (Gulf Power Company Plan Scherer Project), First Series 2002, due September 1, 2037. In consideration of such purchase, the Company paid to the Underwriter a fee of $147,000 for underwriting compensation. The bonds will initially bear interest at an Auction Mode Rate. The bonds have a 35 day Auction Period unless changed at the option of the Company, as provided in the Trust Indenture. The first auction date for the bonds was October 30, 2002. The interest rate on the bonds can be converted from the Auction Mode Rate to Daily Rate, Weekly Rate, a Commercial Paper Rate, Index Rate or long-term rate. The duration of the Auction Period may be changed at the direction of the Company 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 such mode will be determined by the Auction Agent as the minimum rate necessary for the agent to sell the bonds at their principal amount (without regard to accrued interest). The bonds will be offered as fully registered bonds and will be registered in the name of Cede & Co., as nominee of the Depository Trust Company ("DTC"). DTC will act as securities depository for the bonds. During an Auction Rate Period, the bonds will be issued in denomination of $1,000. Purchases will be made in book-entry form through DTC participants and no physical delivery of bonds will be made to purchasers. On September 26, 2002, the Trustee (The Bank of New York Trust Company of Florida, N.A.) delivered such bonds to the account of the Representative at the DTC on behalf of the underwriter against payment thereof of $42,000,000 consisting of the purchase price equal to 100% of the aggregate principal amount of the bonds.

2. The First Series 2002 Bonds were issued to provide funds to refinance the acquisition, construction, installation and equipping of certain air and water pollution control and sewage and solid waste disposal facilities for use at Plant Scherer, located in Monroe County, Georgia, and owned, in part, by the Company.

3. On September 26, 2002, the proceeds of the sale of the First Series 2002 Bonds were deposited by the Company with The Bank of New York Trust Company of Florida, N.A., as Trustee, under the Trust Indenture dated September 1, 2002, between the Development Authority of Monroe County and the Bank of New York Trust Company of Florida, N.A.

4. The net proceeds received by the Authority from the sale of the bonds are $42,000,000. The proceeds were applied, together with other moneys of the Company, to the redemption in October, 2002, of $22,000,000 aggregate principal amount of Development Authority of Monroe County (Georgia) 6.30% Pollution Control Bonds (Gulf Power Company Plant Scherer Project), First Series 1994 and to the redemption in October, 2002, of $20,000,000 aggregate principal amount of

Development Authority of Monroe County (Georgia) Daily Rate Pollution Control Bonds (Gulf Power Company Plant Scherer Project), Second Series 1994.

5. The Authority will loan to the Company the proceeds of the Bonds pursuant to a Loan Agreement dated September 1, 2002. In order to evidence the loan from the Authority and to provide for its repayment, the Company will issue a nonnegotiable promissory note dated September 26, 2002, between the Company to the Authority pursuant to the Loan Agreement.

6. The Trustee and the Company entered into an Auction Agreement dated September 1, 2002, initially with The Bank of New York, pursuant to which, The Bank of New York, as agent for the Trustee, shall perform the duties of Auction Agent. The Auction Agent will determine the Auction Mode Rate for each Auction Period in accordance with the Agreement. The Company will pay to the Auction Agent an Annual Auction Agent fee of 1% of the aggregate principal balance of bonds.

7. SunTrust Capital Markets, Inc. was appointed Broker-Dealer pursuant to a Broker-Dealer Agreement dated September 1, 2002, among The Bank of New York as Auction Agent and SunTrust Capital Markets, Inc. as Broker-Dealer and Gulf Power Company.

C. 1. After negotiated arrangements authorized by Gulf Power Company (the "Company"), Edward D. Jones & Co., L.P. and A. G. Edward & Sons, Inc. (the "Underwriters") entered into an agreement with the Mississippi Business Finance Corporation ("MBFC"), for the purchase of $13,000,000 aggregate principal amount of Mississippi Business Finance Corporation Solid Waste Disposal Facilities Revenue Refunding Bonds (the "bonds"), (Gulf Power Project) Series 2002. In consideration of such purchase, the Company paid to the Underwriters a fee of $390,000 for underwriting compensation. The Company also paid an Issuers fee of $30,000 to MBFC. The bonds will bear a long-term interest rate of 4.80% per annum, due September 1, 2028. On September 26, 2002, MBFC delivered such bonds to Hancock Bank, Baton Rouge, Louisiana, as

trustee, to authenticate and deliver to The Depository Trust Company ("DTC"). DTC will act as the securities depositary for the bonds. The bonds will be issuable as fully registered bonds and will be registered in the name of Cede & Co., DTC's nominee.

2. The net proceeds received by MBFC from the sale of the bonds are 13,000,000. The proceeds were applied, together with other moneys of the Company, to the redemption in October, 2002, of $13,000,000 aggregate principal amount of Jackson County, Mississippi 6.20% Solid Waste Disposal Facilities Revenue Bonds, Series 1993 (Gulf Power Company Project).

3. The bonds will bear interest at the rate of 4.80% per annum for a long-term interest rate period beginning on the date of original issuance and delivery of the bonds and ending September 1, 2028. Interest on the bonds will be paid on March 1 and September 1 of each year during the long-term interest rate period. The first payment of interest on the bonds will be on March 1, 2003.

4. On September 26, 2002, the proceeds of the sale of the bonds were deposited by the Company with Hancock Bank, Baton Rouge, Louisiana, as Trustee, under the Trust Indenture dated September 1, 2002 between MBFC and Hancock Bank.

5. MBFC loaned to the Company the proceeds of the bonds pursuant to a Loan Agreement dated as of September 1, 2002 between MBFC and the Company. In order to evidence the loan from MBFC and to provide for its repayment, the Company issued a nonnegotiable promissory note dated September 26, 2002 between the Company to MBFC pursuant to the Loan Agreement.

6. Payment of the principal of and interest on the notes when due will be insured by a financial guaranty insurance policy (the "policy") to be issued by Ambac Assurance Corporation (the "insurer") simultaneously with the delivery of the notes. On September 26, 2002, the Company paid $265,544.07 to the insurer.

D. 1. On April 25, 2001, Gulf Power Capital Trust IV, 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 December 5, 2002, the Company and the Trust entered into an Underwriting Agreement with Lehman Brothers, Inc., (the "Underwriter"), as Representative of several underwriters, for the purchase of 40,000 Gulf Power Capital Trust IV Flexible Trust Preferred Securities ("T-FLEX") 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 $1,238,000, representing 3% of the assets of the Trust. 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 in the name of Cede & Co., DTC's nominee. On December 13, 2002, the Company delivered such securities to Lehman Brothers, Inc., as Representative of several Underwriters, and $400,000 from the Company as compensation to the Underwriters for their services. JPMorgan Chase Bank, as property trustee for the Trust, received from the Underwriter $39,987,200 constituting the purchase price of the securities at $999.68 per security and from the Company, the amount of $1,238,000 representing payment for the Gulf Power Capital Trust IV Common Securities. The proceeds from the Trust Preferred Securities and Common Securities were then invested in an equivalent amount of the Company's Series E Junior Subordinated Deferrable Interest Notes. On December 13, 2002, JPMorgan Chase Bank, as property trustee for the Trust, received $41,238,000 aggregate principal amount of the Company's Series E Junior Subordinated Notes due November 30, 2042, and a Guarantee Agreement, dated as of December 30, 2002, between the Company and JPMorgan Chase Bank, as Guarantee Trustee. The Company received funds from the notes in the aggregate principal amount of $41,238,000.

2. The proceeds from the sale of the new notes were used to by the Company to Redeem $40,000,000 in aggregate liquidation amount of Gulf Power Capital Trust I 7.625% Cumulative Quarterly Income Preferred Securities.

3. The initial distribution rate on the Flexible Trust Preferred Securities will be 5.60% per annum from the date of original issuance through November 29, 2007, which is the initial fixed rate period. Thereafter, the distribution rate of the securities may be at fixed rates determined through remarketings of the securities for specific periods of varying length or may be at floating rates reset quarterly based on 3-month LIBOR plus 3.49%. Cumulative Cash Distributions on the securities will be payable at the Initial Fixed Rate (5.60%) per annum), accruing from the date of original issuance and payable semi-annually in arrears on May 30 and November 30 of each year, commencing on May 30, 2003. The Initial Fixed Rate and the Distribution Dates for the Preferred Securities will correspond to the interest rate and payment dates on the Series E 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 payment on the Notes.

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

Pursuant to Rule 25-8.009, F.A.C., Gulf Power Company submits the following documents relative to the issuance of the above referenced notes:

A. Exhibits for $45,000,000 6.00% Series E Senior Notes:

1. Underwriting Agreement dated January 18, 2002, between Gulf Power Company and A. G. Edwards & Sons, Inc. and SunTrust Capital Markets, Inc.
2. Fifth Supplemental Indenture, dated January 30, 2002, to the Note Indenture, between Gulf Power Company and JPMorgan Chase Bank, Trustee.
3. Prospectus supplement dated January 18, 2002 and prospectus dated June 1, 2001.
4. Opinion dated January 30, 2002 of Beggs & Lane, general counsel for the Company.
5. Opinion dated January 30, 2002 of Troutman Sanders LLP, counsel for the Company.
6. Statement on Form U-1 dated February 6, 1998, and amended on April 14, May 12, 1998; and Certificates of Notification dated June 30, and August 29, 1998, relating to among other things, Senior Notes, and Finance Statements made a part thereof filed with Securities and Exchange Commission File No. 70-9171 under the Public Utility Holding Company Act of 1935.
7. Description of Underwriters.
8. Report of Expenses.

B. Exhibits for $42,000,000 Development Authority of Monroe County Pollution Control Revenue Bonds:

1. Conformed copy of Trust Indenture dated September 1, 2002, between Development Authority of Monroe County and The Bank of New York Trust Company of Florida, N.A., as Trustee.
2. Loan Agreement dated September 1, 2002, between Development Authority of Monroe County and Gulf Power Company.
3. Promissory Note dated September 26, 2002 between Gulf Power Company and Development Authority of Monroe County.

4. Auction Agreement dated as of September 1, 2002 among Gulf Power Company and The Bank of New York Trust Company of Florida, N.A. as Trustee, and The Bank of New York as Auction Agent.
5. Broker-Dealer Agreement dated as of September 1, 2002 among The Bank of New York as Auction Agent and SunTrust Capital Markets, Inc. as Broker-Dealer and Gulf Power Company.
6. Letter of Representative dated as of September 25, 2002 from Gulf Power Company to Development Authority of Monroe County and SunTrust Capital Markets, Inc.
7. Purchase Contract dated September 25, 2002 between SunTrust Capital Markets, as underwriter and Development Authority of Monroe County, as issuers.
8. Copy of the Official Statement dated September 23, 2002.
9. Opinion dated September 26, 2002 of Beggs & Lane, general counsel for the Company.
10. Opinion dated September 26, 2002 of Troutman Sanders, counsel for the Company.
11. Opinion dated September 26, 2002 of King & Spalding, bond counsel.
12. Opinion dated September 26, 2002 of Vaughn, Wright & Stears, LLP, counsel to to the issuer.
13. Statement on Form U-1 dated April 30, 1997, and amended on April 30, June 25, and June 27, 1997, and Certificate of Notification dated July 14, 1997, relating to among other things, the Pollution Control Revenue 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.
14. Description of Underwriters
15. Report of Expenses

C. Exhibits for $13,000,000 MBFC Solid Waste Disposal Facilities Revenue Refunding Bonds:

1. Conformed copy of Trust Indenture dated September 1, 2002, between MBFC and Hancock Bank, as Trustee.
2. Loan Agreement dated September 1, 2002, between MBFC and Gulf Power Company.

3. Purchase Contract dated September 19, 2002 between Edward D. Jones & Co., L.P. and A. G. Edwards & Sons, Inc., as underwriters and MBFC, as issuers.
4. Promissory Note dated September 26, 2002 between Gulf Power Company and MBFC.
5. Copy of the Official Statement dated September 19, 2002.
6. Opinion dated September 26, 2002 of Beggs & Lane, general counsel for the Company
7. Opinion dated September 26, 2002 of Troutman Sanders, counsel for the Company.
8. Opinion dated September 26, 2002 of McGlinchey Stafford PLLC, bond counsel.
9. Opinion dated September 26, 2002 of Butler, Snow, O'Mara, Stevens, & Canada, PLLC, counsel to the issuer.
10. Statement on Form U-1 dated November 1, 1996, and amended on April 30, June 25, and June 27, 1997, and Certificate of Notification dated July 14, 1997, relating to among other things, the Solid Waste Disposal Facilities Revenue Refunding 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.

    SEE EXHIBIT B.13.
11. Description of Underwriters.
12. Report of Expenses.

D. Exhibits for $40,000,000 Series E Flexible Trust Preferred Securities:

1. Trust Agreement by and between Gulf Power Company, as Depositor, and Chase Manhattan Bank USA, National Association), as Trustee, dated as of April 25, 2001.
2. Amended and Restated Trust Agreement among Gulf Power Company, as Depositor, JPMorgan Chase Bank, as Property Trustee, Chase Manhattan Bank USA, National Association, as Delaware Trustee, and Linda G. Malone and Wayne Boston as Administrative Trustees, dated as of December 1, 2002.

3. Guarantee Agreement dated as of December 1, 2002, between Gulf Power Company (as Guarantor) and JPMorgan Chase Bank (as Trustee).
4. Fifth Supplemental Indenture dated as of December 13, 2002, to the Subordinated Note Indenture between Gulf Power Company and JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank), Trustee.
5. Underwriting Agreement dated December 5, 2002, among Gulf Power Company, the Trust, and Lehman Brothers, Inc. for itself and as Representative of the other underwriters.
6. Prospectus Supplement dated December,5 2002, and Prospectus dated June 1, 2001.
7. Opinion dated December 13, 2002, of Beggs & Lane, general counsel for the Company.
8. Opinion dated December 13, 2002, of Troutman Sanders LLP, counsel for the Company.
9. Opinion dated December 13, 2002, of Richards, Layton & Finger, Delaware counsel to the Trust.
10. Statement on Form U-1 dated August 29, 1994, and amended on November 16, December 14, December 15, 1994; October 10, 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; January 14, February 4, October 23, December 4, 1998; June 19, 2000; May 4, and June 5, 2001; and Certificates of Notification dated February 10, August 11, 1997, January 29, 1998 and November 19, 2001, relating to among other things, the Flexible Trust Preferred Securities, Series A, Series B, Series C, Series D and Series E 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.
11. Description of Underwriters.
12. Report of Expenses.

E. Exhibits Common For all Issues:

1. Form S-3 Registration Statement Nos. 333-59942, 333-59942-01, and 333-59942-02 as filed with the Securities Exchange Commission on May 1, 2001 under the Securities Act of 1933.
2. 10-K for the year ended December 31, 2001, filed with the Securities and Exchange Commission, File No. 0-2429, and 10-Q for the quarter ended September 30, 2002, filed with the Securities and Exchange Commission File No. 0-2429. On page 54 of the 10-Q is shown the Pro Forma Capitalization and Pretax Interest Coverage Statements. On page 57 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 28, 2003

$45,000,000 Series E 6.00% Senior Notes

due January 30, 2012

GULF POWER COMPANY

UNDERWRITING AGREEMENT

January 18, 2002

A.G. Edwards & Sons, Inc.
SunTrust Capital Markets, Inc.

c/o A.G. Edwards & Sons, Inc., as Representative
One North Jefferson
St. Louis, MO 63103

Ladies and Gentlemen:

Gulf Power Company, a Maine corporation (the "Company"), confirms its agreement (the "Agreement") with A.G. Edwards & Sons, Inc., acting as the representative (the "Representative") of the underwriters named in Schedule I hereto (the "Underwriters", which term shall also include any underwriter substituted as hereinafter provided in Section 10 hereof), with respect to the sale by the Company and the purchase by the Underwriters, acting severally and not jointly, of $ 45,000,000 principal amount of the Series E 6.00% Senior Notes due January 30, 2012 (the "Senior Notes") as set forth in Schedule I hereto.

The Company understands that the Underwriters propose to make a public offering of the Senior Notes as soon as the Underwriters deem advisable after this Agreement has been executed and delivered. The Senior Notes will be issued pursuant to an indenture, dated as of January 1, 1998 (the "Base Indenture"), by and between the Company and JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank), as trustee (the "Trustee"), as heretofore supplemented and amended and as to be further supplemented and amended by a fifth supplemental indenture, dated as of January 30, 2002, to the Base Indenture relating to the Senior Notes (the "Supplemental Indenture," and together with the Base Indenture and any other amendments or supplements thereto, the "Indenture"), between the Company and the Trustee.

SECTION 1. REPRESENTATIONS AND WARRANTIES. The Company represents and warrants to the Underwriters as follows:

(a) A registration statement on Form S-3, as amended (File Nos. 333-59942, 333-59942-01 and 333-59942-02), in respect of the Senior 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 the 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 the 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 Senior 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; and the Prospectus as amended or supplemented in final form by a prospectus supplement relating to the Senior 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(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 the Company makes no warranty or representation to the Underwriters with respect to: (A) any statements or omissions made in reliance upon and in conformity with information furnished in writing to the Company by the Underwriters expressly for use in the Final Supplemented Prospectus; or (B) any information set forth in the Final Supplemented Prospectus under the captions "Description of the Series E Senior Notes - Book-Entry Only Issuance -- The Depository Trust Company" and "The Policy and the Insurer" or in Appendix A thereto.

(c) The Registration Statement, the Prospectus 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, and (ii) 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 or the Final Supplemented Prospectus in reliance upon and in conformity with information furnished in writing to the Company by the Underwriters expressly for use therein or (C) any information set forth in the Final Supplemented Prospectus under the captions "Description of the Series E Senior Notes - Book-Entry Only Issuance -- The Depository Trust Company" and "The Policy and the Insurer" or in Appendix A thereto.

(d) 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.

(e) 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.

(f) 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 Senior Notes to the Underwriters.

(g) This Agreement has been duly authorized, executed and delivered by the Company.

(h) 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 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.

(i) The issuance and delivery of the Senior Notes have been duly authorized by the Company and, on the Closing Date, the Senior 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.

(j) The execution, delivery and performance by the Company of this Agreement, the Indenture and the Senior 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.

(k) The Company has duly authorized all necessary action to be taken by it for the procurement of an irrevocable financial guarantee insurance policy (the "Insurance Policy") issued by Ambac Assurance Corporation (the "Insurer"), insuring the payment of principal and interest on the Senior Notes, when due.

(l) 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 Senior 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; (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 THE 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, and each Underwriter, severally and not jointly, agrees to purchase from the Company, the principal amount of Senior Notes set forth in Schedule I to this Agreement opposite the name of such Underwriter (plus any additional amount of Senior Notes that such Underwriter may become obligated to purchase pursuant to the provisions of Section 10 hereof), at a price equal to 97.90% of the principal amount thereof.

(b) Payment for and delivery of certificates for the Senior Notes shall be made at the offices of Troutman Sanders LLP, Bank of America Plaza, 600 Peachtree Street, N.E., Atlanta, Georgia at 10:00 A.M., Atlanta time, on January 30, 2002 (unless postponed in accordance with the provisions of Section 10) or such other time, place or date as shall be agreed upon by the Underwriters 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 Senior Notes to the Representative. 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 Senior 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 Senior 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 Senior 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.

The certificate(s) for the Senior Notes will be made available for examination by the Underwriters not later than 12:00 Noon, New York time, on the last business day prior to the Closing Date.

SECTION 3. COVENANTS OF THE COMPANY. The Company covenants with the Underwriters 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 Representative sufficient conformed copies of the Registration Statement, the Prospectus and the Final Supplemented Prospectus and of all supplements and amendments thereto (in each case without exhibits) for distribution to the Underwriters and, from time to time, as many copies of the 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 Final Supplemented Prospectus relating to the offering of the Senior 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 Senior Notes by an Underwriter, 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 Final Supplemented Prospectus, as the case may be, in order to make the 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 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 Senior 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 Final Supplemented Prospectus which will supplement or amend the 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 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 Senior 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 Underwriters and Dewey Ballantine LLP.

(c) The Company will endeavor, in cooperation with the Underwriters, to qualify the Senior Notes for offering and sale under the applicable securities laws of such states and the other jurisdictions of the United States as the Underwriters 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 Underwriters' prior written consent, directly or indirectly, sell, offer to sell, grant any option for the sale of, or otherwise dispose of, any

Senior Notes or any security convertible into or exchangeable into or exercisable for the Senior Notes or any debt securities substantially similar to the Senior Notes (except for the Senior 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, the Company will file the Final Supplemented Prospectus with the Commission and will advise the Representative of such filing and will confirm such advice in writing.

SECTION 4. PAYMENT OF EXPENSES. The Company will pay all expenses incidental 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 Senior Notes, (iii) the fees and disbursements of the Company's counsel and accountants, (iv) the qualification of the Senior 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 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 Trustee, including the fees and disbursements of counsel for the Trustee in connection with the Indenture and the Senior Notes, (ix) any fees payable in connection with the rating of the Senior Notes, (x) the cost and charges of any transfer agent or registrar, (xi) the premium payable to the Insurer in connection with the issuance of the Insurance Policy, and (xii) the cost of qualifying the Senior 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 Senior Notes including fees and disbursements of their counsel, Dewey Ballantine LLP.

SECTION 5. CONDITIONS OF UNDERWRITERS' OBLIGATIONS. The obligations of the Underwriters to purchase and pay for the Senior 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 Final Supplemented Prospectus, or any supplement thereto, is required pursuant to Rule 424, the Final Supplemented Prospectus, and any such supplement, shall have been filed in the manner and within the time period required by Rule 424.

(b) Any required 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 Underwriters, 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 Underwriters shall have received:

(1) The opinion, dated the Closing Date, of Beggs & Lane, a Registered Limited Liability Partnership, general 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 Trustee, substantially in the form attached hereto as Schedule III.

(4) The opinion, dated the Closing Date, of Dewey Ballantine LLP, counsel for the Underwriters, substantially in the form attached hereto as Schedule IV.

(5) The opinion, dated the Closing Date, of counsel to the Insurer, substantially in the form attached hereto as Schedule V.

(6) 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 Underwriters 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.

(7) On the Closing Date, the Underwriters 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 audited by them and incorporated by reference in the Final Supplemented Prospectus 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; and (C) on the basis of certain limited procedures performed 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) performing the procedures specified by the American Institute of Certified Public Accountants ("AICPA") for a review of interim financial information as described in Statement on Auditing Standards No. 71, "Interim Financial Information", on the unaudited financial statements, if any, of the Company incorporated in the Final Supplemented Prospectus and of the latest available unaudited financial statements of the Company, if any, for any calendar quarter subsequent to the date of those incorporated in the Final Supplemented Prospectus; and (iii) making inquiries of certain officials of the Company who have responsibility for financial and accounting matters regarding such unaudited financial statements or any specified unaudited amounts derived therefrom (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, and accordingly that Arthur Andersen LLP make no representations as to the sufficiency of such procedures for the Underwriters' purposes), nothing came to their attention that caused them to believe that: (1) any material modifications should be made to the unaudited condensed financial statements, if any, incorporated in the Final Supplemented Prospectus, for them to be in conformity with generally accepted accounting principles; (2) such unaudited condensed financial statements do not comply as to form in all material respects with the applicable accounting requirements of the 1934 Act as it applies to Form 10-Q and the related published rules and regulations thereunder; (3) the unaudited amounts for Operating Revenues, Earnings Before Interest and Income Taxes and Net Income After Dividends on Preferred Stock and the unaudited Ratio of Earnings to Fixed Charges set forth in the Final Supplemented Prospectus do not agree with the amounts set forth in or derived from the unaudited financial statements for the same period or were not determined on a basis substantially consistent with that of the corresponding audited amounts or ratios included or incorporated by reference in the Registration Statement; (4) 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 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; and (5) the unaudited amounts for Operating Revenues, Earnings Before Interest and Income Taxes and Net Income After Dividends on Preferred Stock and the unaudited Ratio of Earnings to Fixed Charges for any calendar quarter subsequent to those set forth in (3) above, which if available shall be set forth in such letter, do not agree with the amounts set forth in or derived from the unaudited financial statements for the same period or were not determined on a basis substantially consistent with that of the corresponding audited amounts or ratios included or incorporated by reference in the Final Supplemented Prospectus.

(8) On the Closing Date, counsel for the Underwriters shall have been furnished with such documents and opinions as it may reasonably require for the purpose of enabling it to pass upon the issuance and sale of the Senior 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 Senior Notes as herein contemplated shall be satisfactory in form and substance to the Underwriters and Dewey Ballantine LLP, counsel for the Underwriters.

(9) That no amendment or supplement to the Registration Statement 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 LLP or shall contain information (other than with respect to an amendment or supplement relating solely to the activity of the Underwriters) which, in the reasonable judgment of the Representative, shall materially impair the marketability of the Senior Notes.

(10) The Company shall have performed its obligations when and as provided under this Agreement.

(11) Evidence that the Insurance Policy has been issued by the Insurer and confirmation that the Senior Notes have been rated at least Aaa by Moody's Investor Services, Inc. and at least AAA by Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies.

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 Underwriters 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 any such Underwriter 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 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 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 or Final Supplemented Prospectus in reliance upon and in conformity with information furnished in writing to the Company by the Underwriters for use therein and except that this indemnity with respect to the Preliminary Prospectus, the 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 Senior Notes to any person if a copy of the Preliminary Prospectus, the 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 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 an Underwriter or any such person controlling such Underwriter 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 such 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 person, if any, who controls the Company 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 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 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 Senior 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 Senior Notes shall have been materially impaired.

(b) If this Agreement shall be terminated by the Representative pursuant to subsection (a) above or because 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 for the reasonable fees and disbursements of Dewey Ballantine LLP 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 Senior 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 Senior Notes that it or they are obligated to purchase under this Agreement (the "Defaulted Securities"), the non-defaulting Underwriters 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 non-defaulting Underwriters 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 Senior 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 Senior 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 non-defaulting Underwriters 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 A.G. Edwards & Sons, Inc., One North Jefferson, St. Louis, Missouri 63103, Attention: Corporate Debt Syndicate Desk; notices to the Company shall be mailed to One Energy Place, Pensacola, Florida 32520-0100, Attention: Corporate Secretary, with a copy to Southern Company Services, Inc., 270 Peachtree Street, N.W., Atlanta, Georgia 30303, Attention: Christopher J. Kysar.

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 Senior Notes from the Underwriters 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:

CONFIRMED AND ACCEPTED,
as of the date first above written

A.G. EDWARDS & SONS, INC.
as Representative of the Underwriters

By: Robert P. Bainbridge
Title: Vice President

SCHEDULE I

NAME OF UNDERWRITER	Principal Amount of Senior Notes
A.G. Edwards & Sons, Inc.	37,500,000.00
SunTrust Capital Markets, Inc.	7,500,000.00
TOTAL	45,000,000.00

Schedule II-A

[Letterhead of Beggs & Lane]

_____, 2002

A.G. Edwards & Sons, Inc.
SunTrust Capital Markets, Inc.

c/o A.G. Edwards & Sons, Inc.
One North Jefferson
St. Louis, MO 63103

GULF POWER COMPANY
Series E ____% Senior Notes
due January 30, 2012

Ladies and Gentlemen:

We have acted as general counsel to Gulf Power Company (the "Company") in connection with (i) the Company's issuance of $45,000,000 aggregate principal amount of its Series E _____% Senior Notes due January 30, 2012 (the "Notes") pursuant to a Senior Note Indenture dated as of January 1, 1998, by and between the Company and JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank), as trustee (the "Trustee"), as heretofore supplemented and as further supplemented by the Fifth Supplemental Indenture dated as of _____, 2002 (collectively, the "Indenture"); and (ii) the purchase by you of the Notes pursuant to the terms of an Underwriting Agreement dated _____, 2002, among the Company and you (the "Underwriters") (the "Underwriting Agreement"). This opinion is being delivered to you 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-_____, 333-_____and 333-_____) pertaining to the Notes (the "Registration Statement") filed under the Securities Act of 1933, as amended (the "Act"), and the prospectus dated _____, 2001 as supplemented by a final prospectus supplement dated _____, 2002 (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, 2000, 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 have also examined the opinion of Troutman Sanders LLP to you of even date with respect to matters relating to the Act, the Exchange Act, the Trust Indenture Act of 1939, as amended and to the applicable rules and regulations of the Commission under said Acts and in expressing the opinions stated herein, with respect to such matters, we are relying on such opinion.

Based upon the foregoing, and subject to the qualifications and limitations stated herein, we are of the opinion, relying as to matters of Georgia law and the federal law of the United States upon the opinion dated the date hereof rendered to you by Troutman Sanders LLP, and relying as to matters of New York law upon the opinion dated the date hereof rendered to you by Dewey Ballantine 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 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 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 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").

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 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 and with respect to information set forth in the Final Supplemented Prospectus under the captions "Description of the Series E Senior Notes – Book-Entry Only Issuance – The Depository Trust Company" and "The Policy and the Insurer" or in Appendix A thereto.

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 Maine, Florida and Mississippi and, to the extent set forth herein, the laws of the States of Georgia and 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 LLP may rely on this opinion in giving their opinions pursuant to the Underwriting Agreement insofar as such opinions relate to matters of Maine, Florida and Mississippi law.

Yours very truly,

BEGGS & LANE

Schedule II-B

[Letterhead of TROUTMAN SANDERS LLP]

_____, 2002

A.G. Edwards & Sons, Inc.
SunTrust Capital Markets, Inc.

c/o A.G. Edwards & Sons, Inc.
One North Jefferson
St. Louis, MO 63103

GULF POWER COMPANY
Series E ____% Senior Notes
due January 30, 2012

Ladies and Gentlemen:

We have acted as counsel to Gulf Power Company (the "Company") in connection with (i) the Company's issuance of $45,000,000 aggregate principal amount of its Series E _____% Senior Notes due January 30, 2012 (the "Notes") pursuant to a Senior Note Indenture dated as of January 1, 1998, by and between the Company and JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank), as trustee (the "Trustee"), as heretofore supplemented and as further supplemented by the Fifth Supplemental Indenture dated as of _____, 2002 (collectively, the "Indenture"); and (ii) the purchase by you of the Notes pursuant to the terms of an Underwriting Agreement dated _____, 2002 among the Company and you (the "Underwriting Agreement"). This opinion is being delivered to you 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-_____, 333-_____and 333-_____) pertaining to the Notes (the "Registration Statement") filed under the Securities Act of 1933, as amended (the "Act"), and the prospectus dated _____, 2001 as supplemented by a final prospectus supplement dated _____, 2002 (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, 2000, 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, other than those of the Company, 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 Maine, Florida and Mississippi law upon the opinion dated the date hereof rendered to you by Beggs & Lane, a Registered Limited Liability Partnership ("Beggs & Lane"), and relying as to matters of New York law upon the opinion dated the date hereof rendered to you by Dewey Ballantine 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 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 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 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 and with respect to information set forth in the Final Supplemented Prospectus under the captions "Description of the Series E Senior Notes - Book-Entry Only Issuance - The Depository Trust Company" and "The Policy and the Insurer" or in Appendix A thereto.

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, Mississippi 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 Beggs & Lane may rely on this opinion in giving its opinion pursuant to the Underwriting Agreement insofar as such opinion relates to matters of Georgia law and the federal law of the United States and Dewey Ballantine LLP may rely on this opinion in giving its opinion pursuant to the Underwriting Agreement insofar as such opinion relates to matters of Georgia law.

Yours very truly,

TROUTMAN SANDERS LLP

Schedule III

[Letterhead of Cravath, Swaine & Moore]

_____ __, 2002

A.G. Edwards & Sons, Inc.
SunTrust Capital Markets, Inc.

c/o A.G. Edwards & Sons, Inc.
One North Jefferson
St. Louis, MO 63103

Gulf Power Company
500 Bayfront Parkway
Pensacola, Florida 32520

Ambac Assurance Corporation
1 State Street Plaza
New York, New York 10004

Gulf Power Company
Series E ____% Senior Notes
due January 30, 2012

Ladies and Gentlemen:

We have acted as counsel to JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank) (the "Bank") in connection with (a) the Senior Note Indenture, dated as of January 1, 1998 as heretofore supplemented (the "Original Indenture"), between Gulf Power Company (the "Company") and the Bank, as Trustee, and (b) the Fifth Supplemental Indenture dated as of January , 2002 (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 to general principles of equity (including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing), regardless of whether considered in a proceeding in equity or at law;

iii) the execution, delivery and performance by the Bank of the Indenture do not conflict with or constitute a breach of the charter or bylaws of the Bank; and

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 only 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 relied upon by any other person or used, circulated, quoted or otherwise referred to for any other purpose.

Very truly yours,

CRAVATH, SWAINE & MOORE

Schedule IV

[Letterhead of DEWEY BALLANTINE LLP]

_____ __, 2002

A.G. Edwards & Sons, Inc.
SunTrust Capital Markets, Inc.

c/o A.G. Edwards & Sons, Inc.
One North Jefferson
St. Louis, MO 63103

GULF POWER COMPANY
Series E ____% Senior Notes
due January 30, 2012

Ladies and Gentlemen:

We have represented you (the "Underwriters") in connection with (i) the issuance by Gulf Power Company (the "Company") of $45,000,000 of its Series E _____% Senior Notes (the "Notes") pursuant to a Senior Note Indenture dated as of January 1, 1998, by and between the Company and JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank), as trustee (the "Trustee"), as heretofore supplemented and as further supplemented by the Fifth Supplemental Indenture dated as of _____ __, 2002 (collectively, the "Indenture"); and (ii) the purchase by you of the Notes pursuant to the terms of an Underwriting Agreement dated _____, 2002, among the Company and the Underwriters (the "Underwriting Agreement"). This opinion is being delivered to you 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-_____, 333-_____ and 333-_____) pertaining to the Notes (the "Registration Statement"), filed under the Securities Act of 1933, as amended (the "Act"), and the prospectus dated _____, 2001, 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, 2000, 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 Maine, Florida and Mississippi upon the opinion of Beggs & Lane, a Registered Limited Liability Partnership ("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 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 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 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 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 and with respect to information set forth in the Final Supplemented Prospectus under the captions "Description of the Series E Senior Notes - Book-Entry Only Issuance - The Depository Trust Company" and "The Policy and the Insurer" or in Appendix A thereto.

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 law of the States of Maine, Florida, Mississippi and Georgia.

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 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 LLP

Schedule V

[Letterhead of Insurer's counsel]

__, 2002

A.G. Edwards & Sons, Inc.
SunTrust Capital Markets, Inc.

c/o A.G. Edwards & Sons, Inc.
One North Jefferson
St. Louis, MO 63103

GULF POWER COMPANY
Series E ____ % Senior Notes
due January 30, 2012

Ladies and Gentlemen:

This opinion has been requested of the undersigned, a Vice President and an Assistant General Counsel of Ambac Assurance Corporation, a Wisconsin stock insurance company ("Ambac Assurance"), in connection with the issuance by Ambac Assurance of a certain Financial Guaranty Insurance Policy and endorsement thereto, effective as of the date hereof (the "Policy"), insuring $45,000,000 in aggregate principal amount of the Gulf Power Company (the "Issuer") Series E __% Senior Notes due January 30, 2012 (the "Senior Notes").

In connection with my opinion herein, I have examined the Policy, such statutes, documents and proceedings as I have considered necessary or appropriate under the circumstances to render the following opinion, including, without limiting the generality of the foregoing, certain statements contained in the Prospectus Supplement dated __, 2002 to the Prospectus of the Issuer dated __, 200_ relating to the Obligations (the "Prospectus Supplement") under the headings "The Policy and the Insurer" and "Appendix A - Form of Policy."

Based upon the foregoing and having regard to legal considerations I deem relevant, I am of the opinion that:

1. Ambac Assurance is a stock insurance company duly organized and validly existing under the laws of the State of Wisconsin and duly qualified to conduct an insurance business in the State of Mississippi.

2. Ambac Assurance has full corporate power and authority to execute and deliver the Policy and the Policy has been duly authorized, executed and delivered by Ambac Assurance and constitutes a legal, valid and binding obligation of Ambac Assurance enforceable in accordance with its terms except to the extent that the enforceability (but not the validity) of such obligation may be limited by any applicable bankruptcy, insolvency, liquidation, rehabilitation or other similar law or enactment now or hereafter enacted affecting the enforcement of creditors' rights.

3. The execution and delivery by Ambac Assurance of the Policy will not, and the consummation of the transactions contemplated thereby and the satisfaction of the terms thereof will not, conflict with or result in a breach of any of the terms, conditions or provisions of the Certificate of Authority, Articles of Incorporation or By-Laws of Ambac Assurance, or any restriction contained in any contract, agreement or instrument to which Ambac Assurance is party or by which it is bound or constitute a default under any of the foregoing.

4. Proceedings legally required for the issuance of the Policy have been taken by Ambac Assurance and licenses, orders, consents or other authorizations or approvals of any governmental boards or bodies legally required for the enforceability of the Policy have been obtained; any proceedings not taken and any licenses, authorizations or approvals not obtained are not material to the enforceability of the Policy.

5. The statements contained in the Prospectus Supplement under the heading "The Policy and the Insurer", insofar as such statements constitutes summaries of the matters referred to therein, accurately reflect and fairly present the information purported to be shown and, insofar as such statements describe Ambac Assurance, fairly and accurately describe Ambac Assurance. The form of Policy contained in the Prospectus Supplement under the heading "Appendix A - Form of Policy" is a true and complete copy of the form of Policy.

Very truly yours,

Vice President and
Assistant General Counsel

GULF POWER COMPANY

TO

JPMORGAN CHASE BANK

TRUSTEE

FIFTH SUPPLEMENTAL INDENTURE

DATED AS OF JANUARY 30, 2002

$45,000,000

SERIES E 6.00% SENIOR NOTES

DUE JANUARY 30, 2012

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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 FIFTH SUPPLEMENTAL INDENTURE is made as of the 30th day of January, 2002, by and between GULF POWER COMPANY, a Maine corporation, One Energy Place, Pensacola, Florida 32520-0100 (the "Company"), and JPMORGAN CHASE 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 Senior Note Indenture, dated as of January 1, 1998 (the "Original Indenture"), with JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank), as heretofore supplemented;

WHEREAS, the Original Indenture is incorporated herein by this reference and the Original Indenture, as heretofore supplemented and as further supplemented by this Fifth Supplemental Indenture, is herein called the "Indenture";

WHEREAS, under the Original Indenture, a new series of Senior Notes may at any time be established pursuant to a supplemental indenture executed by the Company and the Trustee;

WHEREAS, the Company proposes to create under the Indenture a new series of Senior Notes;

WHEREAS, additional Senior 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 and delivery of this Fifth 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 E Senior Notes

SECTION 101. Establishment. There is hereby established a new series of Senior Notes to be issued under the Indenture, to be designated as the Company's Series E 6.00% Senior Notes due January 30, 2012 (the "Series E Notes").

There are to be authenticated and delivered $45,000,000 principal amount of Series E Notes, and such principal amount of the Series E Notes may be increased from time to time pursuant to Section 301 of the Original Indenture. All Series E Notes need not be issued at the

same time and such series may be reopened at any time, without the consent of any Holder, for issuances of additional Series E Notes. Any such additional Series E Notes will have the same interest rate, maturity and other terms as those initially issued. No Series E Notes shall be authenticated and delivered in excess of the principal amount as so increased except as provided by Sections 203, 303, 304, 907 or 1107 of the Original Indenture. The Series E Notes shall be issued in definitive fully registered form.

The Series E Notes shall be issued in the form of one Global Security in substantially the form set out in Exhibit A hereto. The Depositary with respect to the Series E Notes shall be The Depository Trust Company.

The form of the Trustee's Certificate of Authentication for the Series E Notes shall be in substantially the form set forth in Exhibit B hereto.

Each Series E 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.

"Insurance Trustee" means The Bank of New York, New York, New York, or any successor thereto, as the Insurance Trustee under the Policy.

"Insurer" means Ambac Assurance Corporation, a Wisconsin-domiciled stock insurance corporation.

"Interest Payment Dates" means January 1, April 1, July 1 and October 1 of each year, commencing April 1, 2002.

"Original Issue Date" means January 30, 2002.

"Policy" means the financial guaranty insurance policy issued by the Insurer with respect to payments due for principal of and interest on the Series E Notes as provided in such policy.

"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 January 30, 2012.

SECTION 103. Payment of Principal and Interest. The principal of the Series E Notes shall be due at Stated Maturity (unless earlier redeemed). The unpaid principal amount of the Series E Notes shall bear interest at the rate of 6.00% 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 E 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 E 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, notice whereof shall be given to Holders of the Series E 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 E 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 E Notes will include interest accrued to but excluding the respective Interest Payment Dates. Interest payments for the Series E 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 E 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 (and without any interest or other payment in respect of any such delay), with the same force and effect as if made on the date the payment was originally payable.

Payment of the principal and interest due at the Stated Maturity or earlier redemption of the Series E Notes shall be made upon surrender of the Series E Notes at the Corporate Trust Office of the Trustee. The principal of and interest on the Series E Notes shall be paid 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 or other electronic 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 E Notes may be issued in the denominations of $1,000 or any integral multiple thereof.

SECTION 105. Global Securities. The Series E 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 E Notes represented by the Global Securities will not be exchangeable for, and will not otherwise be issuable as, Series E 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 E 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 E 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 by the Company, 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 by the Company, in each case within 90 days after the Company receives such notice or becomes aware of such cessation, (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 E Notes. Any Global Security that is exchangeable pursuant to the preceding sentence shall be exchangeable for Series E 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 E 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 E Notes except to the Insurer during a period beginning at the opening of business fifteen (15) days before the day of the mailing of a notice pursuant to Section 1104 of the Original Indenture identifying the serial numbers of the Series E 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 E Notes theretofore selected for redemption in whole or in part, except the unredeemed portion of any Series E Note redeemed in part.

SECTION 107. Redemption. The Series E 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 30, 2003, at a Redemption Price equal to 100% of the principal amount to be redeemed plus accrued but unpaid interest to the Redemption Date.

In the event of redemption of the Series E Notes in part only, a new Series E 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 E 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 E Notes shall, with respect to the principal thereof, be divisible by $1,000.

ARTICLE 2

Special Insurance Provisions

SECTION 201. Supplemental Indentures. The consent of the Insurer shall be required with respect to any indenture or indentures supplemental to the Original Indenture requiring the consent of the Holders of the Series E Notes pursuant to Section 902 of the Original Indenture.

SECTION 202. Events of Default and Remedies. Subject to Section 107 of the Original Indenture and to the Trust Indenture Act, including, without limitation, Sections 316(a)(1) and 317(a) thereof, if an Event of Default with respect to the Series E Notes occurs and is continuing, the Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the Holders of the Series E Notes or the Trustee for the benefit of the Holders of the Series E Notes under the Indenture, including, without limitation (i) the right to accelerate the principal of the Series E Notes as provided in Section 502 of the Original Indenture and (ii) the right to annul any such declaration of acceleration, and the Insurer shall also be entitled to approve any waiver of an Event of Default with respect to the Series E Notes, the obligation of the Trustee to comply with any such direction to be subject to compliance with the conditions set forth in Sections 512 and 603(e) of the Original Indenture (as if references in those Sections to Holders were references to the Insurer) and the protections provided to the Trustee by Section 601(c)(3) of the Original Indenture shall be applicable with respect to any direction from the Insurer given pursuant hereto (as if references in said Section to Holders were references to the Insurer).

In addition to the Events of Default listed in the Original Indenture, the occurrence and continuance of an "Event of Default" under the Insurance Agreement dated as of January 30, 2002 between the Company and the Insurer, as the same may be amended, shall also constitute an Event of Default with respect to the Series E Notes.

SECTION 203. Insurance Policy Payment Procedures. (a) The Insurer will make payments of principal or interest due on the Series E Notes in accordance with the Policy on or before the first (1st) Business Day next following the date on which the Insurer shall have received notice of Nonpayment (as defined in the Policy) from the Trustee.

(b) In the event of Nonpayment and notification thereof to the Insurer, the Security Registrar shall make available to the Insurer and, at the Insurer's direction, to the Insurance Trustee, the books kept by the Security Registrar for the registration and for the registration of transfer of Series E Notes as provided in the Indenture.

(c) The Trustee shall, at the time it provides notice to the Insurer pursuant to (a) above, notify Holders of Series E Notes entitled to receive the payment of principal or interest thereon from the Insurer (i) as to the fact of such entitlement, (ii) that the Insurer will remit to them all or a part of the interest payments next coming due upon proof of Holder entitlement to

interest payments and delivery to the Insurance Trustee, in form satisfactory to the Insurance Trustee, of an appropriate assignment of the Holder's right to payment, (iii) that should they be entitled to receive full payment of principal from the Insurer, they must surrender their Series E Notes (along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee to permit ownership of such Series E Notes to be registered in the name of the Insurer) for payment to the Insurance Trustee, and not the Trustee or any Paying Agent and (iv) that should they be entitled to receive partial payment of principal from the Insurer, they must surrender their Series E Notes for payment thereon first to the Trustee, who shall note on such Series E Notes the portion of the principal paid by the Trustee, and then, along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee, to the Insurance Trustee, which will then pay the unpaid portion of principal.

(d) In the event that the Trustee has notice that any payment of principal of or interest on a Series E Note which has become Due for Payment (as defined in the Policy) and which is made to a Holder by or on behalf of the Company has been deemed a preferential transfer and theretofore recovered from its Holder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction, the Trustee shall, at the time the Insurer is notified pursuant to (a) above, notify all Holders of the Series E Notes that in the event that any Holder's payment is so recovered, such Holder will be entitled to payment from the Insurer to the extent of such recovery if sufficient funds are not otherwise available, and the Trustee shall furnish to the Insurer its records evidencing the payments of principal of and interest on the Series E Notes which have been made by the Trustee and subsequently recovered from Holders and the dates on which such payments were made.

(e) In addition to those rights granted the Insurer under the Indenture, the Insurer shall, to the extent it makes payment of principal of or interest on Series E Notes, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Policy, and to evidence such subrogation (i) in the case of subrogation as to claims for past due interest, the Trustee shall note the Insurer's rights as subrogee on the registration books of the Company maintained by the Trustee upon receipt from the Insurer of proof of the payment of interest thereon to the Holders of the Series E Notes and (ii) in the case of subrogation as to claims for past due principal, the Trustee shall note the Insurer's rights as subrogee on the registration books of the Company maintained by the Trustee upon surrender of the Series E Notes by the Holders thereof together with proof of the payment of principal thereof.

SECTION 204. Application of Term "Outstanding" to Series E Notes. In the event that the principal and/or interest due on the Series E Notes shall be paid by the Insurer pursuant to the Policy, the Series E Notes shall remain Outstanding for all purposes of the Indenture, not be considered defeased or otherwise satisfied and not be considered paid by the Company, and the assignment and pledge of the Indenture and all covenants, agreements and other obligations of the Company to the Holders of the Series E Notes shall continue to exist and shall run to the benefit of the Insurer, and the Insurer shall be subrogated to the rights of such Holders to the extent of each such payment.

SECTION 205. Insurer as Third Party Beneficiary. To the extent that the Indenture confers upon or gives or grants to the Insurer any right, remedy or claim under or by reason of the Indenture, the Insurer is hereby explicitly recognized as being a third-party beneficiary hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder.

SECTION 206. Concerning the Special Insurance Provisions. The provisions of this Article 2 shall apply notwithstanding anything in the Indenture to the contrary, but only so long as the Policy shall be in full force and effect and the Insurer is not in default thereunder.

ARTICLE 3

Miscellaneous Provisions

SECTION 301. Recitals by Company. The recitals in this Fifth 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 E Notes and of this Fifth Supplemental Indenture as fully and with like effect as if set forth herein in full.

SECTION 302. Ratification and Incorporation of Original Indenture. As heretofore supplemented and as supplemented hereby, the Original Indenture is in all respects ratified and confirmed, and the Original Indenture, as heretofore supplemented and as supplemented by this Fifth Supplemental Indenture shall be read, taken and construed as one and the same instrument.

SECTION 303. Executed in Counterparts. This Fifth 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:

By: Susan D. Ritenour
Susan D. Ritenour
Assistant Secretary

GULF POWER COMPANY

By: W E Tate
Warren E. Tate
Vice President, Secretary and Treasurer

ATTEST:

By: Virginia Dominguez
Virginia Dominguez
Trust Officer

JPMORGAN CHASE BANK, as Trustee

By: R Lorenzen
R. Lorenzen
Assistant Vice President

EXHIBIT A

FORM OF SERIES E NOTE

NO. __ CUSIP NO. 402479 BP 3

GULF POWER COMPANY
SERIES E 6.00% SENIOR NOTE
DUE JANUARY 30, 2012

Principal Amount:	$_____
Regular Record Date:	15th calendar day prior to the applicable Interest Payment Date
Original Issue Date:	January 30, 2002
Stated Maturity:	January 30, 2012
Interest Payment Dates:	January 1, April 1, July 1 and October 1
Interest Rate:	6.00% per annum
Authorized Denominations:	$1,000 or any integral multiple thereof
Initial Redemption Date:	January 30, 2003

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 April 1, 2002, 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 (and without any interest or other payment in respect of any such delay), then payment of the interest payable on such date will be made on the next succeeding day that is a Business Day, 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 due at the Stated Maturity or earlier redemption of the Series E Notes shall be made upon surrender of the Series E Notes at the Corporate Trust Office of the Trustee. The principal of and interest on the Series E Notes shall be paid 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.

Financial Guaranty Insurance Policy No. _____ (the "Policy") with respect to payments due for principal of and interest on this Note has been issued by Ambac Assurance Corporation ("Ambac Assurance"). The Policy has been delivered to The Bank of New York, New York, New York, as the Insurance Trustee under said Policy and will be held by such Insurance Trustee or any successor insurance trustee. The Policy is on file and available for inspection at the principal office of the Insurance Trustee and a copy thereof may be secured from Ambac Assurance or the Insurance Trustee. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. The owner of this Note acknowledges and consents to the subrogation rights of Ambac Assurance as more fully set forth in the Policy.

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:

GULF POWER COMPANY

By:_____
Vice President

Attest:

_____
Assistant Secretary

{Seal of GULF POWER COMPANY appears here}

CERTIFICATE OF AUTHENTICATION

This is one of the Senior Notes referred to in the within-mentioned Indenture.

JPMORGAN CHASE BANK,
as Trustee

By:_____
Authorized Officer

(Reverse Side of Note)

This Note is one of a duly authorized issue of Senior Notes of the Company (the "Notes"), issued and issuable in one or more series under a Senior Note Indenture, dated as of January 1, 1998, as supplemented (the "Indenture"), between the Company and JPMorgan Chase Bank (formerly known as 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 E 6.00% Senior Notes due January 30, 2012 (the "Series E Notes") which is unlimited in aggregate principal amount. 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 30, 2003, 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 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 $1,000 or 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		
JT TEN-	as joint tenants with right of survivorship and not as tenants in common	under Uniform Gifts to Minors Act	
		_____	
		(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 Senior Notes referred to in the within-mentioned Indenture.

JPMORGAN CHASE BANK,
as Trustee

By:_____
Authorized Officer

Prospectus Supplement to Prospectus dated June 1, 2001

Ratings:
Standard & Poor's: "AAA"
Moody's: "Aaa"
(See "Ratings" herein)

$45,000,000

GULF POWER
A SOUTHERN COMPANY

Series E 6.00% Senior Notes due January 30, 2012

Gulf Power Company will pay interest on the Series E Senior Notes on January 1, April 1, July 1 and October 1 of each year. The first payment will be made on April 1, 2002. The Series E Senior Notes are redeemable by Gulf Power Company on or after January 30, 2003. The Series E Senior Notes will be issued only in denominations of $1,000 and integral multiples of $1,000.

Payment of the principal of and interest on the Series E Senior Notes when due will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation.

Ambac

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

	Per Series E Senior Note	Total
Initial Public Offering Price*	100%	$45,000,000
Underwriting Discounts and Commissions	2.10%	$ 945,000
Net Proceeds, before expenses, to Gulf Power Company	97.90%	$44,055,000

* The initial public offering price set forth above does not include accrued interest, if any. Interest on the Series E Senior Notes will accrue from the date the Series E Senior Notes are issued.

The underwriters expect to deliver the Series E Senior Notes in book-entry form only through the facilities of The Depository Trust Company against payment in New York, New York on January 30, 2002.

A.G. Edwards & Sons, Inc. *SunTrust Robinson Humphrey*

The date of this Prospectus Supplement is January 18, 2002

THE COMPANY

Gulf Power 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 mailing address of the Company's principal executive offices is One Energy Place, Pensacola, Florida 32520-0100, and the telephone number is (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.

SELECTED FINANCIAL INFORMATION

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 herein, in the accompanying Prospectus or in the documents incorporated herein by reference.

	Year Ended December 31,					Twelve Months Ended
	1996	1997	1998	1999	2000	September 30, 2001
	(Thousands, except ratios)					(unaudited)
Operating Revenues	$634,365	$625,856	$650,518	$674,099	$714,319	$733,243
Earnings Before Interest and Income Taxes	131,856	124,428	120,946	119,576	116,892	123,468
Net Income After Dividends on Preferred Stock	57,845	57,610	56,521	53,667	51,843	59,448
Ratio of Earnings to Fixed Charges(1)	4.29	4.18	3.83	3.62	3.38	3.82

	Capitalization As of September 30, 2001		
	Actual	As Adjusted(2)	
	(Thousands, except percentages)		
Common Stock Equity	$509,219	$ 509,219	44.5%
Cumulative Preferred Stock	4,236	4,236	0.4
Company Obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trusts Holding Company Junior Subordinated Notes	85,000	115,000	10.1
Senior Notes	157,396	277,396	24.2
Other Long-Term Debt	238,135	238,135	20.8
Total	$993,986	$1,143,986	100.0%

(1) This ratio is computed as follows: (i) "Earnings" have been calculated by adding to "Earnings Before Interest and Income Taxes" 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.

(2) Reflects (i) the issuance in October 2001 of $75,000,000 aggregate principal amount of Series D 6.10% Senior Notes due September 30, 2016; (ii) the issuance in November 2001 by Gulf Power Capital Trust III of $30,000,000 aggregate liquidation amount of its 7.375% Trust Preferred Securities for the benefit of the Company; and (iii) the issuance of the Series E Senior Notes offered hereby.

USE OF PROCEEDS

The proceeds from the sale of the Series E Senior Notes will be used by the Company to finance certain construction costs incurred in connection with Plant Smith Unit 3, the Company's 574 megawatt combined cycle facility currently under construction, and for general corporate purposes.

RECENT RESULTS OF OPERATIONS

For the twelve months ended September 30, 2001, ''Operating Revenues,'' ''Earnings Before Interest and Income Taxes'' and ''Net Income After Dividends on Preferred Stock'' were $733,243,000, $123,468,000 and $59,448,000, respectively. In the opinion of the management of the Company, the above amounts for the twelve months ended September 30, 2001 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 September 30, 2001 was 3.82.

DESCRIPTION OF THE SERIES E SENIOR NOTES

Set forth below is a description of the specific terms of the Series E 6.00% Senior Notes due January 30, 2012 (the ''Series E Senior Notes''). This description supplements, and should be read together with, the description of the general terms and provisions of the Senior Notes set forth in the accompanying Prospectus under the caption ''Description of the Senior 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 Senior Note Indenture dated as of January 1, 1998, as supplemented (the ''Senior Note Indenture''), between the Company and JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank), as trustee (the ''Senior Note Indenture Trustee'').

General

The Series E Senior Notes will be issued as a series of Senior Notes under the Senior Note Indenture. The Series E Senior Notes will initially be issued in the aggregate principal amount of $45,000,000. The Company may, without the consent of the holders of the Series E Senior Notes, issue additional notes having the same ranking and the same interest rate, maturity and other terms as the Series E Senior Notes. Any additional notes having such similar terms, together with the Series E Senior Notes, will constitute a single series of Senior Notes under the Senior Note Indenture.

The entire principal amount of the Series E Senior Notes will mature and become due and payable, together with any accrued and unpaid interest thereon, on January 30, 2012. The Series E Senior Notes are not subject to any sinking fund provision. The Series E Senior Notes are available for purchase in denominations of $1,000 and any integral multiple thereof.

Interest

Each Series E Senior Note shall bear interest at the rate of 6.00% per annum (the ''Securities Rate'') from the date of original issuance, payable quarterly in arrears on January 1, April 1, July 1 and October 1 of each year to the person in whose name such Series E Senior Note is registered at the close of business on the fifteenth calendar day prior to such payment date. The initial interest payment date is April 1, 2002. 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 E Senior 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), with the same force and effect as if made on such date.

Ranking

The Series E Senior Notes will be direct, unsecured and unsubordinated obligations of the Company ranking *pari passu* with all other unsecured and unsubordinated obligations of the Company. The Series E Senior Notes will be effectively subordinated to all secured debt of the Company, including its first mortgage bonds, aggregating approximately $224,700,000 outstanding at September 30, 2001. See ''Selected Financial Information'' in this Prospectus Supplement. The Senior Note Indenture contains no restrictions on the amount of additional indebtedness that may be incurred by the Company.

Optional Redemption

The Company shall have the right to redeem the Series E Senior Notes, in whole or in part, without premium, from time to time, on or after January 30, 2003, upon not less than 30 nor more than 60 days' notice, at a redemption price (the "Redemption Price") equal to 100% of the principal amount to be redeemed plus any accrued and unpaid interest to the date of redemption (the "Redemption Date").

If notice of redemption is given as aforesaid, the Series E Senior Notes so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price together with any accrued interest thereon, and from and after such date (unless the Company shall default in the payment of the Redemption Price and accrued interest) such Series E Senior Notes shall cease to bear interest. If any Series E Senior Note called for redemption shall not be paid upon surrender thereof for redemption, the principal shall, until paid, bear interest from the Redemption Date at the Securities Rate. See "Description of the Senior 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 E Senior Notes by tender, in the open market or by private agreement.

Events of Default

In addition to the Events of Default described under "Description of the Senior Notes" in the accompanying Prospectus, the occurrence and continuance of an event of default under the Insurance Agreement (as defined under "The Policy and the Insurer") shall also constitute an Event of Default with respect to the Series E Senior Notes. An event of default under the Insurance Agreement includes a default by the Company on certain payment obligations thereunder, failure by the Company in the observance of certain representations and covenants thereunder and certain bankruptcy events of the Company.

Special Insurance Provisions of the Senior Note Indenture

Subject to the provisions of the Senior Note Indenture, so long as the Insurer is not in default under the Policy (each as defined herein), the Insurer shall be entitled to control and direct the enforcement of all rights and remedies with respect to the Series E Senior Notes upon the occurrence and continuation of an Event of Default (as defined in the Senior Note Indenture).

Book-Entry Only Issuance—The Depository Trust Company

The Depository Trust Company ("DTC") will act as the initial securities depositary for the Series E Senior Notes. The Series E Senior 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 E Senior Notes certificates will be issued, representing in the aggregate the total principal amount of Series E Senior 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 Securities Exchange Act of 1934, as amended (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 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 (''Indirect Participants''). The rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission (the ''Commission'').

Purchases of Series E Senior Notes within the DTC system must be made by or through Direct Participants, which will receive a credit for the Series E Senior Notes on DTC's records. The ownership interest of each actual purchaser of Series E Senior 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 E Senior Notes. Transfers of ownership interests in the Series E Senior 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 E Senior Notes, except in the event that use of the book-entry system for the Series E Senior Notes is discontinued.

DTC has no knowledge of the actual Beneficial Owners of the Series E Senior Notes. DTC's records reflect only the identity of the Direct Participants to whose accounts such Series E Senior 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.

Redemption notices shall be sent to DTC. If less than all of the Series E Senior Notes are being redeemed, DTC will reduce the amount of the interest of each Direct Participant in the Series E Senior Notes in accordance with its procedures.

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.

Although voting with respect to the Series E Senior 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 E Senior 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 E Senior Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Series E Senior 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 of a global Series E Senior Note will not be entitled to receive physical delivery of Series E Senior Notes. Accordingly, each Beneficial Owner must rely on the procedures of DTC to exercise any rights under the Series E Senior 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 E Senior Note.

DTC may discontinue providing its services as securities depositary with respect to the Series E Senior 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 E Senior Notes 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 E Senior Notes. In that event, certificates for the Series E Senior 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.

THE POLICY AND THE INSURER

The information set forth in this section has been provided by Ambac Assurance Corporation (the "Insurer"). No representation is made by the Company or the Underwriters as to the accuracy or completeness of any such information.

The Policy

The Insurer and the Company will enter into an insurance agreement (the "Insurance Agreement") pursuant to which the Insurer will issue a financial guaranty insurance policy relating to the Series E Senior Notes (the "Policy"), the form of which is attached to this Prospectus Supplement as Appendix A. The following summary of the terms of the Policy does not purport to be complete and is qualified in its entirety by reference to the Policy.

The Insurer has made a commitment to issue the Policy effective as of the date of issuance of the Series E Senior Notes. Under the terms of the Policy, the Insurer will pay to The Bank of New York, in New York, New York, or any successor thereto (the "Insurance Trustee") that portion of the principal of and interest on the Series E Senior Notes which shall become Due for Payment but shall be unpaid by reason of Nonpayment (as such terms are defined in the Policy) by the Company. The Insurer will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which the Insurer shall have received notice of Nonpayment from the Senior Note Indenture Trustee. The insurance will extend for the term of the Series E Senior Notes and, once issued, cannot be canceled by the Insurer.

The Policy will insure payment only on the stated maturity date, in the case of principal, and on interest payment dates, in the case of interest. In the event of any acceleration of the principal of the Series E Senior Notes, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration.

In the event the Senior Note Indenture Trustee has notice that any payment of principal of or interest on a Series E Senior Note which has become Due for Payment and which is made to a holder by or on behalf of the Company has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from the Insurer to the extent of such recovery if sufficient funds are not otherwise available.

The Policy does **not** insure any risk other than Nonpayment, as defined in the Policy. Specifically, the Policy does **not** cover:

1. payment on acceleration, as a result of a call for redemption or as a result of any other advancement of maturity.
2. payment of any redemption, prepayment or acceleration premium.
3. nonpayment of principal or interest caused by the insolvency or negligence of the Senior Note Indenture Trustee.

If it becomes necessary to call upon the Policy, payment of principal requires surrender of Series E Senior Notes to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Series E Senior Notes to be registered in the name of the Insurer to the extent of the payment under the Policy. Payment of interest pursuant to the Policy requires proof of holder entitlement to interest payments and an appropriate assignment of the holder's right to payment to the Insurer.

Upon payment of the insurance benefits, the Insurer will become the owner of the Series E Senior Note or the right to payment of principal or interest on such Series E Senior Note and will be fully subrogated to the surrendering holder's rights to payment.

The Insurer

The Insurer is a Wisconsin-domiciled stock insurance corporation regulated by the office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Commonwealth of Puerto Rico and Guam. The Insurer primarily insures newly issued municipal and structured finance obligations. The Insurer is a wholly-owned subsidiary of Ambac Financial Group, Inc. (formerly AMBAC Inc.), a 100% publicly-held company. Moody's Investors Service, Inc. (''Moody's''), Standard & Poor's Credit Markets Services, a division of the McGraw-Hill Companies, Inc. (''S&P''), and Fitch IBCA, Inc. have each assigned a triple-A financial strength rating to the Insurer.

The consolidated financial statements of the Insurer and subsidiaries as of December 31, 2000 and December 31, 1999, and for each of the years in the three-year period ended December 31, 2000, prepared in accordance with accounting principles generally accepted in the United States of America, included in the Annual Report on Form 10-K of Ambac Financial Group, Inc. (which was filed with the Commission on March 28, 2001, Commission File Number 1-10777), the unaudited consolidated financial statements of the Insurer and its subsidiaries as of March 31, 2001 and for the periods ending March 31, 2001 and March 31, 2000 included in the Quarterly Report on Form 10-Q of Ambac Financial Group, Inc. (filed with the Commission on May 15, 2001); June 30, 2001 and for the periods ending June 30, 2001 and June 30, 2000 included in the Quarterly Report on Form 10-Q of Ambac Financial Group, Inc. (filed with the Commission on August 10, 2001) and September 30, 2001 for the periods ending September 30, 2001 and September 30, 2000 included in the Quarterly Report on Form 10-Q of the Ambac Financial Group, Inc. (which was filed with the Commission on November 14, 2001), and Current Reports on Form 8-K filed with the Commission on January 24, 2001, March 19, 2001, July 23, 2001, September 17, 2001, September 19, 2001 and October 22, 2001, as it related to the Insurer, are hereby incorporated by reference into this prospectus supplement and shall be deemed to be a part hereof. Any statement contained in a document incorporated herein by reference shall be modified or superseded for the purposes of this Prospectus Supplement to the extent that a statement contained herein or in any other subsequently filed document which also is 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 Supplement.

All financial statements of the Insurer and its subsidiaries included in documents filed by Ambac Financial Group, Inc. 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 Supplement and prior to the termination of the offering of the Series E Senior Notes shall be deemed to be incorporated by reference into this Prospectus Supplement and to be a part hereof from the respective dates of filing such financial statements.

The following table sets forth the capitalization of the Insurer as of December 31, 1999, December 31, 2000 and September 30, 2001 in conformity with accounting principles generally accepted in the United States of America.

Ambac Assurance Corporation and Subsidiaries
Consolidated Capitalization Table
(Dollars in Millions)

	December 31, 1999	December 31, 2000	September 30, 2001 (unaudited)
Unearned premiums	$1,442	$1,556	$1,730
Other liabilities	524	581	954
	1,966	2,137	2,684
Stockholder's equity:			
Common Stock	82	82	82
Additional paid-in capital	752	760	760
Accumulated other comprehensive (loss) income	(92)	82	135
Retained earnings	1,674	2,002	2,271
Total stockholder's equity	2,416	2,926	3,248
Total liabilities and stockholder's equity	$4,382	$5,063	$5,932

For additional financial information concerning the Insurer, see the audited financial statements of the Insurer incorporated by reference herein. Copies of the financial statements of the Insurer incorporated herein by reference and copies of the Insurer's annual statement for the year ended December 31, 2000 prepared in accordance with statutory accounting standards are available, without charge, from the Insurer. The address of the Insurer's administrative offices and its telephone number are One State Street Plaza, 19th Floor, New York, New York 10004 and (212) 668-0340.

The Insurer makes no representation regarding the Series E Senior Notes or the advisability of investing in the Series E Senior Notes and makes no representation regarding, nor has it participated in the preparation of, this Prospectus Supplement other than the information supplied by the Insurer and presented under this heading "The Policy and the Insurer" and in the financial statements incorporated herein by reference.

RATINGS

It is anticipated that S&P and Moody's will assign the Series E Senior Notes the ratings set forth on the cover page hereof conditioned upon the issuance and delivery by the Insurer at the time of delivery of the Series E Senior Notes of the Policy, insuring the timely payment of the principal of and interest on the Series E Senior Notes. Such ratings reflect only the views of such rating agencies, and an explanation of the significance of such ratings may be obtained only from such rating agencies at the following addresses: Moody's Investors Service, Inc., 99 Church Street, New York, New York 10007; Standard & Poor's, 25 Broadway, New York, New York 10004. There is no assurance that such ratings will remain in effect for any period of time or that they will not be revised downward or withdrawn entirely by said rating agencies if, in their judgment, circumstances warrant. Neither the Company nor any Underwriter has undertaken any responsibility to oppose any proposed downward revision or withdrawal of a rating on the Series E Senior Notes. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series E Senior Notes.

At present, each of such rating agencies maintains four categories of investment grade ratings. They are for S&P—AAA, AA, A and BBB and for Moody's—Aaa, Aa, A and Baa. S&P defines "AAA" as the highest rating assigned to a debt obligation. Moody's defines "Aaa" as representing the best quality debt obligation carrying the smallest degree of investment risk.

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, 2000, incorporated by reference herein, 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.

The consolidated financial statements of the Insurer, Ambac Assurance Corporation, as of December 31, 2000 and 1999 and for each of the years in the three-year period ended December 31, 2000, are incorporated by reference herein and in the registration statement in reliance upon the report of KPMG Peat Marwick LLP, independent certified public accountants, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing.

UNDERWRITING

Subject to the terms and conditions set forth in the Underwriting Agreement dated the date hereof, the Company has agreed to sell to each of the Underwriters named below and each of the Underwriters severally has agreed to purchase the principal amount of Series E Senior Notes set forth opposite its name below:

Name	Principal Amount of Series E Senior Notes
A.G. Edwards & Sons, Inc.	$37,500,000
SunTrust Capital Markets, Inc.	$ 7,500,000
Total	$45,000,000

The Underwriting Agreement provides that the obligations of the several Underwriters to pay for and accept delivery of the Series E Senior Notes are subject to, among other things, the approval of certain legal matters by their counsel and certain other conditions. The Underwriters are obligated to take and pay for all the Series E Senior Notes if any are taken.

The Underwriters propose initially to offer all or part of the Series E Senior Notes to the public at the public offering price set forth on the cover page of this prospectus supplement and to certain dealers at such price less a concession not in excess of 1.25% of the principal amount of the Series E Senior Notes. The Underwriters may allow, and such dealers may reallow, a discount not in excess of 1.00% of the principal amount of the Series E Senior Notes to certain other dealers. After the initial public offering, the public offering price, concession and discount may be changed.

The underwriting discounts and commissions to be paid to the Underwriters by the Company with this offering will be 2.10% per Series E Senior Note, for a total of $945,000. In addition, the Company estimates that it will incur other offering expenses of approximately $525,000, which includes the initial premium for the Policy.

In order to facilitate the offering of the Series E Senior Notes, the Underwriters or their affiliates may engage in transactions that stabilize, maintain or otherwise affect the price of the Series E Senior Notes. Specifically, the Underwriters or their affiliates may over-allot in connection with this offering, creating short positions in the Series E Senior Notes for their own account. In addition, to cover over-allotments or to stabilize the price of the Series E Senior Notes, the Underwriters or their affiliates may bid for, and purchase Series E Senior Notes in the open market. Finally, the Underwriters or their affiliates may reclaim selling concessions allowed to an underwriter or dealer for distributing Series E Senior Notes in this offering, if the Underwriters or their affiliates repurchase previously distributed Series E Senior Notes in transactions that cover syndicate short positions, in stabilization transactions or otherwise. Any of these activities may stabilize or maintain the market price of the Series E Senior Notes above independent market levels. The Underwriters or their affiliates are not required to engage in these activities, and may end any of these activities at any time.

Neither the Company nor any Underwriter 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 E Senior Notes. In addition, neither the Company nor any Underwriter makes any representation that such transactions will be engaged in or that such transactions, once commenced, will not be discontinued without notice.

The Company has agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended.

The Underwriters and their affiliates engage in transactions with and perform services for the Company in the ordinary course of business and have engaged, and may in the future engage, in commercial banking and/or investment banking transactions with the Company or its affiliates.

The Series E Senior Notes will not have an established trading market when issued. There can be no assurance of a secondary market for the Series E Senior Notes or the continued liquidity of such market if one develops. It is not anticipated that the Series E Senior Notes will be listed on any securities exchange.

APPENDIX A

FORM OF POLICY

Ambac

Financial Guaranty Insurance Policy

Ambac Assurance Corporation
One State Street Plaza, 15th Floor
New York, New York 10004
Telephone: (212) 668-0340

Obligor:

Policy Number:

Obligations:

Premium:

Ambac Assurance Corporation (Ambac), a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations or related coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights to payment thereon.

In cases where the Obligations are issued in registered form, the Insurance Trustee shall disburse principal to a Holder only upon presentation and surrender to the Insurance Trustee of the unpaid Obligation, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, so as to permit ownership of such Obligation to be registered in the name of Ambac or its nominee. The Insurance Trustee shall disburse interest to a Holder of a registered Obligation only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Obligation and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, transferring to Ambac all rights under such Obligation to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all of the Holders' rights to payment on registered Obligations to the extent of any insurance disbursements so made.

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Obligations prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

President

AMBAC ASSURANCE CORPORATION CORPORATE SEAL WISCONSIN

Secretary

Effective Date:

Authorized Representative

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Authorized Officer of Insurance Trustee

Form No.: 2B-0012 (1/01)

PROSPECTUS

$350,000,000

Gulf Power Company

Senior Notes

Junior Subordinated Notes

Gulf Power Capital Trust III
Gulf Power Capital Trust IV

Trust Preferred Securities

Fully and unconditionally guaranteed, as set forth herein, by

Gulf Power Company

a subsidiary of The Southern Company

We will provide the specific terms of these securities in supplements to this Prospectus. You should read this Prospectus and the applicable prospectus supplement carefully before you invest.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this Prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

June 1, 2001

ABOUT THIS PROSPECTUS

This Prospectus is part of a registration statement filed with the Securities and Exchange Commission (the "Commission") using a "shelf" registration process under the Securities Act of 1933, as amended (the "1933 Act"). Under the shelf process, Gulf Power Company (the "Company") may sell, in one or more transactions,

- senior notes (the "Senior Notes")
- junior subordinated notes (the "Junior Subordinated Notes")

and Gulf Power Capital Trust III and Gulf Power Capital Trust IV (individually, a "Trust" and collectively, the "Trusts") may sell

- trust preferred securities or capital securities (the "Preferred Securities")

in one or more offerings up to a total dollar amount of $350,000,000. This Prospectus provides a general description of those securities. Each time the Company sells securities, the Company will provide a prospectus supplement that will contain specific information about the terms of that offering ("Prospectus Supplement"). The Prospectus Supplement may also add, update or change information contained in this Prospectus. You should read this Prospectus and the applicable Prospectus Supplement together with additional information under the heading "Available Information."

AVAILABLE INFORMATION

The Company and the Trusts have filed with the Commission a combined registration statement on Form S-3 (the "Registration Statement," which term encompasses any amendments thereof and exhibits thereto) under 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.

No separate financial statements of any Trust are included herein. The Company considers that such statements would not be material to holders of the Preferred 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 (as defined below) 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, 2000; and

(b) the Company's Current Report on Form 8-K dated February 28, 2001.

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, One Energy Place, Pensacola, Florida 32520, telephone: (850) 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, 2000	370,119
Generating Capacity at December 31, 2000 (kilowatts)	2,188,150
Sources of Generation during 2000 (kilowatt-hours)	Coal (98%), Gas and Oil (2%)
Sources of Generation Estimated for 2001 (kilowatt-hours)	Coal (98%), Gas and Oil (2%)

Certain Ratios

The following table sets forth the Ratios of Earnings to Fixed Charges and Earnings to Fixed Charges Plus Preferred Dividend Requirements (Pre-Income Tax Basis) for the periods indicated.

	Year Ended December 31,				
	1996	1997	1998	1999	2000
Ratio of Earnings to Fixed Charges(1)	4.29	4.18	3.83	3.62	3.38
Ratio of Earnings to Fixed Charges Plus Preferred Dividend Requirements (Pre-Income Tax Basis)(2)	3.31	3.53	3.72	3.58	3.34

(1) This ratio is computed as follows: (i) "Earnings" have been calculated by adding to "Earnings Before Interest and Income Taxes" 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.

(2) 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.

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 (850) 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, as amended. 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 November 26, 1997, with respect to Gulf Power Capital Trust III, and April 25, 2001, with respect to Gulf Power Capital Trust IV. 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"). The Company will own all of the common securities (the "Common Securities" and, together with the Preferred Securities, the "Trust Securities") of each Trust. The Trust Securities represent undivided beneficial interests in the assets of the respective Trusts. 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. The payment of periodic cash distributions on the Preferred Securities of each Trust and payments on liquidation and redemption with respect to the Preferred Securities of each Trust, in each case to the extent each Trust has funds legally and immediately available therefor, will be guaranteed by the Company (individually, a "Guarantee" and collectively, the "Guarantees") to the extent set forth under "Description of the Guarantees."

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 employees of the Company as Administrative Trustees; The Chase Manhattan Bank as Property Trustee; and Chase Manhattan Bank USA, National Association as Delaware Trustee (collectively, the "Securities Trustees"). 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 (850) 444-6111, Attn: Treasurer.

Reference is made to the Prospectus Supplement relating to the Preferred Securities of a Trust for further information concerning such Trust.

ACCOUNTING TREATMENT OF TRUSTS

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 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 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 Preferred Securities as an expense.

USE OF PROCEEDS

Each Trust will invest the proceeds received from the sale of its Preferred 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 and any proceeds received from the sale of its Senior Notes or other sales of its Junior Subordinated Notes 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.

DESCRIPTION OF THE SENIOR NOTES

Set forth below is a description of the general terms of the Senior Notes. The following description does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the Senior Note Indenture, dated as of January 1, 1998, between the Company and The Chase Manhattan Bank, as trustee (the "Senior Note Indenture Trustee"), as to be supplemented by a supplemental indenture thereto establishing the Senior Notes of each series (the Senior Note Indenture, as so supplemented, is hereinafter referred to as the "Senior 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 Senior Notes will include those stated in the Senior Note Indenture and those made a part of the Senior Note Indenture by reference to the 1939 Act. Certain capitalized terms used herein are defined in the Senior Note Indenture.

General

The Senior Notes will be issued as unsecured senior debt securities under the Senior Note Indenture and will rank *pari passu* with all other unsecured and unsubordinated debt of the Company. The Senior Notes will be effectively subordinated to all secured debt of the Company, including its first mortgage bonds, aggregating approximately $254,700,000 outstanding at December 31, 2000. The Senior Note Indenture does not limit the aggregate principal amount of Senior Notes that may be issued thereunder and provides that Senior Notes may be issued from time to time in one or more series pursuant to an indenture supplemental to the Senior Note Indenture. The Senior Note Indenture gives the Company the ability to reopen a previous issue of Senior Notes and issue additional Senior Notes of such series, unless otherwise provided.

Reference is made to the Prospectus Supplement that will accompany this Prospectus for the following terms of the series of Senior Notes being offered thereby: (i) the title of such Senior Notes; (ii) any limit on the aggregate principal amount of such Senior Notes; (iii) the date or dates on which the principal of such Senior Notes is payable; (iv) the rate or rates at which such Senior 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 Senior 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 Senior 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 Senior Notes; (viii) the denominations in which such Senior Notes shall be issuable; (ix) if other than the principal amount thereof, the portion of the principal amount of such Senior 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 Senior Note Indenture pertaining to such Senior Notes; (xi) whether such Senior Notes shall be issued in whole or in part in the form of a Global Security; and (xii) any other terms of such Senior Notes.

The Senior Note Indenture does not contain provisions that afford holders of Senior Notes protection in the event of a highly leveraged transaction involving the Company.

Events of Default

The Senior Note Indenture provides that any one or more of the following described events with respect to the Senior Notes of any series, which has occurred and is continuing, constitutes an "Event of Default" with respect to the Senior Notes of such series:

(a) failure for 10 days to pay interest on the Senior Notes of such series, when due on an interest payment date other than at maturity or upon earlier redemption; or

(b) failure to pay principal or premium, if any, or interest on the Senior Notes of such series when due at maturity or upon earlier redemption; or

(c) failure for three Business Days to deposit any sinking fund payment when due by the terms of a Senior Note of such series; or

(d) failure to observe or perform any other covenant or warranty of the Company in the Senior Note Indenture (other than a covenant or warranty which has expressly been included therein solely for the benefit of one or more series of Senior Notes other than such series) for 90 days after written notice to the Company from the Senior Note Indenture Trustee or the holders of at least 25% in principal amount of the outstanding Senior Notes of such series; or

(e) 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 Senior Notes of any series have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Senior Note Indenture Trustee with respect to the Senior Notes of such series. If a Senior Note Indenture Event of Default occurs and is continuing with respect to the Senior Notes of any series, then the Senior Note Indenture Trustee or the holders of not less than 25% in aggregate outstanding principal amount of the Senior Notes of such series may declare the principal amount thereof due and payable immediately by notice in writing to the Company (and to the Senior Note 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 Senior 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 Senior Note Indenture, the holders of not less than a majority in aggregate outstanding principal amount of the Senior 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 Senior Note Indenture Trustee a sum sufficient to pay all matured installments of interest and principal due otherwise than by acceleration and all sums paid or advanced by the Senior Note Indenture Trustee, including reasonable compensation and expenses of the Senior Note Indenture Trustee.

The holders of not less than a majority in aggregate outstanding principal amount of the Senior Notes of any series may, on behalf of the holders of all the Senior 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 Senior Note Indenture cannot be modified or amended thereunder without the consent of the holder of each outstanding Senior Note of such series affected thereby.

Registration and Transfer

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

Payment and Paying Agent

Unless otherwise indicated in an applicable Prospectus Supplement, payment of principal of any Senior Notes will be made only against surrender to the Paying Agent of such Senior Notes. Principal of and interest on Senior 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 Senior Notes. Payment of interest on Senior Notes on any interest payment date will be made to the person in whose name the Senior Notes (or predecessor security) are registered at the close of business on the record date for such interest payment.

Unless otherwise indicated in an applicable Prospectus Supplement, the Senior Note Indenture Trustee will act as Paying Agent with respect to the Senior 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 Senior 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 Senior Notes will thereafter look only to the Company for payment thereof.

Modification

The Senior Note Indenture contains provisions permitting the Company and the Senior Note Indenture Trustee, with the consent of the holders of not less than a majority in principal amount of the outstanding Senior Notes of each series affected thereby, to modify the Senior Note Indenture or the rights of the holders of the Senior Notes of such series; provided, that no such modification may, without the consent of the holder of each outstanding Senior Note affected thereby, (i) change the stated maturity of the principal of, or any installment of principal of or interest on, any Senior Note, or reduce the principal amount thereof or the rate of 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 Senior 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 Senior Note Indenture or certain defaults thereunder and their consequences) provided for in the Senior Note Indenture, or (iii) modify any of the provisions of the Senior 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 Senior Note Indenture cannot be modified or waived without the consent of the holder of each outstanding Senior Note affected thereby.

In addition, the Company and the Senior Note Indenture Trustee may execute, without the consent of any holders of Senior Notes, any supplemental indenture for certain other usual purposes, including the creation of any new series of senior 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 Senior Note Indenture Trustee, the payment of the principal of (and premium, if any) and interest on all the Senior Notes and the performance of every covenant of the Senior 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 Senior Note Indenture Trustee an officers' certificate and an opinion of counsel, each stating that such transaction complies with the provisions of the Senior Note Indenture governing consolidation, merger, conveyance, transfer or lease and that all conditions precedent thereto have been complied with.

Information Concerning the Senior Note Indenture Trustee

The Senior Note Indenture Trustee, prior to an Event of Default with respect to Senior Notes of any series, undertakes to perform, with respect to Senior Notes of such series, only such duties as are specifically set forth in the Senior Note Indenture and, in case an Event of Default with respect to Senior Notes of any series has occurred and is continuing, shall exercise, with respect to Senior 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 Senior Note Indenture Trustee is under no obligation to exercise any of the powers vested in it by the Senior Note Indenture at the request of any holder of Senior Notes of any series, unless offered reasonable indemnity by such holder against the costs, expenses and liabilities which might be incurred thereby. The Senior Note 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 Senior Note Indenture Trustee reasonably believes that repayment or adequate indemnity is not reasonably assured to it.

The Chase Manhattan Bank, the Senior Note Indenture Trustee, also serves as Subordinated Note Indenture Trustee, 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 Senior Note Indenture and the Senior 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 Senior 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 Senior Note Indenture will be binding upon and inure to the benefit of the parties thereto and their respective successors and assigns.

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 "Subordinated Note 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. The Subordinated Note Indenture gives the Company the ability to reopen a previous issue of Junior Subordinated Notes and issue additional Junior Subordinated Notes of such series, unless otherwise provided.

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 Preferred Securities of such Trust as described in the Prospectus Supplement relating to such Preferred 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 below)) 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 December 31, 2000, Senior Indebtedness of the Company aggregated approximately $416,000,000.

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 reclassifications 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 Subordinated Note 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 Subordinated Note 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 Subordinated Note 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

Subordinated Note 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 had 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 Subordinated Note 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 Subordinated Note Indenture Trustee, including reasonable compensation and expenses of the Subordinated Note Indenture Trustee.

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 Junior Subordinated Notes of the related series 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 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.

Unless otherwise indicated in an applicable Prospectus Supplement, the Subordinated Note 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 Subordinated Note 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 Notes 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 Subordinated Note 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 Subordinated Note 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 Subordinated Note 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 Subordinated Note Indenture Trustee

The Subordinated Note 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 Subordinated Note 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 Subordinated Note 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 Subordinated Note Indenture Trustee reasonably believes that repayment or adequate indemnity is not reasonably assured to it.

The Chase Manhattan Bank, the Subordinated Note Indenture Trustee, also serves as Senior Note Indenture Trustee, 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 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 PREFERRED SECURITIES

Each Trust may issue only one series of Preferred 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 Preferred Securities of such Trust. The Preferred 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 Preferred Securities of a Trust for specific terms, including (i) the distinctive designation of such Preferred Securities; (ii) the number of Preferred Securities issued by such Trust; (iii) the annual distribution rate (or method of determining such rate) for Preferred Securities of such Trust and the date or dates on which such distributions shall be payable; (iv) whether distributions on such Preferred Securities shall be cumulative and, in the case of Preferred Securities having cumulative distribution rights, the date or dates, or method of determining the date or dates, from which distributions on such Preferred 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 Preferred 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 Preferred Securities and the price or prices at which, the period or periods within which, and the terms and conditions upon which such Preferred Securities shall be purchased or redeemed, in whole or in part, pursuant to such obligation; (vii) the voting rights, if any, of such Preferred Securities in addition to those required by law, including the number of votes per Preferred Security and any requirement for the approval by the holders of Preferred 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 Preferred 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 Preferred Securities not inconsistent with the Trust Agreement of such Trust or applicable law. All Preferred 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 Preferred 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 Preferred 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 Preferred 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 Preferred 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 Preferred 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 Preferred 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 Preferred 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 Preferred Securities of such Trust), the lesser of (a) the aggregate of the liquidation amount and all accrued and unpaid distributions on the Preferred 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 Preferred 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 Preferred 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 Preferred Securities from the time of issuance of such Preferred Securities, but will not apply to the payment of distributions and other payments on such Preferred 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 Preferred 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 Preferred Securities will provide that each holder of Preferred 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.

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 Preferred 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 Preferred Securities. The manner of obtaining any such approval of holders of the Preferred 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 Preferred Securities then outstanding.

Termination

Each Guarantee will terminate and be of no further force and effect as to the related Preferred Securities upon full payment of the Redemption Price of all such Preferred Securities, upon distribution of Junior Subordinated Notes to the holders of such Preferred 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 Preferred Securities must restore payment of any sums paid with respect to such Preferred 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 Preferred 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 Preferred 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 Preferred Securities of any series may, by vote, on behalf of the holders of all the Preferred 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 Preferred 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, as Senior Note Indenture Trustee and as Subordinated Note 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 Preferred Securities or other similar interests in such Trust the amounts due such holders pursuant to the terms of such Preferred Securities or such other similar interests, as the case may be.

RELATIONSHIP AMONG THE PREFERRED 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 Preferred 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 Preferred 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 Preferred 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 Preferred 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 Preferred 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 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 Junior Subordinated Notes of the related series 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 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 Preferred Securities to which such Guarantee relates 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 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 Preferred 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 Preferred 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 Preferred Securities) pursuant to the related Agreement as to Expenses and Liabilities, the positions of a holder of Preferred 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.

PLAN OF DISTRIBUTION

The Company may sell the Senior Notes and the Junior Subordinated Notes and the Trusts may sell the Preferred 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 Senior Notes, Junior Subordinated Notes or Preferred Securities will set forth the terms of the offering of such Senior Notes, Junior Subordinated Notes or Preferred Securities, including the name or names of any underwriters or agents, the purchase price of such Senior Notes, Junior Subordinated Notes or Preferred 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 Senior Notes, Junior Subordinated Notes or Preferred Securities may be listed.

If underwriters participate in the sale, such Senior Notes, Junior Subordinated Notes or Preferred 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 Senior Notes, Junior Subordinated Notes or Preferred Securities will be subject to certain conditions precedent and the underwriters will be obligated to purchase all of such series of Senior Notes, Junior Subordinated Notes or Preferred 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 Senior Notes, Junior Subordinated Notes or Preferred Securities will be a new issue of securities and will have no established trading market. Any underwriters to whom Senior Notes, Junior Subordinated Notes or Preferred Securities are sold for public offering and sale may make a market in such Senior Notes, Junior Subordinated Notes or Preferred Securities, but such underwriters will not be obligated to do so and may discontinue any market making at any time without notice. The Senior Notes, Junior Subordinated Notes or Preferred 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 Preferred 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 Senior Notes, 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 LLP, 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, 2000, 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.

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$45,000,000

GULF POWER
A SOUTHERN COMPANY

Series E 6.00% Senior Notes due January 30, 2012

PROSPECTUS SUPPLEMENT

A.G. Edwards & Sons, Inc.
SunTrust Robinson Humphrey

January 18, 2002

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January 30, 2002

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GULF POWER COMPANY
SERIES E 6.00% SENIOR NOTES DUE JANUARY 30, 2012

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 $45,000,000 aggregate principal amount of its Series E 6.00% Senior Notes due January 30, 2012 (the "Notes") pursuant to the Senior Note Indenture dated as of January 1, 1998, by and between the Company and JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank), as trustee (the "Trustee"), as heretofore supplemented and as further supplemented by the Fifth Supplemental Indenture dated as of January 30, 2002 (collectively, the "Indenture") and (ii) the purchase by you of the Notes pursuant to the terms of an Underwriting Agreement dated January 18, 2002 (the "Underwriting Agreement"), among the Company and you. This opinion is being delivered to you 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. 333-59942, 333-59942-01 and 333-59942-02) 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 June 1, 2001, as supplemented by the prospectus supplement dated January 18, 2002 (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, 2000, the Quarterly Reports on Form 10-Q of the Company for the quarters ended March 31, 2001, June 30, 2001 and September 30, 2001 and

the Current Reports on Form 8-K of the Company dated February 28, 2001, July 31, 2001, October 5, 2001, November 8, 2001 and January 18, 2002 (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 Georgia law and the federal law of the United States upon the opinion dated the date hereof rendered to you by Troutman Sanders LLP and relying as to matters of New York law upon the opinion dated the date hereof rendered to you by Dewey Ballantine 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 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, assuming the due authorization, execution and delivery thereof by the 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 Trustee in the manner provided in the Indenture and delivered to and paid for by you 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 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 18, 2002, 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 and with respect to information set forth in the Final Supplemented Prospectus under the captions "Description of the Series E Senior Notes – Book-Entry Only Issuance – The Depository Trust Company" and "The Policy and the Insurer" and in Appendix A thereto.

We are members of the Florida Bar and we do not express any opinion herein concerning any law other than the law of the States of Maine, Florida and Mississippi and, to the extent set forth herein, the laws of the States of Georgia and 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 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 Maine, Florida and Mississippi law.

Very truly yours,

Beggs & Lane

BEGGS & LANE

TROUTMAN SANDERS LLP
ATTORNEYS AT LAW
A LIMITED LIABILITY PARTNERSHIP

1300 I STREET, N.W., SUITE 500 EAST
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8 CONNAUGHT PLACE
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TELEPHONE: 852-2533-7888
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January 30, 2002

A.G. Edwards & Sons, Inc.
SunTrust Capital Markets, Inc.

c/o A.G. Edwards & Sons, Inc.
One North Jefferson
St. Louis, Missouri 63103

GULF POWER COMPANY
SERIES E 6.00% SENIOR NOTES DUE JANUARY 30, 2012

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 $45,000,000 aggregate principal amount of its Series E 6.00% Senior Notes due January 30, 2012 (the "Notes") pursuant to the Senior Note Indenture dated as of January 1, 1998, by and between the Company and JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank), as trustee (the "Trustee"), as heretofore supplemented and as further supplemented by the Fifth Supplemental Indenture dated as of January 30, 2002 (collectively, the "Indenture") and (ii) the purchase by you of the Notes pursuant to the terms of an Underwriting Agreement dated January 18, 2002 (the "Underwriting Agreement"), among the Company and you. This opinion is being delivered to you 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. 333-59942, 333-59942-01 and 333-59942-02) 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 June 1, 2001, as supplemented by the prospectus supplement dated January 18, 2002 (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, 2000, the Quarterly Reports on Form 10-Q of the Company for the quarters ended March 31, 2001, June 30, 2001 and September 30, 2001 and the Current Reports on Form 8-K of the Company dated February 28, 2001, July 31, 2001, October 5, 2001, November 8, 2001 and January 18, 2002 (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 LLP, and as to matters of Maine, Florida and Mississippi law upon the opinion dated the date hereof rendered to you by Beggs & Lane, a Registered Limited Liability Partnership ("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 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, assuming the due authorization, execution and delivery thereof by the 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 Trustee in the manner provided in the Indenture and delivered to and paid for by you 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 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 18, 2002, 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 and with respect to information set forth in the Final Supplemented Prospectus under the captions "Description of the Series E Senior Notes – Book-Entry Only Issuance – The Depository Trust Company" and "The Policy and the Insurer" or in Appendix A thereto.

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 Florida, Maine, Mississippi 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 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 the federal law of the United States and Dewey Ballantine LLP 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 A.6.

File No. 70-9171

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

MISSISSIPPI POWER COMPANY
2992 West Beach
Gulfport, Mississippi 39501

(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

Michael W. Southern, Vice President,
Secretary, Treasurer and
Chief Financial Officer
Mississippi Power Company
2992 West Beach
Gulfport, Mississippi 39501

(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, N.W.
Atlanta, Georgia 30303

John D. McLanahan, Esq.
Troutman Sanders LLP
600 Peachtree Street, N.E., Suite 5200
Atlanta, Georgia 30308

ITEM 1. DESCRIPTION OF PROPOSED TRANSACTION.

Gulf Power Company ("Gulf") and Mississippi Power Company ("Mississippi") 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"). Gulf and Mississippi are sometimes hereinafter referred to individually as an "Applicant" and collectively as the "Applicants." Each of Gulf and Mississippi proposes to issue and sell at any time or from time to time in one or more series through March 31, 2003 up to $350 million and $400 million, respectively, aggregate principal amount of its senior debentures, senior promissory notes or other senior debt instruments (individually, a "Senior Note" and collectively, the "Senior Notes") governed by an indenture or other document. Each Applicant requests authority to issue and sell Senior Notes pursuant to the authority requested herein without additional prior Securities and Exchange Commission (the "Commission") approval if the Applicant is within the parameters discussed below under the heading "Parameters of Authorization." The provisions of each series of Senior Notes and related instruments would be determined at the time of the sale of such series of Senior Notes.

The proceeds from the issuance and sale of Senior Notes by the Applicants will be added to their respective treasuries and subsequently used principally (i) to finance capital expenditures, (ii) to acquire, retire or redeem securities of which the respective Applicant is the issuer, (iii) to repay outstanding short-term borrowings, (iv) to provide working capital and/or (v) for other general corporate purposes.

Parameters of Authorization

The Applicants request authority to issue Senior Notes for which the specific terms and conditions are not currently known, subject to the following parameters:

Effective Cost of Money on Senior Notes. The effective cost of money on Senior Notes issued pursuant to this application-declaration (this "Application") will not exceed the greater of (i) 300 basis points over comparable term U.S. Treasury securities, or (ii) a gross spread over such Treasury securities which is consistent with comparable securities.

Maturity of Senior Notes. The maturity of the Senior Notes will not exceed approximately 50 years.

Interest. The interest rate on each issue of Senior Notes 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 formula or formulae based upon certain reference rates, or by other predetermined methods.

Ranking. The Senior Notes will be direct, unsecured and unsubordinated obligations of the respective Applicants ranking pari passu with all other unsecured and unsubordinated obligations of the Applicants. The Senior Notes of each Applicant will be effectively subordinated to all secured debt of such Applicant, including its first mortgage bonds.

Issuance Expenses. The underwriting fees, commissions, or other similar expenses paid in connection with the issue, sale or distribution of the Senior Notes of each series pursuant to this Application will not exceed 5% of the aggregate principal amount of such series.

Description of Senior Notes

The Applicants request authority to sell Senior Notes covered by this Application in any of the following ways: (i) through underwriters or dealers; (ii) directly to a limited number of purchasers or to a single purchaser, or (iii) through agents or dealers. If underwriters are used in the sale of the Senior Notes, such Senior Notes 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. The Senior Notes may be offered to the public either through underwriting syndicates (which may be represented by managing underwriters) or directly by one or more underwriters acting alone. The Senior Notes may be sold directly by an Applicant or through agents designated from time to time. If dealers are used in the sale of any Senior Notes, such Senior Notes will be sold to the dealers as principal. Any dealer may then resell such Senior Notes to the public at varying prices to be determined by such dealer at the time of resale.

Senior Notes may be sold pursuant to "delayed delivery contracts" which permit the underwriters to locate buyers who will agree to buy the Senior Notes at the same price but at a later date than the date of the closing of the sale to the underwriters. Senior Notes may also be sold through the use of medium-term note and similar programs, including in transactions covered by Rule 144A under the Securities Act of 1933, as amended.

Any Senior Notes would have such designations, aggregate principal amount, maturity, interest rate(s) or methods of determining the same, interest payment terms, redemption provisions, non-refunding provisions, sinking fund terms, conversion or put terms and other terms and conditions as the Applicants may determine at the time of issuance.

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	$ 1,225,000	$ —
*Filing fees - Securities and Exchange Commission	103,250	—
Fees and Expenses of Trustees	9,500	9,500
*Listing on New York Stock Exchange	79,300	—
Printing charges	40,000	10,000
Rating Agency Fees	59,250	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	15,200	4,500
TOTAL	$1,680,000	$120,000

*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	17,000	17,000
*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.

Sections 6(a) and 7 of the Act and Rules 24 and 54 thereunder are applicable to the proposed transactions.

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. The action requested in the instant filing (*viz.* issuance of Senior Notes by Gulf and 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.

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 48.6% and 51.4%, respectively, for equity and debt. The common equity component of Southern's pro forma consolidated capitalization represents 35.6% 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 42.6%, 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 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 H 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.

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[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%.

ITEM 4. REGULATORY APPROVAL.

A. The issuance of any series of Senior Notes by Gulf has been or will be authorized by the Florida Public Service Commission.

B. No other state commission (except as aforesaid) has jurisdiction with respect to the subject transactions and no federal commission other than the Commission has jurisdiction with respect thereto.

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 Applicants 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 orders in this matter unless the Division opposes the matters covered hereby.

ITEM 6. EXHIBITS AND FINANCIAL STATEMENTS.

(a) Exhibits:

Exhibit B-1	Form of Gulf Senior Note Indenture (Designated in Registration No. 333-42033 as Exhibit 4.1).
Exhibit B-2	Form of Mississippi Senior Note Indenture (Designated in Registration No. 333-45069 as Exhibit 4.1).
Exhibit B-3	Form of Gulf Senior Note (included in Exhibit B-1 above).
Exhibit B-4	Form of Mississippi Senior Note (included in Exhibit B-2 above).

Exhibit C-1 Gulf Registration Statement under the Securities Act of 1933. (Filed electronically December 11, 1997, File Nos. 333-42033, 333-42033-01 and 333-42033-02.).

Exhibit C-2 Mississippi Registration Statement under the Securities Act of 1933. (Filed electronically January 28, 1998, File Nos. 333-45069, 333-45069-01 and 333-45069-02.).

Exhibit F-1 Opinion of Beggs & Lane, counsel for Gulf (to be filed by amendment).

Exhibit F-2 Opinion of Eaton and Cottrell, P.A., counsel for Mississippi (to be filed by amendment).

Exhibit G Proposed form of notice.

Exhibit H Capitalization and Income Statement of The Southern Company and Subsidiary Companies after giving effect to the issuance of the Senior Notes.

(b) Financial Statements:

Balance sheet of each Applicant at September 30, 1997. (Designated in each Applicant's Form 10-Q for the quarter ended September 30, 1997, File Nos. 0-2429 and 0-6849.)

Statements of Income of each Applicant for the period ended September 30, 1997. (Designated in each Applicant's Form 10-Q for the quarter ended September 30, 1997, File Nos. 0-2429 and 0-6849.)

Since September 30, 1997, there have been no material adverse changes, not in the ordinary course of business, in the financial condition of the Applicants from that set forth in or contemplated by the foregoing financial statements.

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 Applicants' 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: February 6, 1998

GULF POWER COMPANY

By _____
Wayne Boston
Assistant Secretary

MISSISSIPPI POWER COMPANY

By _____
Wayne Boston
Assistant Secretary

File No. 70-9171

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

MISSISSIPPI POWER COMPANY
2992 West Beach
Gulfport, Mississippi 39501

(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

Michael W. Southern, Vice President,
Secretary, Treasurer and
Chief Financial Officer
Mississippi Power Company
2992 West Beach
Gulfport, Mississippi 39501

(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, N.W.
Atlanta, Georgia 30303

John D. McLanahan, Esq.
Troutman Sanders LLP
600 Peachtree Street, N.E., Suite 5200
Atlanta, Georgia 30308

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 March 31, 1998, Southern's "aggregate investment," as defined in Rule 53(a)(1), in EWGs and FUCOs was approximately $2.947 billion, or about 77.70% of Southern's "consolidated retained earnings," also as defined in Rule 53(a)(1), for the four quarters ended December 31, 1997 ($3,793 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 Senior Notes by Gulf and 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.

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 1997, that ratio was 47.5% equity and 52.5% debt (including $4.593 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 47.5% and 52.5%, respectively, for equity and debt. The common equity component of Southern's pro forma consolidated capitalization represents 35.1% of total capitalization at December 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. 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 45.1%, which is at 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 8.6% per year from 1992 through 1996. In 1997, consolidated retained earnings increased

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[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%.

approximately $78,148,000, or slightly more than 2%. The reduction in the rate of earnings growth in 1997 was primarily due to a $111 million windfall profits tax assessed against South Western Electricity in the United Kingdom. Excluding the impact of such tax, 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 H filed herewith which reflects capitalization at December 31, 1997 and the Statement of Income for the year ended December 31, 1997 for Southern and subsidiaries consolidated.

Item 6. Exhibits and Financial Statements.

(a) Exhibits:

F-1	Opinion of Beggs & Lane, counsel for Gulf.
F-2	Opinion of Eaton and Cottrell, P.A., counsel for Mississippi.
H	Capitalization and Income Statement of The Southern Company and Subsidiary Companies after giving effect to the issuance of the Senior Notes.

(b) Financial Statements:

Balance sheet of each Applicant at December 31, 1997. (Designated in each Applicant's Form 10-K for the year ended December 31, 1997, File Nos. 0-2429 and 0-6849.)

Statements of Income of each Applicant for the period ended December 31, 1997. (Designated in each Applicant's Form 10-K for the year ended December 31, 1997, File Nos. 0-2429 and 0-6849.)

Since December 31, 1997, there have been no material adverse changes, not in the ordinary course of business, in the financial condition of the Applicants from that set forth in or contemplated by the foregoing financial statements.

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: April 14, 1998

GULF POWER COMPANY

By _____
Wayne Boston
Assistant Secretary

MISSISSIPPI POWER COMPANY

By _____
Wayne Boston
Assistant Secretary

File No. 70-9171

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

MISSISSIPPI POWER COMPANY
2992 West Beach
Gulfport, Mississippi 39501

(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

Michael W. Southern, Vice President,
Secretary, Treasurer and
Chief Financial Officer
Mississippi Power Company
2992 West Beach
Gulfport, Mississippi 39501

(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, N.W.
Atlanta, Georgia 30303

John D. McLanahan, Esq.
Troutman Sanders LLP
600 Peachtree Street, N.E., Suite 5200
Atlanta, Georgia 30308

Item 3. Applicable Statutory Provisions.

Rule 54 Analysis as amended by Amendment No. 1 hereto is hereby amended by adding the following sentence to the sixth paragraph thereto:

"The total windfall profits tax for South Western Electricity was $148 million; however, the $111 million only reflects Southern's 75% ownership."

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 12, 1998

GULF POWER COMPANY

By _____
Wayne Boston
Assistant Secretary

MISSISSIPPI 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 May 14, 1998 in the matter of File No. 70-9171.

Gulf Power Company (the "Company") hereby certifies to said Commission, pursuant to Rule 24, as follows:

1. On June 24, 1998, the issuance by the Company of $50,000,000 aggregate principal amount of its Series A 6.70% Senior Insured Quarterly Notes due June 30, 2038 (the "Series A Notes"), pursuant to the First Supplemental Indenture dated as of June 24, 1998, supplementing the Senior Note Indenture dated as of January 1, 1998 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 order with respect thereto.

2. Filed herewith are the following exhibits:

Exhibit A — Copy of the prospectus supplement with respect to the Series A Notes, dated June 17, 1998. (Filed electronically June 18, 1998, in File Nos. 333-42033, 333-42033-01 and 333-42033-02.)

Exhibit B — Underwriting Agreement with respect to the Series A Notes dated June 17, 1998. (Designated in Form 8-K dated June 17, 1998, as Exhibit 1.1.)

Exhibit C — Senior Note Indenture dated as of January 1, 1998 between the Company and The Chase Manhattan Bank, as Trustee, and First Supplemental Indenture dated as of June 24, 1998. (Designated in Form 8-K dated June 17, 1998, as Exhibits 4.1 and 4.2.)

Exhibit F — Opinion of Beggs & Lane, A Registered Limited Liability Partnership, dated June , 1998.

Dated June 30, 1998

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 May 14, 1998 in the matter of File No. 70-9171.

Gulf Power Company (the "Company") hereby certifies to said Commission, pursuant to Rule 24, as follows:

1. On August 24, 1999, the issuance by the Company of $50,000,000 aggregate principal amount of its Series B 7.05% Senior Notes due August 15, 2004 (the "Series B Notes"), pursuant to the Second Supplemental Indenture dated as of August 24, 1999, supplementing the Senior Note Indenture dated as of January 1, 1998 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 order with respect thereto.

2. Filed herewith are the following exhibits:

Exhibit A — Prospectus supplement with respect to the Series B Notes, dated August 17, 1999. (Filed electronically August 19, 1999, in File Nos. 333-42033, 333-42033-01 and 333-42033-02.)

Exhibit B — Underwriting Agreement with respect to the Series B Notes dated August 17, 1999. (Designated in Form 8-K dated August 17, 1999 as Exhibit 1.1.)

Exhibit C — Second Supplemental Indenture dated as of August 24, 1999 to the Senior Note Indenture dated as of January 1, 1998 between the Company and The Chase Manhattan Bank, as Trustee. (Designated in Form 8-K dated August 17, 1999, as Exhibit 4.2.)

Exhibit F — Opinion of Beggs & Lane, A Registered Limited Liability Partnership, dated August 29, 1999.

Dated August 29, 1999

GULF POWER COMPANY

By _____
Wayne Boston
Assistant Secretary

EXHIBIT A.7.

Description of Holder

$45,000,000 6.00% Series E Senior Notes

Name of Underwriters	**Principal Amount of Notes**
A. G. Edwards & Sons, Inc. One North Jefferson St. Louis, Missouri 63103	$37,500,000
SunTrust Capital Markets, Inc. 3333 Peachtree Road, N.E. Atlanta, Georgia 30326	$ 7,500,000

Underwriters Fees: $945,000

EXHIBIT A. 8.

GULF POWER COMPANY
Summary of Debt Expenses in Conjunction with the Issuance and Sale of $45,000,000 Principal Amount

Series E 6.00% Insured Senior Notes Due 2012

Item Number	Issuance Expenses For:	Amount $
1	Charges of Trustee (Including Counsel)	$4,300.00
2	Shelf Registration-Securities & Exchange Commission	18,374.65
3	Printing and Preparation of Registration Statement, Financial Statements, Prospectus, Competitive Bidding Papers, Supplemental Indenture, etc.	10,613.05
4	Fees and Expenses of Counsel	23,569.60
5	Fees of Accountants	24,000.00
6	Rating Fees	18,000.00
7	Expenses of Southern Company Services, Inc.	3,947.28
8	Miscellaneous Expenses	315.44
9	Insurance	331,875.00
	Total Expenses of Issue	$434,995.02
	Unamortized Discount Expense	945,000.00
	Total Cost of Issue	$ 1,379,995.02

DEVELOPMENT AUTHORITY OF MONROE COUNTY

to

THE BANK OF NEW YORK TRUST COMPANY OF FLORIDA, N.A.,

as Trustee

TRUST INDENTURE

Dated as of September 1, 2002

Relating to

$42,000,000
Pollution Control Revenue Bonds
(Gulf Power Company Plant Scherer Project)
First Series 2002

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TRUST INDENTURE

THIS TRUST INDENTURE made and entered into as of September 1, 2002, by and between the DEVELOPMENT AUTHORITY OF MONROE COUNTY, a public body corporate and politic duly organized and existing under the Constitution and laws of the State of Georgia (the "Issuer"), and THE BANK OF NEW YORK, a banking corporation 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 State of New York, with its principal corporate trust office located in New York, New York, as trustee (the "Trustee").

RECITALS

A. In furtherance of its statutory purposes, the Issuer has entered into a Loan Agreement dated as of September 1, 2002 (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 Scherer, in Monroe County, Georgia.

B. The Agreement provides that, for the purposes therein set forth, the Issuer will issue and sell its Pollution Control Revenue Bonds (Gulf Power Company Plant Scherer Project), First Series 2002, in the aggregate principal amount of $42,000,000 (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 mandatory tender 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 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 interest of the Issuer in, to and under 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 interest 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 or the Company; 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, words or terms defined in the preamble and recitals of this Indenture shall have the meanings specified therein, and the following terms shall have the following meanings; provided, however, that any terms used herein relating to Bonds in the Auction Mode Rate Determination Method or Auction Procedures that are not expressly defined below shall be deemed to have the meanings provided in Exhibit B, Auction Procedures, hereto:

"*Act*" means the Development Authorities Law as set forth in O.C.G.A. Section 36-62-1, et seq., as amended.

"*Auction Rate Period*" means each period of time when the Bonds bear interest at Auction Mode Rates.

"*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.

"*BMA Index*" means, as of any date, the rate calculated according to the Bond Market Association Municipal Swap Index as of the most recent date for which such index was published or such other weekly, high-grade index composed of weekly, tax-exempt variable rate demand notes produced by Municipal Market Data, Inc. or any successor thereto, or as otherwise designated by the Bond Market Association.

"*BMA Margin*" is defined in Section 2.02(a)(6)(i).

"*Bondholder*" or "*holder*" means the registered owner of any Bond.

"*Bonds*" means the Pollution Control Revenue Bonds (Gulf Power Company Plant Scherer Project), First Series 2002 issued by the Issuer hereunder in the aggregate principal amount of $42,000,000.

"*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, Atlanta, Georgia or the city in which the principal 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; provided, however, that during an Auction Rate Period the definition of "Business Day" shall be supplemented as provided in Exhibit B hereto.

"*Code*" means the Internal Revenue Code of 1986, as amended, and the applicable Treasury Regulations promulgated thereunder as the same may be applicable to the Bonds.

"*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 an 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.

"Conversion Notice" is defined in Section 2.02(b)(1).

"*corporation*" includes corporations, partnerships, limited partnership, limited liability partnerships, limited liability companies, associations, companies and business trusts.

"*Daily Rate*" means an interest rate on the Bonds set under Section 2.02(a)(l).

"Determination Method" is defined in Section 2.02(a) hereof.

"*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.

"*Index*" means the BMA Index or LIBOR Index, as applicable.

"*Index Adjustment Date*" is defined in Section 2.02(a)(6)(i).

"*Index Period*" means any period of time established by the Company pursuant to Section 2.02(b)(1) during which the Bonds bear interest at the Index Rate.

"*Index Rate*" means an interest rate on the Bonds set under 2.02(a)(6).

"*Index Rate Determination Date*" means (i) if the applicable Index is the LIBOR Index, the second London Business Day immediately preceding the first day of the relevant Index Period, or if the applicable Index is the BMA Index, the Business Day immediately preceding the first day of the relevant Index Period; and (ii) the second London Business Day or Business Day, as the case may be, preceding each Thursday during the relevant Index Period thereafter.

"*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.

"*Insurer*" means the issuer of a Policy, if any, with respect to the Bonds.

"*LIBOR Index*" for any Index Rate Determination Date will be the Reported Rate for deposits in U.S. dollars having an index maturity of one month for a period commencing on the second London Business Day immediately following the Index Rate Determination Date in amounts of not less than $1,000,000, at approximately 11:00 a.m., London time on the Index Rate Determination Date.

"*LIBOR Percentage*" is defined in Section 2.02(a)(6)(i).

"*London Business Day*" means a day that is a Business Day and a day on which dealings in deposits in U.S. dollars are transacted, or with respect to any future date are expected to be transacted, in the London interbank market.

"*Long-Term Interest Rate*" means an interest rate on the Bonds set under Section 2.02(a)(4).

"*Long-Term Interest Rate Period*" means any period as defined in Section 2.02(a)(4).

"*Maturity Date*" means the stated maturity for the Bonds as set forth in Section 2.01.

"*Note*" means the promissory note executed and delivered by the Company in the form attached to the Agreement 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 selected by the Company 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 2.06 (relating to registration and exchange of Bonds) or Section 2.07 (relating to mutilated, lost, stolen, destroyed or undelivered Bonds).

Bonds purchased pursuant to tenders 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 2.07.

"*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.

"*Plant*" means the Scherer coal-fired generating plant located in Monroe County, Georgia.

"*Policy*" means a bond insurance policy or similar agreement, if any, issued by the Insurer with respect to the Bonds.

"*Principal*" when used with reference to any Bonds, includes any premium payable on those Bonds.

"*Project*" has the meaning assigned to such term in the Agreement.

"Refunded Bonds" means the Refunded Bonds 1994A and the Refunded Bonds 1994B.

"Refunded Bonds Indentures" means the Refunded Bonds Indenture 1994A and the Refunded Bonds Indenture 1994B.

"Refunded Bonds 1994A" means $22,000,000 principal amount of the Issuer's Pollution Control Revenue Bonds (Gulf Power Company Plant Scherer Project), First Series 1994, refunded by the Bonds.

"Refunded Bonds 1994B" means $20,000,000 principal amount of the Issuer's Pollution Control Revenue Bonds (Gulf Power Company Plant Scherer Project), Second Series 1994, refunded by the Bonds.

"Refunded Bonds 1994A Indenture" means the Trust Indenture, dated as of August 15, 1994, as supplemented and amended, between the Issuer and the Refunded Bonds 1994A Trustee under which the Refunded Bonds 1994A were issued.

"Refunded Bonds 1994B Indenture" means the Trust Indenture, dated September 1, 1994, as supplemented and amended, between the Issuer and the Refunded Bonds 1994B Trustee under which the Refunded Bonds 1994B were issued.

"Refunded Bonds 1994A Trustee" means Wachovia Bank National Association, in its capacity as trustee for the Refunded Bonds 1994A.

"Refunded Bonds 1994B Trustee" means Wachovia Bank National Association, in its capacity as trustee for the Refunded Bonds 1994B.

"Refunded Bonds Trustees" means the Refunded Bonds 1994A Trustee and the Refunded Bonds 1994B Trustee.

"Reported Rate" means the rate that appears on Telerate Page 3750 or a successor reporter of such rates selected by the Remarketing Agent and acceptable to the Company.

"*Record Date*" is defined in the form of the Bonds appearing as Exhibit A hereto, except when the Bonds bear interest at the Auction Mode Rate, the Record Date will be the Second Business Day immediately preceding an Interest Payment Date.

"*Remarketing Agent*" means the Person appointed as Remarketing Agent pursuant to Section 9.15 hereof, 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.

"Spread" is defined in Section 2.02(a)(6)(i).

"*State*" means the State of Georgia.

"Telerate Page 3750" means the display designated on page 3750 on Moneyline Telerate, Inc. (or such other page as may replace the 3750 page on that services or such other service as may be nominated by the British Bankers' Association for the purpose of displaying London interbank offered rates for U.S. dollar deposits).

"*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 Index Period" means, while the Bonds bear interest at an Index Rate, each weekly period beginning on a Thursday and ending on a Wednesday.

"*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 "Development Authority of Monroe County (Georgia) Pollution Control Revenue Bonds (Gulf Power Company Plant Scherer Project), First Series 2002." The total principal amount of Bonds

that may be outstanding shall not exceed $42,000,000. 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, will bear interest from that date and shall mature, subject to prior redemption or mandatory tender, on September 1, 2037. 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. The 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 paragraph (a) below.

(a) *Interest Rate Determination Methods.* In accordance with the notification requirements described herein, the Company shall determine the applicable interest rate determination method (each a "Determination Method") on the Bonds. The interest rate on the Bonds shall be determined by one of the following Determination Methods; provided, however, that 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 270 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 270 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 not less than three Business 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 with respect to any Long-Term Interest Rate Period 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 for delivery on the effective date of the Long-Term Interest Rate at their principal amount (without regard to accrued interest).

(5) *Auction Mode Rate.* During an Auction Rate Period, the Auction Mode Rate will be determined by the Auction Agent in accordance with the provisions set forth in Exhibit B hereto which is part of this Indenture.

(6) *Index Rate.* During an Index Period, the Bonds will bear interest at the Index Rate to be determined as follows:

(i) On the first day of the applicable Index Period and on the first Index Rate Determination Date following each six month anniversary of such day until the end of the Index Period (each, an "Index Adjustment Date"), the Remarketing Agent shall (A) depending on the Index, determine the minimum percentage of the LIBOR Index (the "LIBOR Percentage") or the minimum number of basis points above or below the BMA Index (the "BMA Margin;" the BMA Margin and the LIBOR Percentage are hereinafter sometimes referred to as the "Spread"), as applicable, that would be 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) to allow the Remarketing Agent to sell the Bonds on the date and at the time of such determination at their principal amount (without regard to accrued interest) if such Bonds were being sold on such date, and (B) notify the Trustee and the Company of the applicable Spread for such six month period.

(ii) On each Index Rate Determination Date, (A) the Remarketing Agent shall, no later than 11:00 a.m. on such date, notify the Trustee, depending on the applicable Index, of the LIBOR Index or the BMA Index to apply for the next succeeding Weekly Index Period. The applicable

Index as determined by the Remarketing Agent, adjusted by the applicable Spread, will be the interest rate to be borne by the Bonds from the first Thursday after such date through the following Wednesday; provided that, if the applicable Index Rate Determination Date is a day following the Thursday in any week, the Index Rate so determined will be in effect from the next preceding Thursday through the following Wednesday.

(iii) Promptly upon the determination of the Index Rate by the Remarketing Agent, the Remarketing Agent will notify the Company and the Trustee of the Index Rate for the applicable period. The Index Rate determined by the Remarketing Agent, absent manifest error, shall be binding and conclusive upon the Beneficial Owners, Bondholders, the Company and the Trustee.

(iv) If the following circumstances exist on any Index Rate Determination Date, the Index Rate shall be determined as follows:

(A) In the event that the applicable Index on such Index Rate Determination Date is the BMA Index and the BMA Index has not been published or set, the Index Rate for the succeeding Weekly Index Period shall be the minimum percentage of LIBOR Index that would be 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) to allow the Remarketing Agent to sell the Bonds on the date and at the time of such determination at its principal amount (without regard to accrued interest) if the Bonds were being sold on such date.

(B) In the event that the applicable Index on such Index Rate Determination Date is LIBOR Index and no Reported Rate appears on Telerate Page 3750 as of approximately 11:00 a.m., London time, on an Index Rate Determination Date, the Index Rate for the succeeding Weekly Index Period shall be based on the Reported Rate for the preceding week; provided, however, that if no Reported Rate appears in Telerate Page 3750 for two consecutive weeks, the Index Rate shall be determined by the Remarketing Agent and shall be the minimum percentage of four week Treasury Bills that would be 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) to allow the Remarketing Agent to sell the Bonds on such date and at the time of such determination at its principal amount (without regard to accrued interest) if the Bonds were being sold on such date.

(C) In the event that neither Index is available, the Index Rate for the succeeding Weekly Index Period shall be the minimum percentage of a referenced Treasury security selected by the Remarketing Agent that would be 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) to allow the Remarketing Agent to sell the Bonds on such date and at the time of such determination at its principal amount (without regard to accrued interest) if the Bonds were being sold on such date.

(v) The foregoing notwithstanding, if the commencement of an Index Period does not coincide with the commencement of the first succeeding Weekly Index Period, the interest rate to be borne by the Bonds from the date of the commencement of the Index Period until the commencement of the first succeeding Weekly Index Period shall be a rate determined by the Remarketing Agent prior to the commencement of such Index Period, and such rate shall be the rate that would be 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) to allow the Remarketing Agent to sell the Bonds on such date and at the time of such determination at their principal amount (without regard to accrued interest) if the Bonds were being sold on such date.

(7) *Failure of Remarketing Agent to Announce Interest Rates or Spread on the Bonds*. Except as set forth in Exhibit B, if the appropriate interest rate, Spread or Commercial Paper Period is not or cannot be determined for any 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 BMA Index plus the BMA Margin or, if the BMA Index is unavailable, the LIBOR Index multiplied by the LIBOR Percentage, or if the LIBOR Index is unavailable, 90% of the 30-day Treasury rate, until such time as the Determination Method can be changed in accordance with Section 2.02(b); provided, however, during an Index Period, if the applicable Index is not available, clause (iv)(A), (iv)(B) or (iv)(C), as applicable, of Section 2.02(a)(6) shall be effective instead of this clause (7); provided further, 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 3.07(b).

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 (7), 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) *Initial Interest Rate Determination Method; Change in Interest Rate Determination Method.* The Bonds shall bear interest as of the effective date of this Indenture at an Auction Mode Rate with the Initial Period extending to but not including October 31, 2002 and with an Auction Period of 35-days thereafter. The initial Auction Mode Rate and the length of the Auction Period during such Auction Rate Period shall be determined in accordance with this Indenture on or prior to the effective date of this Indenture by the Broker-Dealer as the minimum rate required to sell the Bonds on the date of issuance at a purchase price of par. The Company may change the Determination Method from time to time by notifying, as applicable, the Issuer, the Trustee, the Remarketing Agent, the Auction Agent and the Broker Dealer in writing. Such notice (a "Conversion Notice") shall contain (a) the effective date of such change, (b) the proposed 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 next precedes a Business Day and is at least 365 days after the effective date); provided, however, that if the change is (x) to or from an Auction Rate Period, the notice shall be given in accordance with Sections 2.03(a) or 2.03(b), as applicable, and (y) if such change is to an Index Period, such notice shall also specify the applicable Index for the Index Period and the length of such Index Period. 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. If the Company's notice complies with this paragraph, and if the Company shall deliver to the Trustee and the Issuer a confirming Favorable Opinion of Tax Counsel on the effective date as specified in the notice, the interest rate on the Bonds will be determined on the basis of the new rate on the effective date specified in the notice until there is another change as provided in this Section.

If the Company wishes to change the Determination Method to or from an Auction Mode Rate, the Company must comply with Section 2.03 as well as this Section 2.02(b)(1).

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 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 Determination Method will apply, except:

(A) the mandatory tender described under "Mandatory Tender Upon a Change in the Determination Method" 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 (i) 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, (ii) 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 and (iii) no other change in the security for the Bonds or in this Indenture or the terms of the Bonds is made which is effective as of, or agreed to in connection with, the effective date of such subsequent Long-Term Interest Rate Period.

(2) *Limitations*. Any change in the Determination Method 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 receipt by the Trustee of the Company's Conversion Notice;

(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 under the paragraph "Optional Redemption During Long-Term Interest Rate Period" in paragraph 9 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;

(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 Conversion Notice, the day after the last day of each Commercial Paper Period shall be, with respect to such Bond, not later than 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;

(viii) if an Auction Mode Rate is then in effect, the effective date of any change must be the day after the last day of the Auction Period then in effect;

(ix) if an Index Rate is then in effect, the effective date of any change must be the day after the last day of the Index Period then in effect;

(x) any change in the Auction Period with respect to a Bond in an Auction Rate Determination Method or in the Index applicable to Bonds in an Index Rate Determination Method shall be deemed to be a change in the Determination Method for purposes of this Indenture; and

(xi) in the event of a conversion to an Auction Rate Determination Method from Commercial Paper Mode, the effective date of such conversion may not be earlier than the day following the last day of the longest Commercial Paper Period then in effect.

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, Long-Term Interest Rate, Auction Mode Rate or Index Rate, as applicable, shall be governed by the provisions of this Indenture applicable to such Determination Methods.

(c) *Calculation of Interest.* The Remarketing Agent or the Auction Agent, as applicable, shall provide the Trustee and the Company with notice in writing or by other written electronic means 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,

(5) on the first Business Day of each Auction Period, of the Auction Mode Rate set for that period,

(6) on each Index Adjustment Date, the Spread;

(7) on each Index Rate Determination Date during an Index Period, depending on the applicable Index, the LIBOR Index or BMA Index for such date, and

(8) 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 or Auction Agent, as the case may be, will inform the Trustee and the Company orally at the oral request of either of them of any interest rate so set. 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 or the Auction Agent, as applicable, 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.

(d) *Change in Rate Determination Method-Opinions of Counsel.* Notwithstanding any provision of this Section 2.02, no change shall be made in the 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 pursuant to Section 3.07(b), 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. Changes to and from Auction Mode Rate Determination Method.

(a) *Changes to Auction Mode Rate.* At the option of the Company, all of the Bonds may be converted from another Determination Method to the Auction Mode Rate Determination Method. Any such conversion shall be made as follows:

(1) In any such conversion from another Determination Method, the effective date for the Auction Rate Period shall be a regularly scheduled Interest Payment Date on which interest is payable for the Interest Period from which the conversion is to be made;

(2) The Company shall give written notice of any such conversion to the Remarketing Agent, the Issuer, the Trustee, the Auction Agent, and the Broker-Dealer not less than 15 days prior to the proposed effective date for the change. Such notice shall specify the information required pursuant to Section 2.02(b)(1) and the length of the Auction Period for such Auction Rate Period. Together with such notice, the Company shall file with the Issuer and the Trustee an Opinion of Tax Counsel to the effect that the conversion of the Bonds to an Auction Mode Rate Determination Method shall not adversely affect the validity of the Bonds or any exclusion from gross income for federal income tax purposes to which interest on the Bonds would otherwise be entitled. No such change to an Auction Mode Rate Determination Method shall become effective unless the Company shall also file, with the Issuer and the Trustee, an Opinion of Tax Counsel to the same effect dated the effective date for the Auction Mode Rate.

(3) At least 15 days prior to the effective date for the Auction Mode Rate, the Trustee shall mail a written notice of the conversion to the owners of all Bonds to be converted;

(4) The initial Auction Mode Rate for the Auction Period commencing on the effective date for the Auction Mode Rate shall be the lowest rate which, in the judgment of the Broker-Dealer, is necessary to enable the Bonds to be remarketed at a price equal to the principal amount thereof, plus accrued interest, if any, on the effective date for the Auction Mode Rate. Such determination shall be conclusive and binding upon the Issuer, the Company, the Trustee, the Auction Agent and the owners of the Bonds to which such rate will be applicable.

(5) Not later than 5:00 p.m., New York City time, on the date of determination of the Auction Mode Rate, the Broker-Dealer shall notify the Trustee and the Company of the Auction Mode Rate by telephone, promptly confirmed in writing.

(6) Interest on the Bonds in an Auction Period of 180 days or less will be computed on the basis of actual days over 360 and in an Auction Period greater than 180 days on the basis of a 360-day year of twelve 30-day months.

(7) The Company may revoke its election to effect a conversion of the interest rate on any Bonds to an Auction Mode Rate by giving written notice of such revocation to the Trustee, the Remarketing Agent, the Auction Agent and the Broker-Dealer at any time prior to the setting of the Auction Mode Rate by the Broker-Dealer.

(8) No Bonds may be converted to the Auction Mode Rate Determination Method when the Bonds are not held by a Securities Depository.

(b) *Conversions from Auction Mode Rate Determination Method.* At the option of the Company, all of the Bonds may be converted from an Auction Rate Period to another Determination Method. Any such conversion shall be made as follows:

(1) The effective date for the new Determination Method shall be the second regularly scheduled Interest Payment Date following the final Auction Date.

(2) The Company shall give written notice of any such conversion to the Issuer, the Trustee, the Remarketing Agent, the Auction Agent and the Broker-Dealer(s) not less than 15 days prior to the proposed effective date for the change. Such notice shall specify the effective date for the new Determination Method, the Determination Method to which the conversion will be made and any additional information required pursuant to section 2.02(b)(1). Together with such notice, the Company shall file with the Issuer and the Trustee an Opinion of Tax Counsel to the effect that the conversion of the Bonds to be converted will not adversely affect the validity of the Bonds or any exclusion from gross income for federal income tax purposes to which interest on the Bonds would otherwise be entitled. No change to the new Determination Method shall become effective unless the Company shall also file, with the Issuer and the Trustee, an Opinion of Tax Counsel to the same effect dated the effective date for the new Determination Method.

(3) At least 15 days prior to the effective date for the new Determination Method, the Trustee shall mail a written notice of the conversion to the owners of all Bonds to be converted, specifying the effective date for the new Determination Method.

(4) If on the effective date for the new Determination Method any condition precedent to such conversion required under the Indenture is not satisfied, the Trustee will give written notice by first class mail postage prepaid as soon as practicable, and in any event not later than the next succeeding Business Day, to the Bondholders to have been converted, that such conversion has not occurred, that Bonds will not be purchased on the failed effective date for the new Determination Method, that the Auction Agent will continue to implement the Auction Procedures on the Auction Dates with respect to such Bonds which otherwise would have been converted excluding however, the Auction Date falling on the Business Day next preceding the failed effective date for the new Determination Method, and that the interest rate will continue to be the Auction Mode Rate; provided, however, that the interest rate borne by such Bonds during the Auction Period commencing on such failed effective date for the new Determination Method will be the Maximum Auction Rate, and the Auction Period will be the seven-day Auction Period.

(5) On the conversion date applicable to the Bonds to be converted, the Bonds to be converted shall be subject to mandatory tender at a purchase price equal to 100% of the principal amount thereof, plus accrued interest. The purchase price of such Bonds so tendered shall be payable solely from the proceeds of the remarketing of such Bonds. In the event that the conditions of a conversion are not satisfied, including the failure to remarket all applicable Bonds on a mandatory tender date, the Bonds to have been converted will not be subject to mandatory tender, will be returned to their owners, will automatically convert to a seven-day Auction Period and will bear interest at the Maximum Auction Rate.

Section 2.04. Execution and Authentication. The Bonds shall be signed on behalf of the Issuer with the manual or facsimile signature of its Chairman or Vice Chairman and attested by the manual or facsimile signature of its Secretary or Assistant Secretary, 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 2.05. Bond Register. Bonds must be presented at the principal corporate trust office of the Trustee for registration of transfer, exchange and, except as otherwise provided herein, payment. 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 2.06. 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, 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, premium, if any, or purchase price shall be made

only to or upon the written order of the Bondholder or the Bondholder'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 2.07. 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 tender, instead of issuing a replacement Bond, the Trustee may with the consent of the Company pay the Bond or the Company may purchase 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 and the Trustee may charge the Bondholder their reasonable fees and expenses in this connection.

If a Bond is tendered for purchase 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 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 2.08. Cancellation of Bonds. Whenever a Bond is delivered to the Trustee for cancellation (upon payment, redemption, tender or otherwise), or for registration of transfer, exchange or replacement pursuant to Section 2.06 or Section 2.07, the Trustee will promptly cancel and dispose of the Bond in accordance with the Trustee's policy of disposal. The Trustee may, but shall not be required to, destroy canceled Bonds.

Section 2.09. 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, MANDATORY TENDER 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, the Auction Agent and the Broker-Dealer. 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 During Long-Term Interest Rate Period," "Extraordinary Optional Redemption," "Optional Redemption During Daily or Weekly Rate Period" or "Optional Redemption during Auction Rate Period" in paragraph 9 of the form of the Bonds, unless moneys sufficient to pay the principal of, 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, further notice (the "*Additional Redemption Notice*") shall be given by the Trustee as set out below. No defect in the Additional Redemption Notice nor any failure to give all or any portion of the Additional Redemption 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 Redemption Notice 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 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 Redemption Notice 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, and Midwest Securities Trust Company of Chicago, Illinois) 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 Redemption Notice) pursuant to this Section and the information required in any notice of tender (including an Additional Tender Notice) 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 paragraph 9 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 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 in part, the Trustee will authenticate for the holder a new Bond or Bonds in authorized denominations equal in principal amount to the unredeemed portion of the Bond surrendered.

Section 3.07. Mandatory Tender.

(a) *Mandatory Tender of Bonds Upon Change in Interest Rate Determination Method or Expiration of Index Period.*

(i) Subject to the provisions of Section 2.03(b) hereof, upon the effective date of any change in Determination Method, the outstanding Bonds will be subject to mandatory tender for a purchase price equal to 100% of the principal amount thereof, plus accrued interest to the purchase date or such other amount as specified in the Bond.

(ii) When a new Index Period immediately follows the expiration of a prior Index Period, the outstanding Bonds will be subject to mandatory tender for a purchase price equal to 100% of the principal amount thereof, plus accrued interest to the purchase date or such other amount as specified in the Bond on the commencement date of the new Index Period.

(iii) The Company must give the Bondholders notice as provided below. The Trustee will purchase the Bonds pursuant to this Section only as provided in Section 4.02.

(b) *Notice to Bondholders of Change in Interest Rate Determination Method.* When a change in the Determination Method is to be made, or upon commencement of a new Long-Term Interest Rate Period or a new Index Period immediately after a prior Index Period, the Trustee will, upon notice from the Company pursuant to Section 2.02(b), notify the affected Bondholders by first class mail at least 15 days before the effective date of the change or the commencement of a new Long-Term Interest Rate Period or Index Period, except that (i) such notice shall be given at least 30 days prior to the effective date if a Long-Term Interest Rate Period is in effect and the effective date is on or before the end of the Long-Term Interest Rate Period and (ii) no notice shall be given with respect to a tender under "Mandatory Tender on Each Interest Payment Date During Commercial Paper Mode" in paragraph 7 of the form of the Bonds. The notice shall be effective when sent and shall state:

(1) the purchase date (and, if the Bonds provide that accrued interest will not be paid on the purchase date, the date it will be paid);

(2) the purchase price;

(3) that the Bonds to be tendered must be surrendered to collect the purchase price;

(4) the address at which or the manner in which the Bonds must be surrendered;

(5) that interest on the Bonds to be tendered ceases to accrue on the purchase date;

(6) that the interest rate determination method will be changed and what the new method will be;

(7) the proposed effective date of the new rate; and

(8) that a mandatory tender will result on the effective date of the change as provided in the Bonds.

Failure to give any required notice of tender as to any particular Bonds or any defect therein will not affect the validity of the tender 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.

(c) *Additional Notice of Tender.* In addition to the tender notice required above, further notice (the "Additional Tender Notice") shall be given by the Trustee as set out below. No defect in the Additional Tender Notice nor any failure to give all or any portion of the Additional Tender Notice shall in any manner defeat the effectiveness of a tender notice if notice is given as prescribed in paragraph (b) above.

(1) Each Additional Tender Notice shall contain the information required in paragraph (c) above for an official notice of tender plus (i) the CUSIP numbers of all Bonds being tendered; (ii) the date of the Bonds as originally issued; (iii) the maturity date of each Bond being purchased; and (iv) any other descriptive information needed to identify accurately the Bonds being purchased.

(2) Each Additional Tender Notice shall be sent at least 30 days before the purchase 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 and Midwest Securities Trust Company of Chicago, Illinois) and to one or more national information services that disseminate notices of purchase of obligations such as the Bonds.

The information required in any tender notice (including an Additional Tender Notice) pursuant to this Section and the information required in any redemption notice (including an Additional Redemption Notice) may be combined in a single notice if it is sent to Bondholders in the manner and at the time specified under "Notice of Tender" in paragraph 7 of the form of the Bonds.

Section 3.08. Disposition of Purchased Bonds. (a) *Bonds to be Remarketed.* Bonds purchased pursuant to tenders as provided in the form of Bonds as provided in Section 3.07 will be offered for sale by the Remarketing Agent as provided in this Section except as follows:

(1) Bonds required to be tendered as described under "Mandatory Tender Upon a Change in the Determination Method" in paragraph 7 of the form of Bond, which are tendered between the date notice of mandatory tender is given and the mandatory tender date, may be remarketed before the mandatory tender date only if the buyer receives a copy of the mandatory tender notice from the Remarketing Agent; and

(2) 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 3.08 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 3.08.

(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 paragraph 6 of the form of the Bond for the Bondholder (or a Beneficial Owner through its direct Participant) that Bonds are being tendered, 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 11:15 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 3.08 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 or, in the case of Bonds bearing an Auction Mode Rate, the Auction 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
Auction Rate Period	12:15 p.m. on the date of the Auction
Index 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 sale of the Bonds to be deposited with the Trustee in a segregated trust account. The Trustee will disburse the proceeds of the reoffering of the Bonds on the date of issuance as follows: (i) the sum of $22,000,000 will be transferred to the Refunded Bonds 1994A Trustee for deposit in the bond fund established under the Refunded Bonds 1994A Indenture, and (ii) $20,000,000 will be transferred to the Refunded Bonds 1994B Trustee for deposit in the bond fund established under the Refunded Bonds 1994B Indenture.

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 reoffering of Bonds under Section 3.08 and *second* from other moneys available to the Trustee for that purpose; provided, however, that during an Auction Rate Period, payment of purchase price shall occur pursuant to the auction procedures established in Exhibit B hereto.

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 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 to the extent permitted by law, 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. Investments will be made so as to mature or be subject to redemption at the option of the holder on or before the date or dates that the Trustee anticipates that moneys from the investments will be required. 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 and to the extent such directions have been complied with by the Trustee.

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. 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 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 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, any Broker Dealer nor any 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, the Remarketing Agent 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 whether 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 12.03 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, nor any political subdivision thereof (including Monroe 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. Neither the faith and credit nor the taxing power of the State or any political subdivision thereof (including Monroe County) is pledged to the payment of the principal of the Bonds, or the premium, if any, or interest thereon, or the costs incidental thereto.

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, including particularly and without limitation the Act, to issue the Bonds authorized hereby and to execute this Indenture, to accept, 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 and the Agreement 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 or the Agreement, if any, except the lien of this Indenture.

Section 6.04. Tax Covenants. The Issuer covenants that it shall take no action nor make 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 Code to the extent that the same may be applicable or proposed to be applicable to the Bonds at the time of such action, investment or use.

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 corporate trust office of the Trustee, or its successor in trust hereunder, or at the 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 corporate 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 (which, except for Bonds which bear interest at a Long-Term Interest Rate, shall be calculated at the Maximum Interest Rate) 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 7.01, 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 (1) the 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, the obligations under Section 6.04 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 this 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. The Trustee shall promptly pay to the Company upon request 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.

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 (with the prior written consent of the Insurer if a Policy is in effect and the Insurer is not in default of its obligations thereunder) and upon

(a) receipt of (x) the written request of the holders of not less than 25% in aggregate principal amount of the Bonds then outstanding and (y) the prior written consent of the Insurer if a Policy is in effect and the Insurer is not in default of its obligations thereunder, or

(b) receipt of the written request of the Insurer if a Policy is in effect and the Insurer is not in default of its obligations thereunder,

shall by notice in writing delivered to the Issuer, the Insurer 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, the Insurer 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 (with the prior written consent of the Insurer if a Policy is in effect and the Insurer is not in default of its obligations thereunder) and upon

(a) receipt of (x) the written request of the holders of not less than 25% in aggregate principal amount of the Bonds then outstanding and (y) the prior written consent of the Insurer if a Policy is in effect and the Insurer is not in default of its obligations thereunder, or

(b) receipt of the written request of the Insurer if a Policy is in effect and the Insurer is not in default of its obligations thereunder,

shall by notice in writing delivered to the Issuer, the Insurer and the Company, 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 Note, this Indenture 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), 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 may (with the prior written consent of the Insurer if a Policy is in effect and the Insurer is not in default of its obligations thereunder) and upon

(a) receipt of (x) the written request of the holders of not less than 25% in aggregate principal amount of the Bonds then outstanding and (y) the prior written consent of the Insurer if a Policy is in effect and the Insurer is not in default of its obligations thereunder, or

(b) receipt of the written request of the Insurer if a Policy is in effect and the Insurer is not in default of its obligations thereunder,

shall by notice in writing delivered to the Issuer, the Insurer and the Company, 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 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, with the consent of the Insurer if a Policy is in effect and the Insurer has not defaulted in its payment obligations thereunder, 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, with the consent of the Insurer if a Policy is in effect and the Insurer has not defaulted in its payment obligations thereunder, 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 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 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 such 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 Secretary or Assistant Secretary 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 Insurer, 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, 8.08, 8.09 or 9.04, the Trustee may require that a satisfactory indemnity bond 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 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 other than moneys paid pursuant to the Policy.

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) 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 and to the Insurer.

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, with the written consent of the Insurer if a Policy is in effect and the Insurer is not in default thereunder. 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 (a) the Trustee, the Issuer and the Company, and signed by the owners of a majority in aggregate principal amount of Bonds then outstanding, or (b) to the Trustee and the owners of the Bonds then outstanding, and signed by the Issuer and the Company.

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. 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, with the written consent of the Insurer (if a Policy is in effect and the Insurer is not in default thereunder). 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 as agent of the Issuer 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 as agent of the Issuer 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, as agent of the Issuer, 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 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 its rights under any Policy 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. Except as otherwise described herein, 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. Unless a notice of redemption with respect to the Bonds has theretofore been issued by the Trustee pursuant to Section 3.04, upon any change in the Determination Method, the Company shall appoint a Remarketing Agent in sufficient time for such Remarketing Agent to establish the interest rate for such succeeding Interest Period. The Company will give prompt notice of such appointment to the Issuer and the Trustee. 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 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, the Trustee and the Company. Such resignation will take effect on the day a successor Remarketing Agent appointed in accordance with this Section 9.16 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 or the Trustee or to 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.

Section 9.19. Inapplicability of Remarketing Agent. The provisions of this Indenture relating to the Remarketing Agent, including, but not limited to, Sections 9.14, 9.15, 9.16, 9.17 and 9.18, shall not apply when the Bonds are in an Auction Rate Period.

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, 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 3.07 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;

(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; or

(j) to make any other changes to this Indenture that take effect as to any or all remarketed Bonds following a mandatory tender.

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 and Insurer 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. The consent of the Insurer shall be required with respect to any amendments or supplements hereto or any amendment, change or modification of the Agreement or the Note requiring the consent of the Bondholders pursuant to Section 10.02 or Section 11.02 hereof or that materially adversely affects the rights of the Insurer.

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, with the consent of the Insurer if a Policy is in effect and the Insurer is not in default in its payment obligations under the Policy, 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, but with notice to the Insurer, 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, 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 Section 11.01,

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 XI 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, c/o Board of Commissioners of Monroe County, Monroe County Courthouse, Forsyth, Georgia 31029; if to the Trustee, to The Bank of New York, 100 Ashford Center North, Suite 520, Atlanta, Georgia 30338, Attention: Corporate Trust Department; if to the Company and via United States mail or facsimile, at One Energy Place, Pensacola, Florida 32520, Attention: Treasurer, with copies to Southern Company Services, Inc., 270 Peachtree Street, N.W., Atlanta, Georgia 30303, Attention: Corporate Finance Department; if to the Company and via hand delivery, 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; if to the Auction Agent, to the address specified at the time of acceptance of its duties, if to the Broker-Dealer, to the address specified at the time of acceptance of its duties and if to the Remarketing Agent, to the address specified at the time of acceptance of its duties. Any addressee may designate additional or different addresses for purposes of this Section.

Section 12.02. Bondholders' Consent. 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 unless all of the Bonds are so owned. 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.

Notwithstanding any provision of this Indenture, so long as the Insurer is not in default with respect to its payment obligations under the Policy, the Insurer shall be deemed to be the owner of the Bonds for purposes of any consents, directions or other actions under this Indenture, except for the purpose of consenting to anything described in the lettered clauses of Section 10.02.

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, the Issuer, the Company, the 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 and delivery of this Indenture.

Section 12.10. Counterparts. This Indenture may be signed in several counterparts. Each will be an original, but all of them together constitute the same instrument.

Section 12.11. Regarding Insurer Provisions. At any time when a Policy is not in effect with respect to the Bonds, all references in this Indenture to the Insurer or the Policy shall be null and void and have no force or effect.

IN WITNESS WHEREOF, the Development Authority of Monroe County 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, and to evidence its acceptance of the trusts hereby created The Bank of New York Trust Company of Florida, N.A., 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]

DEVELOPMENT AUTHORITY OF MONROE COUNTY

By: _____
Chairman

Attest:

_____
Secretary

THE BANK OF NEW YORK TRUST COMPANY OF FLORIDA, N.A., as Trustee

[SEAL]

By: _____

Title: _____

By: _____

Title: _____

IN WITNESS WHEREOF, the Development Authority of Monroe County 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, and to evidence its acceptance of the trusts hereby created The Bank of New York Trust Company of Florida, N.A., 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]

DEVELOPMENT AUTHORITY OF MONROE COUNTY

By: _____
Chairman

Attest:

_____
Secretary

THE BANK OF NEW YORK TRUST COMPANY OF FLORIDA, N.A., as Trustee

[SEAL]

By: _____

Title: VICE PRESIDENT

By: _____

Title: VICE PRESIDENT

EXHIBIT A

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Issuer 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 is 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 hereof, Cede & Co. has an interest herein.

UNITED STATES OF AMERICA

STATE OF GEORGIA

No. R-__ $42,000,000

DEVELOPMENT AUTHORITY
OF MONROE COUNTY (GEORGIA)
POLLUTION CONTROL REVENUE BOND
(GULF POWER COMPANY PLANT SCHERER PROJECT)
FIRST SERIES 2002

MATURITY DATE	DATED DATE	CUSIP
September 1, 2037	September 26, 2002	610530DR5

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: $42,000,000

Development Authority of Monroe County (the "*Issuer*"), a public body corporate and politic, created, activated and validly existing under the laws of the State of Georgia, for value received, hereby promises to pay, solely from the sources described in this Bond, to the Registered Owner identified above, or registered assigns, on the Maturity Date stated above (or if this Bond is called for earlier redemption as described herein, on the redemption date) the principal amount identified above and to pay interest as provided in this Bond.

1. *Indenture; Agreement.* This Bond is one of the bonds (the "*Bonds*"), limited to $42,000,000 in principal amount, issued under the Trust Indenture dated as of September, 1, 2002 (the "*Indenture*"), between the Issuer and The Bank of New York Trust Company of

Florida, N.A., as trustee (the "*Trustee*"). The terms of the Bonds include those in the Indenture. Bondholders are referred to the Indenture for a statement of those terms. When used with reference to the Bonds, the term "principal" includes any premium payable on those Bonds. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Indenture.

The Issuer has entered into a Loan Agreement dated as of September 1, 2002 (the "*Agreement*") with Gulf Power Company, a Maine corporation (the "*Company*"). Under the Agreement, the Issuer has loaned the proceeds of the Bonds of this series to the Company (the "*Loan*"). In order to evidence the Loan and the Company's obligation to repay the same, the Company has executed and delivered its non-negotiable promissory note (the "*Note*"). The Note provides for the repayment by the Company of the Loan, including interest thereon, in installments sufficient to pay (i) the principal of, and premium, if any, and interest on the Bonds as the same shall become due and payable, (ii) the purchase price of certain tendered Bonds as required under the Indenture and (iii) the cost of operating, maintaining and repairing the Project (as hereinafter defined). The Note provides that the payments thereunder shall be paid directly to the Trustee as assignee of the Issuer. The Issuer has assigned its rights to such payments under the Agreement and the Note to the Trustee as security for the Bonds. The proceeds of the Bonds have been used to refund certain outstanding revenue bonds issued to refinance the interest of the Company in certain air and water pollution control and sewage and solid waste disposal facilities (the "*Project*") located at the Scherer electric generating plant (the "*Plant*") in Monroe County, Georgia.

The Indenture, the Agreement and the Note may be amended or supplemented, and references to them include any amendments or supplements.

The Issuer has established a book-entry only system of registration for the Bonds (the "*Book-Entry System*"). Except as specifically provided otherwise in the Indenture, a Securities Depository (or its nominee) will be the registered owner of this Bond. By acceptance of a confirmation of purchase, delivery or transfer, the Beneficial Owner (if any) of this Bond shall be deemed to have agreed to this arrangement. If the Securities Depository (or its nominee) is the registered owner of this Bond, it shall be treated as the owner of it for all purposes.

2. *Source of Payments.* The principal of, premium, if any, and interest on, and any other amounts due with respect to, the Bonds are limited special obligations of the Issuer and, as provided in the Indenture, are payable solely and only from payments derived from the Agreement, the Note and from any other moneys held by the Trustee under the Indenture for such purpose. The Bonds are issued pursuant to and in full compliance with the Constitution and laws of the State of Georgia, particularly the Development Authorities Law (O.C.G.A. Section 36-62-1, et seq., as amended), and pursuant to resolutions adopted by the Issuer on September 11, 2001 and September 10, 2002, which resolutions authorize the execution and delivery of the Agreement and the Indenture. The Bonds and premium, if any, and interest thereon and other amounts due with respect to the Bonds shall not be deemed to constitute a debt or general obligation or a pledge of the faith and credit of the State of Georgia or any political subdivision thereof, including the County of Monroe. Neither the State of Georgia nor any political subdivision thereof nor the Issuer shall be obligated to pay the principal of the Bonds or

premium, if any, or interest thereon or other amounts due with respect thereto except from the revenues and receipts pledged therefor, and neither the faith and credit nor the taxing power of the State of Georgia or any political subdivision thereof is pledged to the payment of such amounts. Payments under the Note sufficient for the prompt payment when due of the principal of and premium, if any, and interest on the Bonds are to be paid to the Trustee by the Company for the account of the Issuer and deposited in a special trust account created by the Issuer and have been duly pledged and assigned for that purpose. In addition, substantially all other rights of the Issuer under the Agreement have also been assigned to the Trustee to secure payment of amounts due on the Bonds.

3. *Interest Rate.* Interest on this Bond will be paid at the lesser of (a) a Daily Rate, a Weekly Rate, a Commercial Paper Rate, a Long-Term Interest Rate, an Auction Mode Rate or an Index Rate as selected by the Company and as determined in accordance with the Indenture and (b) 15%. Interest will initially be payable at an Auction Mode Rate as set forth in the Indenture. The Company may change the Determination Method from time to time. A change in the Determination Method will result in mandatory tender of the Bonds (see *"Mandatory Tender for Purchase"* below). 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.

When interest is payable at a Daily Rate, Weekly Rate, Commercial Paper Rate or Index Rate, it will be computed on the basis of the actual number of days elapsed over a year of 365 days (366 days in leap years), when payable at an Auction Mode Rate, on the basis of actual days over 360 (during Auction Periods of 180 days or less) and on the basis of a 360-day year of twelve 30-day months (during Auction Periods greater than 180 days), 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.

4. *Interest Payment and Record Dates.* Interest will accrue on the unpaid portion of the principal of this Bond from the Dated Date stated above and thereafter from the Interest Payment Date (as hereinafter defined) next preceding the date of authentication hereof to which interest has been paid or duly provided for, unless the date of authentication hereof is an Interest Payment Date to which interest has been paid or duly provided for, in which case from the date of authentication hereof, or unless no interest has been paid or duly provided for on the Bonds of this series, in which case from the Dated Date; provided, however, that if the date of authentication is between the Record Date (as hereinafter defined) for any Interest Payment Date and such Interest Payment Date, then interest will accrue from such Interest Payment Date or, if the Company shall default in payment of the interest due on such Interest Payment Date, then from the next preceding Interest Payment Date to which interest has been paid or duly provided for, or if no interest has been paid or duly provided for, then from the Dated Date.

When interest is payable at the rate in the first column below, interest accrued during the period (an *"Interest Period"*) shown in the second column will be paid on the date (an *"Interest*

Payment Date") in the third column to holders of record on the date (a *"Record Date"*) in the fourth column:

RATE	INTEREST PERIOD	INTEREST PAYMENT DATE	RECORD DATE
Daily*	Calendar month	Fifth Business Day of the next month	Last Business Day of the month
Weekly*	Calendar month	First Business Day of the next month	Last Business Day before Interest Payment Date
Commercial Paper	From 1 to 270 days as determined for each Bond pursuant to the Indenture (*"Commercial Paper Period"*)	Day after the last day of Commercial Paper Period	Last Business Day before Interest Payment Date
Long-Term**	Six month period or portion thereof ending the last day of August or February	September 1 and March 1	Fifteenth of the month before the Interest Payment Date (August 15 and February 15) ***
Auction Mode	From 1 to 365 days as determined for each Bond pursuant to the Indenture	The Business Day immediately following each Auction Period, and, in addition, for an Auction Period of more than 91 days, each 13th Thursday after the first day of such Auction Period****	The second Business Day preceding an Interest Payment Date therefore

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* If there shall be a change from a Daily Rate or a Weekly Rate on a day other than the first day of a calendar month, the then current Interest Period relating to such Daily Rate or Weekly Rate shall end on the day immediately preceding the date on which the new interest rate on the Bonds shall become effective, which date in the case of a change from a Weekly Rate, shall be the Interest Payment Date for such Interest Period, for which the Record Date shall be the immediately preceding Business Day; but in the case of a change from a Daily Rate, the Interest Payment Date for such Interest Period shall be the fifth Business Day after the last day of such Interest Period, for which the Record Date shall be the last Business Day of such Interest Period. If such new interest rate shall be a Daily Rate or a Weekly Rate, the first Interest Period relating thereto shall begin on the effective date of such new interest rate and end on the last day of the then current calendar month, for which the Interest Payment Date and the Record Date shall be as prescribed in this Table.

** If there shall be a change from a Long-Term Interest Rate on a day other than a regularly scheduled Interest Payment Date for a Long-Term Interest Rate Period, or if there shall be an early termination of such Long-Term Interest Rate Period and a new Long-Term Interest Rate shall be set, such Long-Term Interest Rate Period shall end on the day immediately preceding the date on which the new interest rate shall become effective, which date shall be the Interest Payment Date for such Long-Term Interest Rate Period, for which the Record Date shall be the last day of such Long-Term Interest Rate Period or, if sooner, the first day of such Long-Term Interest Rate Period. If such new interest rate shall be a Daily Rate or a Weekly Rate, the first Interest Period relating thereto shall begin on the effective date of such new interest rate and end on the last day of the then current calendar month, for which the Interest Payment Date and the Record Date shall be as prescribed in this Table.

*** If an Interest Payment Date occurs less than 15 days after the first day of a Long-Term Interest Rate Period, the first day of such Long-Term Interest Rate Period is the Record Date for such Interest Payment Date.

**** The Interest Payment Date with respect to (i) a daily Auction Period shall be the first Business Day of the month immediately succeeding such Auction Period and (ii) a Special Rate Period of (A) seven or more but fewer than 92 days, shall be the Business Day immediately following such Special Rate Period or (B) 92 days or more, shall be each thirteenth Thursday after the first day of such Special Rate Period or the next Business Day if such Thursday is not a Business Day and on the Business Day immediately following such Special Rate Period.

RATE	INTEREST PERIOD	INTEREST PAYMENT DATE	RECORD DATE
Index	Calendar Month	First Business Day of the next month	Last Business Day before Interest Payment Date

"Business Day" is defined in the Indenture. Payment of defaulted interest will be made to holders of record as of the fifth-to-last Business Day before payment.

5. *Method of Payment.* Holders must surrender Bonds to the Trustee to collect principal at maturity or upon redemption. (See "*Optional Tenders*" and "*Mandatory Tender for Purchase*" below for the payment of purchase price of tendered Bonds.) Interest on Bonds bearing interest at a Commercial Paper Rate (other than Bonds in the Book-Entry System) is payable only upon presentation of such Bonds to the Trustee. Interest on Bonds bearing interest at a Daily, Weekly, Auction Mode, Index or Long-Term Interest Rate (other than Bonds in the Book-Entry System) will be paid to the registered holder hereof as of the Record Date by check mailed by first-class mail on the Interest Payment Date to such holder's registered address. A holder of $1,000,000 or more in principal amount of Bonds may be paid interest at a Daily, Weekly, Auction Mode, Index or Commercial Paper Rate by wire transfer in immediately available funds to an account in the continental United States if the holder makes a written request of the Trustee (in form satisfactory to the Trustee) at least two Business Days before the Record Date specifying the account address. The notice may provide that it will remain in effect for later interest payments until changed or revoked by another written notice. Principal and interest will be paid in money of the United States that at the time of payment is legal tender for payment of public and private debts or by checks or wire transfers payable in such money. If any payment on the Bonds is due on a non-Business Day, it will be made on the next Business Day, and no interest will accrue as a result.

6. *Optional Tenders.* *"Tender"* means to require, or the act of requiring, the Trustee to purchase a Bond at the holder's option under the provisions of this paragraph 6 at 100% of the principal amount plus interest accrued to (but excluding) the date of purchase. During a Daily Interest Period, if a Bond is tendered after the Record Date and before the Interest Payment Date for that Interest Period, the Trustee will pay (but only from funds available therefor as provided in the Indenture) a purchase price of principal plus interest accruing after the last day of that Interest Period. While the Bonds bear interest at a Long-Term Interest Rate, a Commercial Paper Rate, an Auction Mode Rate or an Index Rate, the owner of a Bond does not have the option to require the Trustee to purchase its Bond.

Daily Rate Tender. When interest on the Bonds is payable at a Daily Rate and a Book-Entry System is in effect, a Beneficial Owner (through its Direct Participant in the Securities Depository) may tender his 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 (any such telephone notice to be delivered to a Responsible Officer of the Trustee) and an irrevocable notice by telephone, telegraph or facsimile transmission to the Remarketing Agent, in each case prior to 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, shall be deemed to have been given on the next Business Day.

When interest on the Bonds 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 the notices as described above (which shall include the certificate number of the Bond), and shall also deliver the Bond to the Trustee by 1:00 p.m., New York City time, on the date of purchase (see additional requirements below).

Weekly Rate Tender. When interest on the Bonds is payable at a Weekly Rate and a Book-Entry System is in effect, a Beneficial Owner (through its Direct Participant in the Securities Depository) may tender his 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 (any such telephone notice to be delivered to a trust officer of the Trustee) and an irrevocable notice by telephone, telegraph or facsimile transmission to the Remarketing Agent, 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 the Bonds 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 the notices as described above (which shall include the certificate number of the Bond), and shall also deliver the Bond to the Trustee by 1:00 p.m., New York City time, on the date of purchase (see additional requirements below).

Payment of Purchase Price. The purchase price for a tendered Bond will be paid in immediately available funds to the registered owner of the Bond by the close of business on the date of purchase. No purchase of Bonds by the Trustee shall 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.

7. *Mandatory Tender for Purchase.* As provided below, the Bonds are subject to mandatory tender for purchase under certain circumstances. BY ACCEPTANCE OF THIS BOND, THE OWNER AGREES TO SELL AND SURRENDER THIS BOND, PROPERLY ENDORSED, UNDER THE CONDITIONS DESCRIBED BELOW. All purchases will be made in funds immediately available on the purchase date and will be at a purchase price of 100% of the principal amount of the Bonds being purchased (unless a premium is required as otherwise specified) plus interest accrued to (but excluding) the purchase date, except that interest accruing

at a Daily Rate will be paid on the fifth Business Day following the purchase date. Bonds tendered for purchase on a date after a call for redemption but before the redemption date will be purchased pursuant to the tender. No purchase of Bonds shall 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.

Mandatory Tender 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 subject to mandatory tender for purchase 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 purchased at the percentage of their principal amount which would be payable upon the applicable redemption described under "Optional Redemption During Long-Term Interest Rate Period" below.

Mandatory Tender on Each Interest Payment Date During Commercial Paper Mode. When Bonds bear interest at a Commercial Paper Rate, each Bond must be tendered for purchase on the Interest Payment Date for such Bond.

Mandatory Tender Upon a Change in the Determination Method. Subject to the provisions of Section 2.03(b) of the Indenture, on the effective date of the change in the Determination Method (the methods being Daily, Weekly, Commercial Paper, Long-Term, Auction Mode or Index Interest Rates), the Bonds will be subject to mandatory tender for purchase on the effective date of such change. Any such purchase shall be at a price equal to 100% of the principal amount of the Bonds except that in the case of change prior to the day originally established as the date after the last day of a Long-Term Interest Rate Period, the Bonds will be purchased at the percentage of their principal amount which would be payable upon the applicable redemption described under "Optional Redemption During Long-Term Interest Rate Period" below.

Mandatory Tender Upon Expiration of Index Period. When a new Index Period immediately follows the expiration of a prior Index Period, the Bonds will be subject to mandatory tender for purchase on the commencement date of the new Index Period.

Notice of Tender. At least 15 days before each mandatory tender (except for tenders described under "*Mandatory Tender on Each Interest Payment Date During Commercial Paper Mode*" described above for which no notice will be given and except that such notice shall be given at least 30 days prior to the effective date if a Long-Term Interest Rate Period is in effect and the effective date is on or before the end of the Long-Term Interest Rate Period), the Trustee will mail a notice of tender by first-class mail to each Bondholder at the holder's registered address. Failure to give any required notice of tender as to any particular Bonds, or any defect therein, will not affect the validity of the tender of any Bonds in respect of which no failure or defect occurs. Any notice mailed as provided in this paragraph 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. When notice of tender is required and given, and when Bonds are to be tendered without notice, Bonds tendered become due and payable on the purchase date; in such case when funds are deposited with the Trustee sufficient for purchase, interest on the Bonds to be purchased ceases to accrue as of the date of purchase.

8. *Delivery Address; Additional Delivery Requirements.* Notices in respect of tenders and Bonds tendered must be delivered to the Trustee, and notices in respect of tenders must be delivered to the Remarketing Agent, as provided in the Indenture.

All tendered Bonds must be accompanied by an instrument of transfer satisfactory to the Trustee, executed in blank by the registered owner or his duly authorized attorney, with the signature guaranteed by an eligible guarantor institution.

Limitation on Tenders. Except as provided under "*Mandatory Tender Upon a Change in the Determination Method,*" "*Mandatory Tender Upon Expiration of Index Period,*" "*Mandatory Tender at Beginning of New Long-Term Interest Rate Period*" and "*Mandatory Tender on Each Interest Payment Date During Commercial Paper Mode,*" no Bonds may be tendered while they bear interest at a Commercial Paper Rate, Auction Mode Rate, Index Rate or a Long-Term Interest Rate.

Irrevocable Notice Deemed to be Tender of Bond; Undelivered Bonds. The giving of notice by the registered owner of a Bond as provided in paragraph 6 or the occurrence of a mandatory tender for purchase as described in paragraph 7 constitutes the irrevocable tender for purchase of each Bond (or portion of Bond) with respect to which such notice was given, irrespective of whether such Bond was delivered as provided in paragraph 6 or 7. The determination of the Trustee as to whether a notice of tender has been properly sent shall 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 of optional tender or which is subject to mandatory tender fails to deliver his Bond to the Trustee at the place and on the applicable date and time specified, or fails to deliver his Bond properly endorsed, and moneys for the payment of such Bond are on deposit with the Trustee, his Bond shall constitute an undelivered Bond as described in the Indenture and interest shall cease to accrue on his Bonds as of the tender date and such owner shall have no right under the Indenture other than the right to receive payment of the tender price thereof. BY ACCEPTANCE OF THIS BOND, THE OWNER AGREES TO SELL AND SURRENDER THIS BOND, PROPERLY ENDORSED, TO THE TRUSTEE AFTER THE GIVING OF IRREVOCABLE NOTICE OF TENDER FOR PURCHASE AS DESCRIBED ABOVE.

9. *Redemptions.* All redemptions will be made in funds immediately available on the redemption date and will be at a redemption price of 100% of the principal amount of the Bonds being redeemed (unless a premium is required as provided below) plus interest accrued to the redemption date, except that interest accruing at a Daily Rate will be paid on the fifth Business Day following the redemption date.

Optional Redemption During Long-Term Interest Rate Period. During any Long-Term Interest Rate Period, if the Long-Term Interest Rate Period is less than or equal to five years, the Bonds will not be redeemable pursuant to this provision during the Long-Term Interest Rate Period.

If the Long-Term Interest Rate Period is greater than five years, the Bonds will not be 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 no-call period, the Bonds may be redeemed at any time in whole or in part at 100% of their principal amount plus accrued interest, if any.

As an alternative to and in lieu of the foregoing redemption 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 during such Long-Term Interest Rate Period at the option of the Company in whole or in part at any time after a no-call period, if any, established by the Remarketing Agent, at the percentages of their principal amount, plus accrued interest, as follows: the Remarketing Agent shall, given the duration of the Long-Term Interest Rate Period, determine and inform the Trustee and the Company, on a date which is no later than the establishment of the Long-Term Interest Rate, the periods during which the Bonds shall not be subject to redemption (the *"Call Protection Period"*), the premium or premiums payable upon redemption (the *"Call Premiums"*), if any, applicable to the redemption of Bonds after the Call Protection Period, and the period or periods during which the Call Premiums shall be effective (the *"Call Premium Periods"*) necessary to establish the Long-Term Interest Rate. Such Call Protection Period, Call Premiums and Call Premium Periods shall be established in accordance with optional call redemption provisions which, in the judgment of the Remarketing Agent, are generally accepted at the time of determination as the standard features for obligations such as the Bonds, given the length of the Long-Term Interest Rate Period.

Extraordinary Optional Redemption. The Bonds are subject to redemption in whole without premium at any time upon receipt by the Trustee and the Issuer of a written notice from the Company stating that the Company has determined that:

(i) 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 the Plant, rendering impracticable or uneconomical the operation of either, including, without limitation, the condemnation or taking by eminent domain of all or substantially all of the Project or the Plant; or

(ii) Changes in the economic availability of raw materials, operating supplies or facilities or technological or other changes have made the continued operation of the Plant as an efficient generating facility uneconomical; or

(iii) The Project or the Plant has been damaged or destroyed to such an extent that it is not practicable or desirable to rebuild, repair or restore the Project or the Plant.

If the Issuer shall have received such notice by the Company, the Issuer, upon request of the Company, shall give written notice to the Trustee directing the Trustee to take all action necessary to redeem the outstanding Bonds in whole and on a date specified in such notice, which date shall be not less than 45 nor more than 90 days from the date the notice is received by the Trustee.

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 Auction Rate Periods. When interest on the Bonds is payable at an Auction Mode Rate, the Bonds may be redeemed in whole or in part at the option of the Company, on the first day after the last day of the Auction Period then in effect.

Optional Redemption During Index Rate Periods. During any Index Rate Period, the Bonds are not subject to optional redemption.

Notice of Redemption. At least 30 days before each redemption, the Trustee will mail a notice of redemption by first-class mail to each Bondholder with Bonds to be redeemed at such holder's registered address. 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 failure or defect occurs. Any notice mailed as provided in this paragraph 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. When notice is required and given, Bonds called for redemption become due and payable on the redemption date; in such case when funds are deposited with the Trustee sufficient for redemption, interest on the Bonds to be redeemed ceases to accrue as of the date of redemption.

10. *Denominations; Transfer; Exchange.* The Bonds may be issued in registered form without coupons in denominations as follows: (1) when interest is payable at a Daily, Weekly or Commercial Paper Rate, $100,000 or any integral multiple thereof; (2) when interest is payable at a Long-Term Interest Rate, $5,000 and integral multiples of $5,000 thereafter; (3) when interest is payable at an Auction Mode Rate, $1,000 and integral multiples thereof; and (4) when interest is payable at an Index Rate, $100,000 and integral multiples of $5,000 thereafter. A holder may register the transfer of or exchange Bonds in accordance with the Indenture. The Trustee may 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, the Trustee will not be required to register the transfer of or exchange any Bond which has been 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.

11. *Persons Deemed Owners.* The registered holder of this Bond shall be treated as the owner of it for all purposes.

12. *Funds in Trust; Unclaimed Funds.* All moneys which the Trustee shall have withdrawn from the account of the Company or shall have received from any other source and set aside, or deposited with the paying agents, for the purpose of paying any of the Bonds hereby secured, either at the maturity thereof or upon call for redemption or tender, shall be held in trust for the respective holders of such Bonds. But any moneys which shall be so set aside or deposited by the Trustee and which shall remain unclaimed by the holders of such Bonds for a period of six 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.

13. *Discharge Before Redemption, Tender or Maturity.* If the Company at any time deposits with the Trustee money or Government Obligations as described in the Indenture sufficient to pay at redemption, tender or maturity principal of and interest on the outstanding Bonds, and if the Company also pays or provides for the payment of all other sums then payable by the Company under the Agreement or the Indenture, the lien of the Indenture will be discharged. After discharge, Bondholders must look only to the deposited money and securities for payment except as otherwise specifically provided in the Indenture.

14. *Amendment, Supplement, Waiver.* Subject to certain exceptions, the Indenture, the Agreement or the Bonds may be amended or supplemented, and any past default or compliance with any provision may be waived, with the consent of the holders of a majority in principal amount of the Bonds then outstanding. Any such consent shall be irrevocable and shall bind any subsequent owner of this Bond or any Bond delivered in substitution for this Bond. Without the consent of any Bondholder, the Issuer may amend or supplement the Indenture, the Agreement or the Bonds as described in the Indenture, among other things, to cure any ambiguity, omission, defect or inconsistency, to provide for uncertificated Bonds in addition to or in place of certificated Bonds, to provide for a Book-Entry System for the Bonds or to make any change that does not materially adversely affect the rights of any Bondholder.

15. *Defaults and Remedies.* The Indenture provides that the occurrences of certain events constitute Events of Default. If an Event of Default occurs and is continuing, the Bonds may become or may be declared immediately due and payable, as provided in the Indenture. An Event of Default and its consequences may be waived as provided in the Indenture. Bondholders may not enforce the Indenture or the Bonds except as provided in the Indenture. Except as specifically provided in the Indenture, the Trustee may refuse to enforce the Indenture or the Bonds unless it receives indemnity satisfactory to it. Subject to certain limitations, holders of a majority in principal amount of the Bonds then outstanding may direct the Trustee in its exercise of any trust or power.

16. *No Recourse Against Others.* A member, director, officer or employee, as such, of the Issuer shall not have any liability for any obligations of the Issuer or the Company under the Bonds or the Indenture or for any claim based on such obligations or their creation. Each

Bondholder by accepting a Bond waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Bond.

17. *Authentication.* This Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Indenture until the certificate of authentication hereon shall have been duly executed by the Trustee.

18. *Abbreviations.* Customary abbreviations may be used in the name of a Bondholder or an assignee, such as TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian) and U/G/M/A (= Uniform Gifts to Minors Act).

A copy of the Indenture may be inspected at the corporate trust office of the Trustee located at 100 Ashford Center North, Suite 520, Atlanta, Georgia 30338.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the execution and delivery of the Indenture and the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law.

IN WITNESS WHEREOF the Development Authority of Monroe County has caused this Bond to be executed in its name by its Chairman or Vice Chairman by his manual or facsimile signature and attested by the manual or facsimile signature of its Secretary or Assistant Secretary and its corporate seal to be hereunto affixed or printed hereon.

DEVELOPMENT AUTHORITY OF MONROE COUNTY

By: _____
Chairman

Attest:

_____
Secretary

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds of the series designated therein and issued under the provisions of the within-mentioned Indenture.

THE BANK OF NEW YORK TRUST COMPANY
OF FLORIDA, N.A.,
as Trustee

Date: _____

By: _____
Authorized Signatory

STATE OF GEORGIA
COUNTY OF MONROE

The undersigned, Clerk of the Superior Court of Monroe County, Georgia, hereby certifies that the within First Series 2002 Bond was validated and confirmed by judgment of the Superior Court of Monroe County, Georgia rendered on the ___ day of _____, 200_, that no intervention or objection was filed thereto and that no appeal has been taken therefrom.

IN WITNESS WHEREOF, I have caused this Certificate to be executed by the use of my facsimile signature and have caused the official seal of the Court or a facsimile thereof to be affixed hereto.

_____
Clerk, Superior Court,
Monroe County, Georgia

The following abbreviations, when used in the inscription on the face of the within Bond, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM-	as tenants 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 in list above.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto

_____

PLEASE INSERT SOCIAL SECURITY OR
OTHER IDENTIFYING NUMBER OF ASSIGNEE

_____

(Name and Address of Assignee)

_____

the within Bond and does hereby irrevocably constitute and appoint _____ attorney to transfer the said Bond on the books kept for registration thereof with full power of substitution in the premises.

Dated:_____

Signature guaranteed:

_____

Medallion Number:_____

*Signature(s) must be guaranteed by an eligible guarantor institution which is a member of a recognized signature guarantee program, i.e. Securities Transfer Agents Medallion Program (STAMP), or New York Stock Exchange Medallion Signature Program (MSP).

_____

NOTICE: The signature to this assignment must correspond with the name of the registered owner as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever.

EXHIBIT B

TO

TRUST INDENTURE

Auction Procedures

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ARTICLE I

Definitions

In addition to the words and terms elsewhere defined in this Indenture, the following words and terms as used in this *Exhibit B* and elsewhere is this Indenture have the following meanings with respect to Bonds in an Auction Rate Period unless the context or use indicates another or different meaning or intent.

"Agent Member" means a member of, or participant in, the Securities Depository who shall act on behalf of a Bidder.

"All Hold Rate" means, as of any Auction Date, 45% of the Reference Rate in effect on such Auction Date.

"Applicable Percentage" means, as of any Auction Date, the Percentage of Reference Rate (in effect on such Auction Date) determined as set forth below, based on the Prevailing Rating of the Bonds in effect at the close of business on the Business Day immediately preceding such Auction Date:

Prevailing Rating	Percentage of Reference Rate
AAA/Aaa	175%
AA/Aa	200
A/A	250
BBB/Baa	275
Below BBB/Baa	300

"Auction" means each periodic implementation of the Auction Procedures.

"Auction Agent" means the auctioneer appointed in accordance with Section 3.01 or 3.02 of this Exhibit B and shall initially be The Bank of New York.

"Auction Agreement" means an agreement among the Company, the Auction Agent and the Trustee pursuant to which the Auction Agent agrees to follow the procedures specified in this Exhibit B with respect to the Bonds while bearing interest at an Auction Mode Rate, as such agreement may from time to time be amended or supplemented.

"Auction Date" means during any period in which the Auction Procedures are not suspended in accordance with the provisions hereof, (i) if the Bonds are in a daily Auction Period, each Business Day, and (ii) if the Bonds are in a Special Rate Period, the last Business Day of the Special Rate Period, and (iii) if the Bonds are in any other Auction Period, the Business Day next preceding each Interest Payment Date for such Bonds (whether or not an Auction shall be conducted on such date); *provided, however*, that the last Auction Date with respect to the Bonds in an Auction Period other than a daily Auction Period or a Special Rate Period shall be the earlier of (a) the Business Day next preceding the Interest Payment Date next

preceding the Conversion Date for the Bonds and (b) the Business Day next preceding the Interest Payment Date next preceding the final maturity date for the Bonds; and *provided, further*, that if the Bonds are in a daily Auction Period, the last Auction Date shall be the earlier of (x) the Business Day next preceding the Conversion Date for the Bonds and (y) the Business Day next preceding the final maturity date for the Bonds. The last Business Day of a Special Rate Period shall be the Auction Date for the Auction Period which begins on the next succeeding Business Day, if any. On the Business Day preceding the conversion from a daily Auction Period to another Auction Period, there shall be two Auctions, one for the last daily Auction Period and one for the first Auction Period following the conversion. The first Auction Date for the Bonds is October 30, 2002.

"Auction LIBOR," on any date of determination for any Auction Period, means: (i) for any Auction Period of fewer than 49 days, the offered rate for deposits in U.S. dollars for a one-month period which appears on the MoneyLine Telerate Page 3750 at approximately 11:00 A.M., London time, on such date, or if such date is not a date on which dealings in U.S. dollars are transacted in the London interbank market, then on the next preceding day on which such dealings were transacted in such market (the "calculation date") and (ii) for any Auction Period of (A) 49 or more but fewer than 70 days, such rates for deposits in U.S. dollars for a two-month period, (B) 70 or more but fewer than 85 days, the arithmetic average of such rates for deposits in U.S. dollars for two and three-month periods, (C) 85 or more but fewer than 120 days, such rate for deposits in U.S. dollars for a three-month period, (D) 120 or more but fewer than 148 days, the arithmetic average of such rates for deposits in U.S. dollars for three and six-month periods, (E) 148 or more but fewer than 180 days, such rate for deposits in U.S. dollars for a six-month period, (F) 180 or more but fewer than 225 days, the arithmetic average of such rates for deposits in U.S. dollars for six and nine-month periods, (G) 225 or more but fewer than 290 days, such rate for deposits in U.S. dollars for a nine-month period, (H) 290 or more but fewer than 325 days, the arithmetic average of such rates for deposits in U.S. dollars for nine-month and one-year periods and (I) 325 or more but fewer than 365 days, such rate for deposits in U.S. dollars for a one-year period.

"Auction Mode Rate" means the rate of interest to be borne by the Bonds during each Auction Period determined in accordance with Section 2.04 of this Exhibit B; provided, however, in no event may the Auction Mode Rate exceed the Maximum Auction Rate.

"Auction Period" means any period of less than 365 days during which the Bonds bear interest at a single Auction Mode Rate, as established pursuant to the Indenture.

"Auction Procedures" means the procedures for conducting Auctions for Bonds during an Auction Rate Period set forth in this Exhibit B.

"Auction Rate" means for each Auction Period, (i) if Sufficient Clearing Bids exist, the Winning Bid Rate, provided, however, if all of the Bonds are the subject of Submitted Hold Orders, the All Hold Rate and (ii) if Sufficient Clearing Bids do not exist, the Maximum Auction Rate.

"Auction Rate Conversion Date" means with respect to Bonds, the date on which the Bonds convert from an interest rate period other than an Auction Rate Period and begin to bear interest at an Auction Mode Rate.

"Authorized Denominations" means $1,000 and integral multiples thereof, notwithstanding anything else in this Indenture to the contrary, so long as the Bonds bear interest at a Auction Mode Rate.

"Available Bonds" means on each Auction Date, the aggregate principal amount of Bonds that are not the subject of Submitted Hold Orders.

"Bid" has the meaning specified in subsection (a) of Section 2.02 of this Exhibit B.

"Bidder" means each Existing Owner and Potential Owner who places an Order.

"Broker-Dealer" means any entity that is permitted by law to perform the function required of a Broker-Dealer described in this Exhibit B, that is a member of, or a direct participant in, the Securities Depository, that has been selected by the Company and the Insurer, and that is a party to a Broker-Dealer Agreement with the Company and the Auction Agent.

"Broker-Dealer Agreement" means an agreement among the Auction Agent, the Company and a Broker-Dealer pursuant to which such Broker-Dealer agrees to follow the procedures described in this Exhibit B, as such agreement may from to time be amended or supplemented.

"Business Day" in addition to any other definition of "Business Day" included in this Indenture while Bonds bear interest at an Auction Mode Rate, the term Business Day shall not include April 14 or 15 or December 30 or 31 or days on which the Auction Agent or any Broker-Dealer are not open for business.

"Conversion Date" means the date on which the Bonds begin to bear interest at a Daily Rate, a Weekly Rate, a Commercial Paper Rate, a Long-Term Interest Rate or an Index Rate.

"Default Rate" means, in respect of any Auction Period other than a daily Auction Period, a per annum rate equal to three hundred percent (300%) of the Reference Rate determined on the Auction Date next preceding the first day of such Auction Period or in the case of Bonds in a daily Auction Period, three hundred percent (300%) of the Reference Rate determined on the Auction Date which was the first day of such Auction Period, provided, however, the Default Rate shall not exceed the Maximum Interest Rate.

"Existing Owner" means a Person who is listed from time to time as the beneficial owner of Bonds in the records of the Auction Agent.

"Hold Order" has the meaning specified in subsection (a) of Section 2.02 of this Exhibit B.

"Initial Period" means the period from the date of issuance of the Bonds to but not including October 31, 2002.

"Interest Payment Date" with respect to Bonds bearing interest at Auction Mode Rates, means October 31, 2002 and thereafter (a) when used with respect to any Auction Period other than a daily Auction Period or a Special Rate Period, the Business Day immediately following such Auction Period, (b) when used with respect to a daily Auction Period, the first Business Day of the month immediately succeeding such Auction Period, (c) when used with respect to a Special Rate Period of (i) seven or more but fewer than 92 days, the Business Day immediately following such Special Rate Period, or (ii) 92 or more days, each 13th Thursday after the first day of such Special Rate Period or the next Business Day if such Thursday is not a Business Day and on the Business Day immediately following such Special Rate Period, (d) each Conversion Date, and (e) the Maturity Date.

"Maximum Auction Rate" means, as of any Auction Date, the product of the Reference Rate multiplied by the Applicable Percentage, provided, however, the Maximum Auction Rate shall not exceed the Maximum Interest Rate.

"Maximum Interest Rate" means (i) 15% on the date hereof, and (ii) to the extent the maximum rate permitted by applicable law shall become less than 15%, then the maximum rate permitted by law.

"Moody's" means Moody's Investors Service, Inc and its successors and assigns.

"Order" means a Hold Order, Bid or Sell Order.

"Payment Default" means any Event of Default resulting from a failure to pay principal, premium, purchase price or interest on any Bond when due.

"Potential Owner" means any Person, including any Existing Owner, who may be interested in acquiring a beneficial interest in the Bonds in addition to the Bonds currently owned by such Person, if any.

"Prevailing Rating" means (a) AAA/Aaa, if the Bonds shall have a rating of AAA or better by S&P and a rating of Aaa or better by Moody's, (b) if not AAA/Aaa, AA/Aa if the Bonds shall have a rating of AA- or better by S&P and a rating of Aa3 or better by Moody's, (c) if not AAA/Aaa or AA/Aa, A/A if the Bonds shall have a rating of A- or better by S&P and a rating of A3 or better by Moody's, (d) if not AAA/Aaa, AA/Aa or A/A, BBB/Baa, if the Bonds shall have a rating of BBB- or better by S&P and a rating of Baa3 or better by Moody's, and (e) if not AAA/Aaa, AA/Aa, A/A or BBB/Baa, then below BBB/Baa, whether or not the Bonds are rated by any securities rating agency. For purposes of this definition, S&P's rating categories of "AAA," "AA," "A" and "BBB" and Moody's rating categories of "Aaa," "Aa3," "A3" and "Baa" shall be deemed to refer to and include the respective rating categories correlative thereto in the event that any such Rating Agencies shall have changed or modified their generic rating categories or if any successor thereto appointed in accordance with the definitions thereof shall use different rating categories. If the Bonds are not rated by a Rating Agency, the requirement of a rating by such Rating Agency shall be disregarded. If the ratings for the Bonds are split between two of the foregoing categories, the lower rating shall determine the Prevailing Rating. If there is no rating, then the Auction Mode Rate shall be the Maximum Auction Rate.

"Principal Office" means, with respect to the Auction Agent, the office thereof designated in writing to the Company, the Trustee, the Insurer and each Broker-Dealer.

"Rating Agencies" means Moody's and S&P.

"Reference Rate" shall have the meaning specified in Section 2.07 of this Exhibit B.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. and its successors and assigns.

"Securities Depository" means The Depository Trust Company and its successors and assigns or any other securities depository selected by the Company which agrees to follow the procedures required to be followed by such securities depository in connection with the Bonds.

"Sell Order" has the meaning specified in subsection (a) of Section 2.02 of Exhibit B.

"Special Rate Period" means any period of not less than seven nor more than 365 days which begins on an Interest Payment Date and ends on a Wednesday unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day.

"Submission Deadline" means 1:00 p.m., New York City time, on each Auction Date not in a daily Auction Period and 11:00 a.m., New York City time, on each Auction Date in a daily Auction Period, or such other time on such date as shall be specified from time to time by the Auction Agent pursuant to the Auction Agreement as the time by which Broker-Dealers are required to submit Orders to the Auction Agent.

"Submitted Bid" has the meaning specified in subsection (b) of Section 2.04 of this Exhibit B.

"Submitted Hold Order" has the meaning specified in subsection (b) of Section 2.04 of this Exhibit B.

"Submitted Order" has the meaning specified in subsection (b) of Section 2.04 of this Exhibit B.

"Submitted Sell Order" has the meaning specified in subsection (b) of Section 2.04 of this Exhibit B.

"Sufficient Clearing Bids" means an Auction for which the aggregate principal amount of Bonds that are the subject of Submitted Bids by Potential Owners specifying one or more rates not higher than the Maximum Auction Rate is not less than the aggregate principal amount of Bonds that are the subject of Submitted Sell Orders and of Submitted Bids by Existing Owners specifying rates higher than the Maximum Auction Rate.

"Winning Bid Rate" means the lowest rate specified in any Submitted Bid which if selected by the Auction Agent as the Auction Rate, subject to the All Hold Rate, would cause the

aggregate principal amount of Bonds that are the subject of Submitted Bids specifying a rate not greater than such rate to be not less than the aggregate principal amount of Available Bonds.

ARTICLE II

Auction Procedures

Section 2.01. General Procedures. While the Bonds bear interest at the Auction Mode Rate, Auctions shall be conducted on each Auction Date (other than the Auction Date immediately preceding (i) each Auction Rate Period commencing after the ownership of the Bonds is no longer maintained in the Book-Entry System pursuant to this Indenture; (ii) each Auction Rate Period commencing after the occurrence and during the continuance of a Payment Default; or (iii) any Auction Rate Period commencing less than two Business Days after the cure of a Payment Default). If there is an Auction Agent on such Auction Date, Auctions shall be conducted in the manner set forth in this Exhibit B.

Section 2.02. Orders by Existing Owners and Potential Owners.

(a) Prior to the Submission Deadline on each Auction Date:

(i) each Existing Owner may submit to a Broker-Dealer, in writing or by such other method as shall be reasonably acceptable to such Broker-Dealer, information as to:

(A) the principal amount of Bonds, if any, held by such Existing Owner which such Existing Owner irrevocably commits to continue to hold for the next succeeding Auction Period without regard to the rate determined by the Auction Procedures for such Auction Period,

(B) the principal amount of Bonds, if any, held by such Existing Owner which such Existing Owner irrevocably commits to continue to hold for the next succeeding Auction Period if the rate determined by the Auction Procedures for such Auction Period shall not be less than the rate per annum then specified by such Existing Owner (and which such Existing Owner irrevocably offers to sell on the next succeeding Auction Date (or the same day in the case of a daily Auction Period) if the rate determined by the Auction Procedures for the next succeeding Auction Period shall be less than the rate per annum then specified by such Existing Owner), and/or

(C) the principal amount of Bonds, if any, held by such Existing Owner which such Existing Owner irrevocably offers to sell on the next succeeding Auction Date (or on the same day in the case of a daily Auction Period) without regard to the rate determined by the Auction Procedures for the next succeeding Auction Period; and

(ii) for the purpose of implementing the Auctions and thereby to achieve the lowest possible interest rate on the Bonds, the Broker-Dealers shall contact Potential Owners, including Persons that are Existing Owners, to determine the principal amount of Bonds, if any, which each such Potential Owner irrevocably offers to purchase if the

rate determined by the Auction Procedures for the next succeeding Auction Period is not less than the rate per annum then specified by such Potential Owner.

For the purposes hereof an Order containing the information referred to in clause (i)(A) above is herein referred to as a "Hold Order", an Order containing the information referred to in clause (i)(B) or (ii) above is herein referred to as a "Bid", and an Order containing the information referred to in clause (i)(C) above is herein referred to as a "Sell Order."

(b) (i) Subject to the provisions of Section 2.03 of this Exhibit B, a Bid by an Existing Owner shall constitute an irrevocable offer to sell:

(A) the principal amount of Bonds specified in such Bid if the rate determined by the Auction Procedures on such Auction Date shall be less than the rate specified therein; or

(B) such principal amount or a lesser principal amount of Bonds to be determined as set forth in subsection (a)(v) of Section 2.05 hereof if the rate determined by the Auction Procedures on such Auction Date shall be equal to such specified rate; or

(C) a lesser principal amount of Bonds to be determined as set forth in subsection (b)(iv) of Section 2.05 hereof if such specified rate shall be higher than the Maximum Auction Rate and Sufficient Clearing Bids do not exist.

(ii) Subject to the provisions of Section 2.03 of this Exhibit B, a Sell Order by an Existing Owner shall constitute an irrevocable offer to sell:

(A) the principal amount of Bonds specified in such Sell Order; or

(B) such principal amount or a lesser principal amount of Bonds as set forth in subsection (b)(iv) of Section 2.05 hereof if Sufficient Clearing Bids do not exist.

(iii) Subject to the provisions of Section 2.03 of this Exhibit B, a Bid by a Potential Owner shall constitute an irrevocable offer to purchase:

(A) the principal amount of Bonds specified in such Bid if the rate determined by the Auction Procedures on such Auction Date shall be higher than the rate specified therein; or

(B) such principal amount or a lesser principal amount of Bonds as set forth in subsection (a)(vi) of Section 2.05 hereof if the rate determined by the Auction Procedures on such Auction Date shall be equal to such specified rate.

(c) Anything herein to the contrary notwithstanding:

(i) for purposes of any Auction, any Order which specifies Bonds to be held, purchased or sold in a principal amount which is not $1,000 or an integral multiple

thereof shall be rounded down to the nearest $1,000, and the Auction Agent shall conduct the Auction Procedures as if such Order had been submitted in such lower amount;

(ii) for purposes of any Auction other than during a daily Auction Period, any portion of an Order of an Existing Owner which relates to a Bond which has been called for redemption on or prior to the Interest Payment Date next succeeding such Auction shall be invalid with respect to such portion and the Auction Agent shall conduct the Auction Procedures as if such portion of such Order had not been submitted;

(iii) for purposes of any Auction other than during a daily Auction Period, no portion of a Bond which has been called for redemption on or prior to the Interest Payment Date next succeeding such Auction shall be included in the calculation of Available Bonds for such Auction; and

(iv) the Auction Procedures shall be suspended during the period commencing on the date of the Auction Agent's receipt of notice from the Trustee or the Issuer of the occurrence of a Payment Default but shall resume two Business Days after the date on which the Auction Agent receives notice from the Trustee that such Payment Default has been waived or cured, with the next Auction to occur on the next regularly scheduled Auction Date occurring thereafter.

Section 2.03. Submission of Orders by Broker-Dealers to Auction Agent.

(a) Each Broker-Dealer shall submit to the Auction Agent in writing or by such other method as shall be reasonably acceptable to the Auction Agent, prior to the Submission Deadline on each Auction Date, all Orders obtained by such Broker-Dealer and specifying, with respect to each Order:

(i) the name of the Bidder placing such Order;

(ii) the aggregate principal amount of Bonds, if any, that are the subject of such Order;

(iii) to the extent that such Bidder is an Existing Owner:

(A) the principal amount of Bonds, if any, subject to any Hold Order placed by such Existing Owner;

(B) the principal amount of Bonds, if any, subject to any Bid placed by such Existing Owner and the rate specified in such Bid; and

(C) the principal amount of Bonds, if any, subject to any Sell Order placed by such Existing Owner; and

(iv) to the extent such Bidder is a Potential Owner, the rate and amount specified in such Potential Owner's Bid.

(b) If any rate specified in any Bid contains more than three figures to the right of the decimal point, the Auction Agent shall round such rate up to the next highest one thousandth of one percent (0.001%).

(c) If an Order or Orders covering all of the Bonds held by an Existing Owner is not submitted to the Auction Agent prior to the Submission Deadline, the Auction Agent shall deem a Hold Order to have been submitted on behalf of such Existing Owner covering the principal amount of Bonds held by such Existing Owner and not subject to Orders submitted to the Auction Agent; *provided, however*, that if there is a conversion from one Auction Period to another Auction Period and Orders have not been submitted to the Auction Agent prior to the Submission Deadline covering the aggregate principal amount of Bonds to be converted held by such Existing Owner, the Auction Agent shall deem a Sell Order to have been submitted on behalf of such Existing Owner covering the principal amount of Bonds to be converted held by such Existing Owner not subject to Orders submitted to the Auction Agent.

(d) If one or more Orders covering in the aggregate more than the principal amount of Outstanding Bonds held by any Existing Owner are submitted to the Auction Agent, such Orders shall be considered valid as follows and in the following order of priority:

(i) all Hold Orders shall be considered valid Hold Orders, but only up to and including in the aggregate the principal amount of Bonds held by such Existing Owner, and if the aggregate principal amount of Bonds subject to such Hold Orders exceeds the aggregate principal amount of Bonds held by such Existing Owner, the aggregate principal amount of Bonds subject to each such Hold Order shall be reduced pro rata to cover the aggregate principal amount of Outstanding Bonds held by such Existing Owner;

(ii) (A) any Bid of an Existing Owner shall be considered valid as a Bid of an Existing Owner up to and including the excess of the principal amount of Bonds held by such Existing Owner over the aggregate principal amount of the Bonds subject to Hold Orders referred to in paragraph (i) above;

(B) subject to sub-clause (A) of this paragraph (ii), all Bids of an Existing Owner with the same rate shall be aggregated and considered a single Bid of an Existing Owner up to and including the excess of the principal amount of Bonds held by such Existing Owner over the principal amount of Bonds held by such Existing Owner subject to Hold Orders referred to in sub-paragraph (i) of this paragraph (d);

(C) subject to sub-clause (A) of this paragraph (ii), if more than one Bid with different rates is submitted on behalf of such Existing Owner, such Bids shall be considered valid Bids of an Existing Owner in the ascending order of their respective rates up to the amount of the excess of the principal amount of Bonds held by such Existing Owner over the principal amount of Bonds held by such Existing Owner subject to Hold Orders referred to in sub-paragraph (i) of this paragraph (d); and

(D) the principal amount, if any, of such Bonds subject to Bids not considered to be Bids of an Existing Owner under this paragraph (ii) shall be treated as the subject of a Bid by a Potential Owner at the rate specified therein; and

(iii) all Sell Orders shall be considered valid Sell Orders, but only up to and including a principal amount of Bonds equal to the excess of the principal amount of Bonds held by such Existing Owner over the sum of the principal amount of the Bonds considered to be subject to Hold Orders pursuant to sub-paragraph (i) of this paragraph (d) and the principal amount of Bonds considered to be subject to Bids of such Existing Owner pursuant to sub-paragraph (ii) of this paragraph (d).

(e) If more than one Bid is submitted on behalf of any Potential Owner, each Bid submitted with the same rate shall be aggregated and considered a single Bid and each Bid submitted with a different rate shall be considered a separate Bid with the rate and the principal amount of Bonds specified therein.

(f) Any Bid submitted by an Existing Owner or a Potential Owner specifying a rate lower than the All Hold Rate shall be treated as a Bid specifying the All Hold Rate, and any such Bid shall be considered as valid and shall be selected in ascending order of the respective rates in the Submitted Bids (as defined in Section 2.04).

(g) Neither the Issuer, the Insurer, the Company, the Trustee, the Remarketing Agent nor the Auction Agent shall be responsible for the failure of any Broker-Dealer to submit an Order to the Auction Agent on behalf of any Existing Owner or Potential Owner.

Section 2.04. Determination of Auction Mode Rate.

(a) Not later than 9:30 a.m., New York City time, on each Auction Date, the Auction Agent shall advise the Broker-Dealers and the Trustee by telephone of the All Hold Rate, the Maximum Auction Rate and the Reference Rate.

(b) Promptly after the Submission Deadline on each Auction Date, the Auction Agent shall assemble all Orders submitted or deemed submitted to it by the Broker-Dealers (each such Order as submitted or deemed submitted by a Broker-Dealer being hereinafter referred to as a "Submitted Hold Order," a "Submitted Bid" or a "Submitted Sell Order," as the case may be, and collectively as a "Submitted Order") and shall determine (i) the Available Bonds, (ii) whether there are Sufficient Clearing Bids, and (iii) the Auction Rate.

(c) Promptly after the Auction Agent has made the determinations pursuant to subsection (b) of this Section 2.04, the Auction Agent shall advise the Trustee and the Company by telex, facsimile or other electronic transmission of the Auction Rate for the next succeeding Auction Period and the Trustee shall promptly notify DTC of such Auction Rate.

(d) In the event the Auction Agent fails to calculate or, for any reason, fails to timely provide the Auction Rate for any Auction Period, (i) if the preceding Auction Period was a period of 35 days or less, the new Auction Period shall be the same as the preceding Auction Period and the Auction Mode Rate for the New Auction Period shall be the same as the Auction

Mode Rate for the preceding Auction Period, and (ii) if the preceding Auction Period was a period of greater than 35 days, the preceding Auction Period shall be extended to the seventh day following the day that would have been the last day of such Auction Period had it not been extended (or if such seventh day is not followed by a Business Day then to the next succeeding day which is followed by a Business Day) and the Auction Mode Rate in effect for the preceding Auction Period will continue in effect for the Auction Period as so extended. In the event an Auction Period is extended as set forth in clause (ii) of the preceding sentence, an Auction shall be held on the last Business Day of the Auction Period as so extended to take effect for an Auction Period beginning on the Business Day immediately following the last day of the Auction Period as extended which Auction Period will end on the date it would otherwise have ended on had the prior Auction Period not been extended.

(e) In the event the Auction Procedures are suspended due to the failure to pay principal of, premium or interest on any Bond, the Auction Mode Rate for the next succeeding Auction Period shall be the Default Rate.

(f) In the event of a failed conversion from a Auction Mode Rate Determination Method to another Determination Method or in the event of a failure to change the length of the current Auction Period due to the lack of Sufficient Clearing Bids at the Auction on the Auction Date for the first new Auction Period, the Auction Mode Rate for the next Auction Period shall be the Maximum Auction Rate and the Auction Period shall be a seven-day Auction Period.

(g) If the Bonds are not rated or if the Bonds are no longer maintained in book-entry-only form by the Securities Depository then the Auction Mode Rate shall be the Maximum Rate.

Section 2.05. Allocation of Bonds.

(a) In the event of Sufficient Clearing Bids, subject to the further provisions of subsections (c) and (d) below, Submitted Orders shall be accepted or rejected as follows in the following order of priority:

(i) the Submitted Hold Order of each Existing Owner shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Hold Order;

(ii) the Submitted Sell Order of each Existing Owner shall be accepted, and the Submitted Bid of each Existing Owner specifying any rate that is higher than the Winning Bid Rate shall be rejected, thus requiring each such Existing Owner to sell the Bonds that are the subject of such Submitted Sell Order or Submitted Bid;

(iii) the Submitted Bid of each Existing Owner specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Bid;

(iv) the Submitted Bid of each Potential Owner specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Potential Owner to purchase the Bonds that are the subject of such Submitted Bid;

(v) the Submitted Bid of each Existing Owner specifying a rate that is equal to the Winning Bid Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Bid, but only up to and including the principal amount of Bonds obtained by multiplying (A) the aggregate principal amount of Bonds outstanding which are not the subject of Submitted Hold Orders described in sub-paragraph (i) of this paragraph (a) or of Submitted Bids described in sub-paragraphs (iii) and (iv) of this paragraph (a) by (B) a fraction the numerator of which shall be the principal amount of Bonds outstanding held by such Existing Owner subject to such Submitted Bid and the denominator of which shall be the aggregate principal amount of Bonds outstanding subject to such Submitted Bids made by all such Existing Owners that specified a rate equal to the Winning Bid Rate, and the remainder, if any, of such Submitted Bid shall be rejected, thus requiring each such Existing Owner to sell any excess amount of Bonds;

(vi) the Submitted Bid of each Potential Owner specifying a rate that is equal to the Winning Bid Rate shall be accepted, thus requiring each such Potential Owner to purchase the Bonds that are the subject of such Submitted Bid, but only in an amount equal to the principal amount of Bonds obtained by multiplying (A) the aggregate principal amount of Bonds outstanding which are not the subject of Submitted Hold Orders described in sub-paragraph (i) of this paragraph (a) or of Submitted Bids described in sub-paragraphs (iii), (iv) or (v) of this paragraph (a) by (B) a fraction the numerator of which shall be the principal amount of Bonds outstanding subject to such Submitted Bid and the denominator of which shall be the sum of the aggregate principal amount of Bonds outstanding subject to such Submitted Bids made by all such Potential Owners that specified a rate equal to the Winning Bid Rate, and the remainder of such Submitted Bid shall be rejected; and

(vii) the Submitted Bid of each Potential Owner specifying any rate that is higher than the Winning Bid Rate shall be rejected.

(b) In the event there are not Sufficient Clearing Bids, subject to the further provisions of subsections (c) and (d) below, Submitted Orders shall be accepted or rejected as follows in the following order of priority:

(i) the Submitted Hold Order of each Existing Owner shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Hold Order;

(ii) the Submitted Bid of each Existing Owner specifying any rate that is not higher than the Maximum Auction Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Bid;

(iii) the Submitted Bid of each Potential Owner specifying any rate that is not higher than the Maximum Auction Rate shall be accepted, thus requiring each such Potential Owner to purchase the Bonds that are the subject of such Submitted Bid;

(iv) the Submitted Sell Orders of each Existing Owner shall be accepted as Submitted Sell Orders and the Submitted Bids of each Existing Owner specifying any rate that is higher than the Maximum Auction Rate shall be deemed to be and shall be accepted as Submitted Sell Orders, in both cases only up to and including the principal amount of Bonds obtained by multiplying (A) the aggregate principal amount of Bonds subject to Submitted Bids described in paragraph (iii) of this subsection (b) by (B) a fraction the numerator of which shall be the principal amount of Bonds outstanding held by such Existing Owner subject to such Submitted Sell Order or such Submitted Bid deemed to be a Submitted Sell Order and the denominator of which shall be the principal amount of Bonds outstanding subject to all such Submitted Sell Orders and such Submitted Bids deemed to be Submitted Sell Orders, and the remainder of each such Submitted Sell Order or Submitted Bid shall be deemed to be and shall be accepted as a Hold Order and each such Existing Owner shall be required to continue to hold such excess amount of Bonds; and

(v) the Submitted Bid of each Potential Owner specifying any rate that is higher than the Maximum Auction Rate shall be rejected.

(c) If, as a result of the procedures described in subsection (a) or (b) of this Section 2.05, any Existing Owner or Potential Owner would be required to purchase or sell an aggregate principal amount of Bonds which is not an integral multiple of $1,000 on any Auction Date, the Auction Agent shall by lot, in such manner as it shall determine in its sole discretion, round up or down the principal amount of Bonds to be purchased or sold by any Existing Owner or Potential Owner on such Auction Date so that the aggregate principal amount of Bonds purchased or sold by each Existing Owner or Potential Owner on such Auction Date shall be an integral multiple of $1,000, even if such allocation results in one or more of such Existing Owners or Potential Owners not purchasing or selling any Bonds on such Auction Date.

(d) If, as a result of the procedures described in subsection (a) of this Section 2.05, any Potential Owner would be required to purchase less than $1,000 in principal amount of Bonds on any Auction Date, the Auction Agent shall by lot, in such manner as it shall determine in its sole discretion, allocate Bonds for purchase among Potential Owners so that the principal amount of Bonds purchased on such Auction Date by any Potential Owner shall be an integral multiple of $1,000, even if such allocation results in one or more of such Potential Owners not purchasing Bonds on such Auction Date.

Section 2.06. Notice of Auction Rate.

(a) On each Auction Date, the Auction Agent shall notify by telephone or other electronic means or in writing each Broker-Dealer that participated in the Auction held on such Auction Date and submitted an Order on behalf of any Existing Owner or Potential Owner of the following:

(i) the Auction Mode Rate determined on such Auction Date for the succeeding Auction Period;

(ii) whether Sufficient Clearing Bids existed for the determination of the Winning Bid Rate;

(iii) if such Broker-Dealer submitted a Bid or a Sell Order on behalf of an Existing Owner, whether such Bid or Sell Order was accepted or rejected, in whole or in part, and the principal amount of Bonds, if any, to be sold by such Existing Owner;

(iv) if such Broker-Dealer submitted a Bid on behalf of a Potential Owner, whether such Bid was accepted or rejected, in whole or in part, and the principal amount of Bonds, if any, to be purchased by such Potential Owner;

(v) if the aggregate principal amount of the Bonds to be sold by all Existing Owners on whose behalf such Broker-Dealer submitted Bids or Sell Orders is different from the aggregate principal amount of Bonds to be purchased by all Potential Owners on whose behalf such Broker-Dealer submitted a Bid, the name or names of one or more Broker-Dealers (and the Agent Member, if any, of each such other Broker-Dealer) and the principal amount of Bonds to be (A) purchased from one or more Existing Owners on whose behalf such other Broker-Dealers submitted Bids or Sell Orders or (B) sold to one or more Potential Owners on whose behalf such Broker-Dealer submitted Bids; and

(vi) the immediately succeeding Auction Date.

(b) On each Auction Date, each Broker-Dealer that submitted an Order on behalf of any Existing Owner or Potential Owner shall:

(i) advise each Existing Owner and Potential Owner on whose behalf such Broker-Dealer submitted an Order as to (A) the Auction Mode Rate determined on such Auction Date, (B) whether any Bid or Sell Order submitted on behalf of each such Owner was accepted or rejected and (C) the immediately succeeding Auction Date;

(ii) instruct each Potential Owner on whose behalf such Broker-Dealer submitted a Bid that was accepted, in whole or in part, to instruct such Potential Owner's Agent Member to pay to such Broker-Dealer (or its Agent Member) through the Securities Depository the amount necessary to purchase the principal amount of Bonds to be purchased pursuant to such Bid (including, with respect to the Bonds in a daily Auction Period, accrued interest if the purchase date is not an Interest Payment Date for such Bond) against receipt of such Bonds; and

(iii) instruct each Existing Owner on whose behalf such Broker-Dealer submitted a Sell Order that was accepted or a Bid that was rejected in whole or in part, to instruct such Existing Owner's Agent Member to deliver to such Broker-Dealer (or its Agent Member) through the Securities Depository the principal amount of Bonds to be sold pursuant to such Bid or Sell Order against payment therefor.

Section 2.07. Reference Rate.

(a) The Reference Rate on any Auction Date with respect to Bonds in any Auction Period of less than 180 days shall be the greater of Auction LIBOR or the Thirty-Day "AA" Composite Commercial Paper Rate (non-financial) on such date. The Reference Rate with respect to Bonds in any Auction Period of 180 days or more shall be the greater of Auction LIBOR or the rate on Treasury securities having a maturity which most closely approximates the length of the Auction Period, as last published in *The Wall Street Journal.* If either rate is unavailable, the Reference Rate shall be an index or rate agreed to by all Broker-Dealers and consented to by the Company.

"Thirty-Day 'AA' Composite Commercial Paper Rate" (non-financial) on any date of determination, means the interest equivalent of the Thirty-Day rate on commercial paper placed on behalf of non financial issuers whose corporate bonds are rated AA by S&P, or the equivalent of such rating by S&P, as made available on a discount basis or otherwise by the Federal Reserve Bank of New York for the Business Day immediately preceding such date of determination, or if the Federal Reserve Bank of New York does not make available any such rate, then the arithmetic average of such rates, as quoted on a discount basis or otherwise, by Lehman Commercial Paper Inc., Goldman, Sachs & Co. and Merrill Lynch, Pierce, Fenner & Smith Incorporated or, in lieu of any thereof, their respective affiliates or successors which are commercial paper dealers (the "Commercial Paper Dealers"), to the Auction Agent before the close of business on the Business Day immediately preceding such date of determination.

For purposes of the definitions of Thirty-Day "AA" Composite Commercial Paper Rate, the "interest equivalent" means the equivalent yield on a 360-day basis of a discount-basis security to an interest-bearing security. If any Commercial Paper Dealer does not quote a commercial paper rate required to determine the Thirty-Day "AA" Composite Commercial Paper Rate, the Thirty-Day "AA" Composite Commercial Paper Rate shall be determined on the basis of the quotation or quotations furnished by the remaining Commercial Paper Dealer or Commercial Paper Dealers and any substitute commercial paper dealer not included within the definition of Commercial Paper Dealer above, which may be CS First Boston Corporation or Morgan Stanley Dean Witter or their respective affiliates or successors which are commercial paper dealers (a "Substitute Commercial Paper Dealer") selected by the Auction Agent (who shall be under no liability for such selection) to provide such commercial paper rate or rates not being supplied by any Commercial Paper Dealer or Commercial Paper Dealers, as the case may be, or if the Auction Agent does not select any such Substitute Commercial Paper Dealer or Substitute Commercial Paper Dealers, by the remaining Commercial Paper Dealer or Commercial Paper Dealers.

(b) If for any reason on any Auction Date the Reference Rate shall not be determined as hereinabove provided in this Section, the Reference Rate shall be the Reference Rate for the Auction Period ending on such Auction Date.

(c) The determination of the Reference Rate as provided herein shall be conclusive and binding upon the Issuer, the Company, the Trustee, the Remarketing Agent, the Broker-Dealers, the Auction Agent and the Owners and Beneficial Owners of the Bonds.

Section 2.08. Miscellaneous Provisions Regarding Auctions.

(a) In this Exhibit B, each reference to the purchase, sale or holding of Bonds shall refer to beneficial interests in Bonds, unless the context clearly requires otherwise.

(b) During an Auction Rate Period, the provisions of the Indenture and the definitions contained therein and described in this Exhibit B, including without limitation the definitions of All Hold Rate, Default Rate, Interest Payment Date, Maximum Auction Rate, Reference Rate, Applicable Percentage and Auction Mode Rate, may be amended pursuant to the Indenture by obtaining the consent of (i) the owners of all Bonds bearing interest at a Auction Mode Rate, and (ii) the Insurer, as follows. If, on the first Auction Date occurring at least 20 days after the date on which the Trustee mailed notice of such proposed amendment to the registered owners of the Bonds as required by the Indenture, (i) the Auction Mode Rate which is determined on such date is the Winning Bid Rate and (ii) there is delivered to the Company and the Trustee an Opinion of Tax Counsel to the effect that such amendment shall not adversely affect the validity of the Bonds or any exemption from federal income tax to which the interest on the Bonds would otherwise be entitled, the proposed amendment shall be deemed to have been consented to by the owners of all affected Bonds affected by such amendment.

(c) During an Auction Rate Period, so long as the ownership of the Bonds is maintained in book-entry form by the Securities Depository, an Existing Owner or a beneficial owner may sell, transfer or otherwise dispose of a Bond only pursuant to a Bid or Sell Order in accordance with the Auction Procedures or to or through a Broker-Dealer, *provided that* (i) in the case of all transfers other than pursuant to Auctions, such Existing Owner or its Broker-Dealer or its Agent Member advises the Auction Agent of such transfer and (ii) a sale, transfer or other disposition of Bonds from a customer of a Broker-Dealer who is listed on the records of that Broker-Dealer as the Existing Owner of such Bonds to that Broker-Dealer or another customer of that Broker-Dealer shall not be deemed to be a sale, transfer or other disposition for purposes of this Section 2.08 if such Broker-Dealer remains the Existing Owner of the Bonds so sold, transferred or disposed of immediately after such sale, transfer or disposition.

Section 2.09. Changes in Auction Period or Auction Date.

(a) Changes in Auction Period.

(i) During any Auction Rate Period, the Company, may, from time to time on any Interest Payment Date, change the length of the Auction Period with respect to all of the Bonds in order to accommodate economic and financial factors that may affect or be relevant to the length of the Auction Period and the interest rate borne by such Bonds. Any such change in the Auction Period shall be deemed to be a change in Determination Method. The Company shall initiate the change in the length of the Auction Period by giving a Conversion Notice pursuant to Section 2.02(b)(1) of the Indenture.

(ii) The change in the length of the Auction Period shall not be effective unless Sufficient Clearing Bids existed at both the Auction before the date on which the notice of the proposed change was given as provided in this subsection (a) and the Auction immediately preceding the proposed change.

(iii) The change in length of the Auction Period shall take effect only if (i) Sufficient Clearing Bids exist at the Auction on the Auction Date for such first Auction Period, and (ii) on the proposed effective date, the Company provides the Trustee with a Favorable Opinion of Tax Counsel as to such change in the Auction Period. For purposes of the Auction for such first Auction Period only, each Existing Owner shall be deemed to have submitted Sell Orders with respect to all of its Bonds except to the extent such Existing Owner submits an Order with respect to such Bonds. If the conditions referred to in the first sentence of this sub-paragraph (iii) are not met, the Trustee shall notify the Auction Agent and then the Auction Mode Rate for the next Auction Period shall be the Maximum Auction Rate, and the Auction Period shall be a seven-day Auction Period.

(iv) On the conversion date of the Bonds selected for conversion from one Auction Period to another, any Bonds which are not the subject of a specific Hold Order or Bid will be deemed to be subject to a Sell Order.

(b) Changes in Auction Date. During any Auction Rate Period, the Auction Agent, with the written consent of the Company, may specify an earlier Auction Date (but in no event more than five Business Days earlier) than the Auction Date that would otherwise be determined in accordance with the definition of "Auction Date" in order to conform with then current market practice with respect to similar securities or to accommodate economic and financial factors that may affect or be relevant to the day of the week constituting an Auction Date and the interest rate borne on the Bonds. The Auction Agent shall provide notice of its determination to specify an earlier Auction Date for an Auction Period by means of a written notice delivered at least 45 days prior to the proposed changed Auction Date to the Trustee, the Issuer, the Insurer, the Company, the Broker-Dealers, the Remarketing Agent, and the Securities Depository.

ARTICLE III

Auction Agent

Section 3.01. Auction Agent.

(a) The Auction Agent shall be The Bank of New York, or any successor appointed by the Company with the consent of the Insurer, to perform the functions specified herein. The Auction Agent shall designate its Principal Office and signify its acceptance of the duties and obligations imposed upon it hereunder by a written instrument, delivered to the Company, the Trustee, the Issuer and each Broker-Dealer which shall set forth such procedural and other matters relating to the implementation of the Auction Procedures as shall be satisfactory to the Issuer, the Company and the Trustee.

(b) Subject to any applicable governmental restrictions, the Auction Agent may be or become the owner of or trade in Bonds with the same rights as if such entity were not the Auction Agent.

Section 3.02. Qualifications of Auction Agent; Resignation; Removal. The Auction Agent shall be (a) a bank or trust company organized under the laws of the United States or any

state or territory thereof having a combined capital stock, surplus and undivided profits of at least $30,000,000, or (b) a member of NASD having a capitalization of at least $30,000,000 and, in either case, authorized by law to perform all the duties and obligations imposed upon it by this Indenture and a member of or a participant in, the Securities Depository. The Auction Agent may at any time resign and be discharged of the duties and obligations created by this Indenture by giving at least 90 days notice to the Company, the Issuer, the Insurer and the Trustee. The Auction Agent may be removed at any time by the Company with the consent of the Insurer by written notice, delivered to the Auction Agent, the Issuer, the Insurer and the Trustee. Upon any such resignation or removal, the Company with the consent of the Insurer shall appoint a successor Auction Agent meeting the requirements of this section. In the event of the resignation or removal of the Auction Agent, the Auction Agent shall pay over, assign and deliver any moneys and Bonds held by it in such capacity to its successor. The Auction Agent shall continue to perform its duties hereunder until its successor has been appointed by the Company. In the event that the Auction Agent has not been compensated for its services, the Auction Agent may resign by giving forty-five (45) days notice to the Company, the Issuer, the Insurer and the Trustee even if a successor Auction Agent has not been appointed.

EXHIBIT B.2.

DEVELOPMENT AUTHORITY OF
MONROE COUNTY

and

GULF POWER COMPANY

LOAN AGREEMENT

Dated as of September 1, 2002

Relating to

$42,000,000
Pollution Control Revenue Bonds
(Gulf Power Company Plant Scherer Project)
First Series 2002

LOAN AGREEMENT

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LOAN AGREEMENT dated as of September 1, 2002 between the DEVELOPMENT AUTHORITY OF MONROE COUNTY, a public body corporate and politic duly organized and existing under the Constitution and laws of the State of Georgia (the "Issuer"), and GULF POWER COMPANY, a corporation organized and existing under the laws of the State of Maine (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 Georgia 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" 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.

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

"Event of Default" means any of the occurrences enumerated in Section 5.1 of this Agreement.

"Indenture" means the Trust Indenture, dated as of September 1, 2002, relating to Pollution Control Revenue Bonds (Gulf Power Company Plant Scherer Project), First Series 2002, between the Issuer and The Bank of New York Trust Company of Florida, N.A., 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, collectively, (i) the Loan Agreement, dated as of December 1, 1984, between the Issuer and the Company delivered in connection with the issuance of the $22,000,000 Development Authority of Monroe County Pollution Control Revenue Bonds (Gulf Power Company Plant Scherer Project), First Series 1984; and (ii) the Loan Agreement, dated as of December 1, 1984, between the Issuer and the Company, delivered in connection with the issuance of the $20,000,000 Development Authority of Monroe County Pollution Control Revenue Bonds (Gulf Power Company Plant Scherer Project), First Series 1984.

"Plans" and "Project" mean the "Plans" and "Project" as respectively defined in Article I of the Original Agreements.

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 and Section 3.1 hereof. The Indenture shall be satisfactory in form and substance to 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 (other than accrued interest) to be applied exclusively to such purpose and to cause the refunding of the Refunded Bonds to be effected within 90 days after the date of initial issuance of the 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 on the Bonds. 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 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, and (ii) any expenses in connection with any redemption of the Bonds.

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 Georgia 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. 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 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 and (ii) 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. The Company will pay and discharge and will indemnify and hold harmless the Issuer from (a) any lien or charge upon payments by the Company to the Issuer under the Note or hereunder, (b) any taxes, assessments, impositions and other charges upon payments by the Company to the Issuer under the Note or hereunder and (c) 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 Georgia, 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 Georgia corporation or is qualified to do business in Georgia 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 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 and the Issuer each 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.

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. Company's Option to Determine Interest Rate Mode; Appointment of Remarketing Agent. The Issuer and the Company agree that the Company shall have the option to change the interest rate determination method for the Bonds in the manner provided in the Indenture, particularly Section 2.02. The Company agrees, in connection with any change in the interest rate determination method, to provide for the appointment of a Remarketing Agent as provided in Section 9.15 of the Indenture if no Remarketing Agent has been appointed and is serving as such under the Indenture and for the appointment of an Auction Agent and one or more Broker-Dealers, as appropriate.

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 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 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 Georgia 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 declare all amounts payable pursuant to the Note to be immediately due and payable, whereupon the same shall become immediately due and payable; and

(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. 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, c/o Board of Commissioners of Monroe County, Monroe County Courthouse, Forsyth, Georgia 31029; if to the Company and via United States mail or facsimile, at One Energy Place, Pensacola, Florida 32520-0100, Attention: Treasurer, with copies to Southern Company Services, Inc., 270 Peachtree Street, N.W., Atlanta, Georgia 30303, Attention: Corporate Finance Department; if to the Company and via hand delivery, 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 100 Ashford Center North, Suite 520, Atlanta, Georgia 30338, 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 Georgia.

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.

DEVELOPMENT AUTHORITY OF
MONROE COUNTY

[SEAL]

By: _____
Chairman

ATTEST:

_____
Secretary

GULF POWER COMPANY

[SEAL]

By: _____
Executive Vice President, Treasurer and Chief Financial 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.

DEVELOPMENT AUTHORITY OF
MONROE COUNTY

[SEAL]

By: _____
Chairman

ATTEST:

_____
Secretary

GULF POWER COMPANY

[SEAL]

By: _____
Vice President and Chief Financial Officer

ATTEST:

_____
Assistant Secretary

EXHIBIT A

GULF POWER COMPANY
PROMISSORY NOTE

$42,000,000 September 26, 2002

GULF POWER COMPANY ("Gulf"), a corporation organized and existing under the laws of the State of Georgia, acknowledges itself indebted and for value received hereby promises to pay to the order of the Development Authority of Monroe County (the "Authority"), and its successors and assigns, the principal sum of FORTY-TWO MILLION DOLLARS ($42,000,000) 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 Authority 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 Authority and Gulf dated as of September 1, 2002, pursuant to which the Authority has loaned to Gulf the proceeds of the sale of the Authority's $42,000,000 of Pollution Control Revenue Bonds (Gulf Power Company Plant Scherer Project), First Series 2002 (the "Bonds"). This Note (together with the Agreement) has been assigned to The Bank of New York Trust Company of Florida, N.A. (the "Trustee"), acting pursuant to a trust indenture dated as of September 1, 2002 (the "Indenture") between the Authority 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 September 1, 2037. The Bonds are subject to redemption 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 Authority, 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.

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

[SEAL]

By: _____
Vice President and Chief Financial Officer

Attest: _____
Assistant Secretary

ASSIGNMENT

Pay to the order of The Bank of New York Trust Company of Florida, N.A., as assignee of the Development Authority of Monroe County, under the Trust Indenture, dated as of September 1, 2002, between the Development Authority of Monroe County and The Bank of New York Trust Company of Florida, N.A., as Trustee, securing the payment of Development Authority of Monroe County Pollution Control Revenue Bonds (Gulf Power Company Plant Scherer Project), First Series 2002 in the original principal amount of $42,000,000.

DEVELOPMENT AUTHORITY OF
MONROE COUNTY

By:_____
Chairman

The holder hereof has agreed not to transfer this Note except to a successor Trustee under the Trust Indenture dated as of September 1, 2002 of the Development Authority of Monroe County relating to the Bonds (hereinafter referred to).

GULF POWER COMPANY
PROMISSORY NOTE

$42,000,000 September 26, 2002

GULF POWER COMPANY ("Gulf"), a corporation organized and existing under the laws of the State of Georgia, acknowledges itself indebted and for value received hereby promises to pay to the order of the Development Authority of Monroe County (the "Authority"), and its successors and assigns, the principal sum of FORTY-TWO MILLION DOLLARS ($42,000,000) 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 Authority 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 Authority and Gulf dated as of September 1, 2002, pursuant to which the Authority has loaned to Gulf the proceeds of the sale of the Authority's $42,000,000 of Pollution Control Revenue Bonds (Gulf Power Company Plant Scherer Project), First Series 2002 (the "Bonds"). This Note (together with the Agreement) has been assigned to The Bank of New York Trust Company of Florida, N.A. (the "Trustee"), acting pursuant to a trust indenture dated as of September 1, 2002 (the "Indenture") between the Authority 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 September 1, 2037. The Bonds are subject to redemption 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 Authority, 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.

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

[SEAL]

By: _____
Vice President and Chief Financial Officer

Attest: _____
Assistant Secretary

ASSIGNMENT

Pay to the order of The Bank of New York Trust Company of Florida, N.A., as assignee of the Development Authority of Monroe County, under the Trust Indenture, dated as of September 1, 2002, between the Development Authority of Monroe County and The Bank of New York Trust Company of Florida, N.A., as Trustee, securing the payment of Development Authority of Monroe County Pollution Control Revenue Bonds (Gulf Power Company Plant Scherer Project), First Series 2002 in the original principal amount of $42,000,000.

DEVELOPMENT AUTHORITY OF
MONROE COUNTY

By: _____
Chairman

AUCTION AGREEMENT

Dated as of September 1, 2002

among

Gulf Power Company

and

The Bank of New York Trust Company of Florida, N.A.,

as Trustee

and

The Bank of New York,

as Auction Agent

Relating to

$42,000,000

Development Authority of Monroe County

Pollution Control Revenue Bonds

(Gulf Power Company Plant Scherer Project)

First Series 2002

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AUCTION AGREEMENT

THIS AUCTION AGREEMENT, dated as of September 1, 2002 (the "Auction Agreement"), between GULF POWER COMPANY, a Maine corporation (the "Company"), THE BANK OF NEW YORK, as Auction Agent (the "Auction Agent"), and THE BANK OF NEW YORK TRUST COMPANY OF FLORIDA, N.A. (the "Trustee");

WITNESSETH

WHEREAS, concurrently with the execution and delivery of this Auction Agreement, the Development Authority of Monroe County (the "Issuer") is issuing $42,000,000 in aggregate principal amount of its Pollution Control Revenue Bonds (Gulf Power Company Plant Scherer Project) First Series 2002 (the "Bonds") pursuant to the Trust Indenture dated as of September 1, 2002 (the "Indenture") by and between the Issuer and the "Trustee";

WHEREAS, the Trustee is entering into this Auction Agreement as agent for the Bondholders pursuant to the Indenture; and

WHEREAS, the Auction Agent is to perform certain duties set forth herein;

NOW, THEREFORE, the Trustee and the Auction Agent hereby agree as follows:

Section 1. Definitions and Rules of Construction

1.1 Terms Defined by Reference to the Indenture. Capitalized terms not defined herein shall have the respective meanings specified in the Indenture, including the Exhibits thereto.

1.2 Terms Defined Herein. As used herein and in the exhibits hereto, the following terms shall have the following meanings, unless the context otherwise requires:

(a) "Auction Agent Acceptance Fee" means an acceptance fee as set forth in a written agreement signed by the Auction Agent and the Company.

(b) "Auction Agent Fee" means the fees, other than the Auction Agent Acceptance Fee, set forth in a written agreement signed by the Auction Agent and the Company.

(c) "Authorized Officer" shall mean (i) in the case of the Auction Agent, each Vice President, Assistant Vice President and Assistant Treasurer of the Auction Agent assigned to its Dealing and Trading Group of its Corporate Trust Department and every other officer or employee of the Auction Agent designated an "Authorized Officer" for purposes hereof in a written communication delivered to the Trustee, (ii) in the case of the Company, its Chief Financial Officer and every other officer or employee of the Company designated an "Authorized Officer" for purposes hereof in a written communication delivered to the Trustee, and (iii) in the case of the Trustee, every officer or employee of the Trustee designated as an

"Authorized Officer" for purposes hereof in a written communication delivered to the Auction Agent.

(d) "Bond Register" is defined in Section 2.2(c) hereof.

(e) "Broker-Dealer" Agreement" shall mean each agreement among the Auction Agent, the Company and a Broker-Dealer substantially in the form attached hereto as EXHIBIT A.

(f) "Company" shall mean Gulf Power Company.

(g) "Existing Owner" shall mean the owner of any beneficial interest in any Bonds as shown on the Bond Register.

(h) "Settlement Procedures" shall mean the Settlement Procedures attached hereto as EXHIBIT B.

1.3 Rules of Construction. Unless the context or use indicates another or different meaning or intent, the following rules shall apply to the construction of this Auction Agreement.

(a) Words importing the singular number shall include the plural number and vice versa.

(b) The captions and headings herein are solely for the convenience of reference and shall not constitute a part of this Auction Agreement nor shall they affect its meaning, construction or effect.

(c) The words "hereof," "herein" and other words of similar import refer to this Auction Agreement as a whole.

(d) All references herein to a particular time of day shall be to New York City time.

(e) Each reference to the purchase, sale or holding of Bonds shall refer to beneficial ownership interests in the Bonds unless the context clearly requires otherwise.

Section 2. Auction.

2.1 Purpose; Appointment; Incorporation by Reference of Auction Procedures and Settlement Procedures.

(a) The Indenture provides that the interest rate on the Bonds for each Auction Period shall be the Auction Mode Rate which shall be, except as otherwise provided therein, the rate per annum that the Auction Agent determines to have resulted from the implementation of the Auction Procedures.

(b) Pursuant to Section 3.01 of Exhibit B to the Indenture, the Company hereby appoints The Bank of New York to act as Auction Agent. The Bank of New York hereby

accepts such appointment to perform the Auction Procedures, Settlement Procedures and other duties herein, in each Broker-Dealer Agreement and in the Indenture specified to be performed by the Auction Agent.

(c) The Auction Procedures contained in the Exhibit B to Indenture are hereby incorporated herein by reference in their entirety, and shall be deemed to be a part hereof to the same extent as if such provisions were expressly set forth herein. No amendment of any provision of the Auction Procedures or any other provision of the Indenture that adversely affects any right, duty or obligation of the Auction Agent shall be binding upon the Auction Agent without its consent.

2.2 Preparation for each Auction; Maintenance of Registry of Beneficial Owners.

(a) Not later than seven days prior to any Auction Date for which any change in Broker-Dealers is to be effective, the Trustee shall notify or cause to be notified the Auction Agent and the Company in writing of such change and, if such change is the addition of a Broker Dealer, the Company shall cause to be delivered to the Auction Agent, for execution by the Auction Agent pursuant to Section 2.6(a) hereof, a Broker-Dealer Agreement manually signed by such Broker-Dealer. The Auction Agent shall have entered into a Broker-Dealer Agreement with each Broker-Dealer prior to the participation of any such Broker-Dealer in any Auction. The Auction Agent shall be entitled to assume that there has been no change in the Broker-Dealers unless and until it has actual receipt of such notification from an Authorized Officer of the Trustee.

(b) (i) On each Auction Date, the Auction Agent shall determine the Maximum Auction Rate, the All Hold Rate and the Auction Rate. For this purpose the prevailing rating(s) of the Bonds, as of the Closing Date, is "A/A" and the Applicable Percentage is 250%. Thereafter, if there shall have been a change in the prevailing rating of the Bonds, the Company shall supply by facsimile transmission, prior to 9:00 a.m. on the first Auction Date following such change, the new prevailing rating of the Bonds and the Applicable Percentage. The Auction Agent may conclusively rely upon such information so obtained and shall be entitled to assume that there has been no change in the prevailing rating of the Bonds and the Applicable Percentage unless it has been so notified by an Authorized Officer of the Company to the contrary. Not later than 9:30 a.m. on each Auction Date, the Auction Agent shall notify the Trustee and the Broker-Dealers by telephone (confirmed to the Trustee in writing or by facsimile transmission after the Auction) or other electronic communication acceptable to the parties of the All Hold Rate, the Maximum Auction Rate and the Reference Rate.

(ii) Upon the occurrence of a Payment Default on any Bond, the Trustee shall forthwith notify the Auction Agent of the same and upon receipt of such notice, the Auction Procedures shall be suspended commencing on the date of the Auction Agent's receipt of notice of such Payment Default from the Trustee, and the interest rate on the Bonds for each Auction Period commencing after the occurrence and during the continuance of such Payment Default to and including the Auction Period, if any, during which such Payment Default is cured will equal the Default Rate as determined by the Trustee on the first day of each such Auction Period as provided in the Indenture. If such Payment Default is later cured or waived, the Trustee shall forthwith notify the Auction Agent of the same. The Auction Procedures shall

resume two Business Days after the Auction Agent's actual receipt of such notice of cure or waiver with the next Auction to occur on the next regularly scheduled Auction Date occurring after such cure or waiver.

(c) (i) The Auction Agent shall maintain a registry of the beneficial owners of Bonds (the "Bond Register") based on information provided to it from the Broker-Dealers who shall constitute Existing Owners for purposes of Auctions and shall indicate thereon the identity of the respective Broker-Dealer of each Existing Owner, if any, on whose behalf such Broker-Dealer submitted the most recent Order in any Auction which resulted in such Existing Owner continuing to hold or purchase such Bonds. The Auction Agent shall keep such registry current and accurate. Each Broker-Dealer is required under the Broker-Dealer Agreement to which it is a party to deliver to the Auction Agent on the Closing Date a list of the initial Existing Owners that purchased such Bonds through such Broker-Dealer. The Auction Agent may conclusively rely upon, as evidence of the identities of the Existing Owners, the following: such lists; the results of Auctions; notices from DTC regarding the results of redemptions or mandatory tenders; notices from any Existing Owner, the Agent Member of any Existing Owner or the Broker-Dealer of any Existing Owner with respect to such Existing Owner's transfer of the Bonds to another Person.

(ii) The Trustee shall provide to the Auction Agent any notice of redemption, conversion or mandatory tender of the Bonds at or before the time any such notice is first given by the Trustee to any Existing Owner thereof. In the event of any partial redemption or mandatory tender of the Bonds, the Auction Agent shall promptly request DTC to notify the Auction Agent of the Agent Members whose Bonds have been called for redemption or mandatory tender and the person or department at such Agent Member to contact regarding such redemption or mandatory tender and, within two Business Days, request each such Agent Member to disclose to the Auction Agent (upon selection by such Agent Member of the Existing Owners whose Bonds are to be redeemed) the principal amount of Bonds of each such Existing Owner, if any, which are subject to such redemption or mandatory tender, provided the Auction Agent shall have been furnished with the name and telephone number of a person or department at such Agent Member from which it is to request such information. In the absence of receiving any such information with respect to an Existing Owner from such Existing Owner's Agent Member (or otherwise), the Auction Agent may continue to treat such Existing Owner as the beneficial owner of the principal amount of Bonds shown in the Auction Agent's registry.

(iii) The Auction Agent may refuse to register a transfer of beneficial ownership of Bonds from an Existing Owner to another person unless (a) such transfer is pursuant to an Auction or (b) the Auction Agent has been notified in writing (I) in a notice in the form of Exhibit C to the Broker-Dealer Agreements by such Existing Owner, the Broker-Dealer or an Agent Member of such Existing Owner of such transfer, (II) in a notice in the form of Exhibit D to the Broker-Dealer Agreements by the Broker-Dealer of any Person that purchased or sold such Bonds in an Auction of the failure of such Bonds to be transferred as a result of such Auction, or (III) in a notice from DTC regarding the results of mandatory tenders. In the event a notice referred to in the preceding clause (II) is received, the Auction Agent shall register the beneficial ownership of the Bonds covered thereby in the name of the Existing Owner thereof prior to the Auction referred to in such notice. The Auction Agent shall not be required to accept

any notice delivered pursuant to the terms of the foregoing sentence if received by the Auction Agent after 3:00 p.m. on the Business Day next preceding an Auction Date.

(iv) The Auction Agent may, but shall have no obligation to request a Broker-Dealer, as set forth in the applicable Broker-Dealer Agreement, to provide the Auction Agent with a list of their respective customers that such Broker-Dealer believes are Existing Owners of Bonds. The Auction Agent shall not disclose such information so provided to any Person other than the Trustee, the Company and the Broker-Dealer that provided the same; provided, however, that the Auction Agent reserves the right and is authorized to disclose any such information if (A) it is ordered to do so by a court of competent jurisdiction or a regulatory, judicial or quasi judicial agency or authority having the authority to compel such disclosure, (B) it is advised by such counsel that its failure to do so would be unlawful or (C) failure to do so would expose the Auction Agent to loss, liability, claim, damage or expense for which it has not received indemnity satisfactory to it.

(d) In the event that the notice referred to in clause (vi) of paragraph (a) of the Settlement Procedures states an Auction Date that is subsequently changed, the Auction Agent, by such means as the Auction Agent deems practicable, shall give notice of the new Auction Date not later than 9:15 a.m. on the earlier of the new Auction Date or the old Auction Date.

(e) The Auction Agent shall deliver a copy of any notice received by it from the Trustee pursuant to clause (ii) of the foregoing paragraph (b) to the effect that an Event of Default has been cured or waived to the Broker-Dealers on the Business Day following its receipt thereof by telecopy or other electronic communication acceptable to the parties.

2.3 Auction Schedule. The Auction Agent shall conduct Auctions for the Bonds in accordance with the schedule set forth below. Such schedule may be changed by the Auction Agent if directed in writing by the Company to reflect then currently accepted market practices for similar auctions. The Auction Agent shall give written notice of any such change to the Trustee, the Company, and each Broker-Dealer. Such notice shall be given prior to the close of business on the Business Day next preceding the first Auction Date on which any such change shall be effective.

Time	Event
By 9:30 A.M	Auction Agent advises the Broker-Dealers of the All Hold Rate, the Maximum Auction Rate and the Reference Rate, as set forth in Section 2.2(b)(i) hereof.
9:30 A.M. – 1:00 P.M. (11:00 A.M. in the case of a daily Auction Period).	Auction Agent assembles information communicated to it by Broker-Dealers as provided in Section 2.02 of Exhibit B of the Indenture. Submission Deadline is 1:00 P.M. (11:00 A.M. in the case of a daily Auction Period).
As soon as practical after 1:00 P.M. (11:30 A.M. in the case of a daily	Auction Agent makes determination pursuant to Section 2.04 of Exhibit B of the Indenture.

Auction Period).

By approximately 3:00 P.M. but not later than the close of business (by 12:00 Noon in the case of a daily Auction Period).	Submitted Bids and Submitted Sell Orders are accepted and rejected and the Bonds allocated as provided in Section 2.05 of Exhibit B of the Indenture. Auction Agent gives notice of Auction results as set forth in Section 2.4 hereof.

2.4 Notice of Auction Results. Following such Auction, the Auction Agent shall follow the notification procedures set forth in paragraph (a) of the Settlement Procedures. In addition, promptly after making the determinations required by Section 2.04 of Exhibit B of the Indenture on each Auction Date, the Auction Agent shall give notice of the Auction Rate to the Trustee by telephone (promptly confirmed in writing) or by telecopy or other electronic communication acceptable to the parties and the Trustee shall promptly give notice to DTC of such Auction Rate.

2.5 Notices to Existing Owners. The Auction Agent shall be entitled to conclusively rely upon the address of each Existing Owner delivered by such Existing Owner in connection with any notice to Existing Owners required to be given by the Auction Agent pursuant to this Section 2.

2.6 Broker-Dealers.

(a) On the Closing Date the Auction Agent shall enter into a Broker-Dealer Agreement with SunTrust Capital Markets, Inc. The Auction Agent shall from time to time enter into such other Broker-Dealer Agreements (substantially in the form set forth in Exhibit A hereto) as the Company shall request and with written notice to the Trustee and the Auction Agent and the written consent of SunTrust Capital Markets, Inc., so long as SunTrust Capital Markets, Inc. is a Broker-Dealer.

(b) The Auction Agent shall terminate any Broker-Dealer Agreement as set forth therein if so directed by the Company in writing with prior written notice to the Trustee.

2.7 Ownership of the Bonds. Neither the Issuer nor the Company nor any Person controlled by any thereof may submit any Order or Bid, directly or indirectly, in any Auction. The Auction Agent shall have no duty to monitor compliance with this Section 2.7.

2.8 Access to and Maintenance of Auction Records. The Auction Agent shall afford to the Trustee and its agents, independent public accountants and counsel, access at reasonable times during normal business hours to all books, records, documents and other information concerning the conduct and results of Auctions; provided that any such agent, accountant or counsel of the Trustee shall furnish the Auction Agent with a letter from an Authorized Officer of the Trustee requesting that the Auction Agent afford such person access. Except as provided in Sections 3.1(d) and 5.1(b), the Auction Agent shall maintain records relating to any Auction for a period of two years after such Auction and such records shall, in reasonable detail, accurately and fairly reflect the actions taken by the Auction Agent hereunder. At the end of such two-year period the Auction Agent shall deliver such records to the Trustee if the Trustee so

requests. The Auction Agent shall provide the Trustee with copies of any report the Auction Agent provides DTC concerning discrepancies between the records of the Auction Agent and DTC of the aggregate portions registered in each CUSIP number. The Auction Agent shall not be responsible for any actions of the Trustee or its agents, accountants or counsel for passing on confidential information as a result of access to the records of the Auction Agent.

Section 3. The Auction Agent.

3.1 Duties and Responsibilities of the Auction Agent.

(a) The Auction Agent is acting solely as agent of the Trustee and owes no duties, fiduciary or otherwise, to any other person by reason of this Auction Agreement, except as otherwise stated herein, and no implied duties, fiduciary or otherwise, shall be read into this Auction Agreement.

(b) The Auction Agent and the Trustee undertake to perform such duties and only such duties as are expressly set forth herein, or expressly incorporated herein by reference pursuant to Section 2.1 hereof, to be performed by it, and no implied covenants or obligations shall be read into this Auction Agreement against the Auction Agent or the Trustee.

(c) In the absence of bad faith, gross negligence or willful misconduct on its part, the Auction Agent, whether acting directly or through agents or attorneys as provided in Section 3.2(d), shall not be liable for any action taken, suffered, or omitted or for any error of judgment made by it in the performance of its duties hereunder. The Auction Agent shall not be liable for any error of judgment made in good faith unless the Auction Agent shall have been grossly negligent in ascertaining the pertinent facts necessary to make such judgment. In no event shall the Auction Agent be liable for special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profit), even if the Auction Agent has been advised of the likelihood of such loss or damage and regardless of the form of action.

(d) Upon termination of this Auction Agreement, the Auction Agent shall promptly deliver to the Company, the Auction records and accompanying documentation and any other documents referred to in Section 2.8 to the extent not previously delivered to the Trustee.

(e) The Auction Agent shall: (i) not be required to and shall make no representations and have no responsibilities as to the validity, accuracy, value or genuineness of any signatures or endorsements, other than its own; or any document delivered pursuant to or as contemplated by this Auction Agreement; (ii) not be obligated to take any legal action hereunder that might, in its judgment, involve any expense or liability, unless it has been furnished with reasonable indemnity; and (iii) not be responsible for or liable in any respect on account of the identity, authority or rights of any person executing or delivering or purporting to execute or deliver any document under this Auction Agreement. or any Broker Dealer Agreement.

(f) The Auction Agent shall not be responsible or liable for any failure or delay in the performance of its obligations under this Auction Agreement arising out of or caused, directly or indirectly, by circumstances beyond its reasonable control, including without limitation, acts of God; earthquakes; fires; floods; wars; civil or military disturbances; terrorism;

sabotage; epidemics; riots; interruptions; loss or malfunction of utilities; computer (hardware or software) or communications service; accidents; labor disputes; acts of civil or military authority or governmental actions; it being understood that the Auction Agent shall use reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

3.2 Rights of the Auction Agent.

(a) The Auction Agent may conclusively rely upon, and shall be fully protected in acting or refraining from acting upon, any communication authorized hereby and upon any such written instruction, notice, request, direction, consent, report, certificate, share certificate or other instrument, paper or other document believed by it to be genuine. The Auction Agent shall not be liable for acting in good faith upon any such communication made by telephone or other electronic communication acceptable to the parties which the Auction Agent reasonably believes to have been given by the particular party or parties. To the extent permitted by law, the Auction Agent may record telephone communications with the Company, the Issuer, the Trustee and the Broker-Dealers, and each of such parties may record telephone communications with the Auction Agent.

(b) The Auction Agent may consult with counsel of its choice (provided such selection is made with reasonable care) and the advice of such 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.

(c) The Auction Agent shall not be required to advance, expend or risk its own funds or otherwise incur or become exposed to financial liability in the performance of its duties hereunder, except as may be required as a result of its own gross negligence, willful misconduct or bad faith.

(d) The Auction Agent may perform its duties and exercise its rights hereunder either directly or by or through agents or attorneys and shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed by it with due care.

(e) The Auction Agent shall have no obligation or liability in respect of the registration or exemption therefrom of the Bonds under federal or state securities laws in respect of the sufficiency or the conformity of any transfer of the Bonds pursuant to the terms of this Auction Agreement, any Broker-Dealer Agreement, the Indenture or any other document contemplated by any thereof.

3.3 Auction Agent's Disclaimer. The Auction Agent makes no representations and assumes no responsibility for the validity, accuracy or adequacy of this Auction Agreement, the Broker-Dealer Agreement, the Indenture or any offering material used in connection with the offer and sale of the Bonds.

3.4 Compensation, Expenses and Indemnification of the Auction Agent. The Company shall pay (i) the Auction Agent Acceptance Fee on the date of payment for and delivery of the Bonds, (ii) the Auction Agent Fee for the Bonds on the first Interest Payment Date following the Closing Date and annually thereafter, and (iii) upon request of the Auction

Agent, reasonable expenses, disbursements and advances reasonably incurred or made by the Auction Agent in accordance with this Agreement and any Broker-Dealer Agreement (including the reasonable compensation, expenses and disbursements of its agents and counsel), except any expense, disbursement or advance attributable to the bad faith, gross negligence or willful misconduct of the Auction Agent. The Auction Agent Fee represents compensation for the services of the Auction Agent in conducting Auctions for the benefit of the beneficial owners of the Bonds. The Auction Agent Fee may be adjusted from time to time with the approval of the Company upon a written request of the Auction Agent delivered to the Company. The Company shall indemnify the Auction Agent, its directors, officers, agents and employees for, and hold them harmless against any loss, liability or expense incurred without bad faith, gross negligence or willful misconduct on their part arising out of or in connection with its agency under the Auction Agreement and any Broker-Dealer Agreement, including the costs and expenses of defending itself, its directors, officers, agents and employees against any claim of liability in connection with their exercise or performance of any of their duties thereunder (including the enforcement of this provision), except such as may result from their bad faith, gross negligence or willful misconduct. The Trustee shall have no responsibility for payment of the fees and expenses of the Auction Agent.

3.5 Broker-Dealer Fee. While the Bonds are in an Auction Period other than a daily Auction Period on each Interest Payment Date following each Auction Date, each Broker-Dealer shall be entitled to receive an amount (the "Broker-Dealer Fee") equal to the product of (x) .25 of 1% multiplied by (y)(A) if an Auction was held on such Auction Date, the sum of the aggregate principal amount of the Bonds that were (1) the subject of a valid Hold Order of an Existing Owner submitted by such Broker-Dealer, (2) the subject of a Submitted Bid of an Existing Owner submitted by such Broker-Dealer and continued to be held by such Existing Owner as a result of such Auction, (3) the subject of a Submitted Bid of a Potential Owner and were purchased by such Potential Owner as a result of such Auctions and (4) deemed to be the subject of a Hold Order by an Existing Owner that were acquired by such Existing Owner from such Broker-Dealer or (B) if an Auction was not held on such Auction Date, the aggregate principal amount of Outstanding Bonds that were acquired by an Existing Owner through such Broker-Dealer, multiplied by (z) a fraction, the numerator of which is (i) if the Auction Period is seven-days, 28-days, 35-days, or a Special Rate Period of 180 days or less, the actual number of days in the Auction Period next succeeding such Auction Date or (ii) if the Auction Period is six months or a Special Rate Period of more than 180 days, the number of days in the Auction Period next succeeding such Auction Date, calculated on the basis of twelve 30 day months in a year, and in either case the denominator of which is 360. If the Bonds are in a daily Auction Period each Broker-Dealer shall be entitled to receive on each Interest Payment Date an amount equal to the sum calculated for each Auction Period in the preceding month of the product of (x) .25 of 1% multiplied by (y) the aggregate principal amount of Bonds for each Auction Period that were (1) the subject of a valid Hold Order submitted by such Broker-Dealer, (2) the subject of a Submitted Bid of an Existing Owner submitted by such Broker-Dealer and continued to be held by such Existing Owner as a result of such Auction, (3) the subject of a Submitted Bid of a Potential Owner submitted by such Broker-Dealer and were purchased by such Potential Owner as a result of such Auction, (4) deemed to be the subject of a Hold Order by an Existing Owner that were acquired by such Existing Owner from such Broker-Dealer and (5) if an Auction was not held for any Auction Period, the aggregate principal amount of Outstanding Bonds that were acquired by an Existing Owner through such Broker-Dealer, multiplied by (z) a fraction, the

numerator of which is the number of days in the Auction Period and denominator of which is 360. The Broker-Dealer Fee shall be calculated by the Auction Agent, which shall be conclusive absent manifest error. Such amounts shall be communicated by the Auction Agent to the Company and the Trustee by 4:00 p.m., New York City time, on the Business Day immediately preceding each Interest Payment Date. On or before 10:00 A.M. on each Interest Payment Date, the Company shall pay to the Trustee the amount due to the Broker-Dealer. By noon on each Interest Payment Date, to the extent of its receipt of adequate funds from the Company, the Trustee shall deliver to the Auction Agent the amount constituting the Broker-Dealer Fee, by wire transfer of immediately available funds to such account as the Auction Agent may designate. The amount constituting the Broker-Dealer Fee shall be held by the Auction Agent on behalf of the Broker-Dealer, and immediately upon receipt of such Fee, the Auction Agent shall deliver such Fee to the Broker-Dealer, pursuant to the written instructions of the Broker-Dealer. If any Existing Owner who acquired Bonds through a Broker-Dealer transfers any such Bonds to another Person other than pursuant to an Auction, the Broker-Dealer for the Bonds so transferred shall continue to be the Broker-Dealer with respect to such Bonds; provided, however, that if the transfer was effected by, or if the transferee is, another Person who has met the requirements specified in the definition of "Broker-Dealer" contained in the Bonds and executed a Broker-Dealer Agreement, such Person shall be the Broker-Dealer for such Bonds.

Section 4. Representations and Warranties of the Trustee. The Trustee hereby represents and warrants that:

(a) this Auction Agreement has been duly and validly authorized, executed and delivered by the Trustee and constitutes the legal, valid and binding limited obligation of the Trustee;

(b) neither the execution and delivery of this Auction Agreement, the consummation of the transactions contemplated hereby nor the fulfillment of or compliance with the terms and conditions of this Auction Agreement will conflict with, or violate or result in a breach of the terms, conditions or provisions of, or constitute a default under the organizational documents of the Trustee, any law or regulation, any order or decree of any court or public corporation having jurisdiction over such party, or any mortgage, resolution, contract, agreement or undertaking to which the Trustee is a party or by which it is bound; and

(c) any approvals, consents and orders of any governmental corporation, legislative body, board, agency or commission having jurisdiction over the Trustee which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by the Trustee of its obligations under this Auction Agreement have been obtained.

Section 5. Miscellaneous.

5.1 Term of Agreement.

(a) This Auction Agreement shall remain in effect until (i) all Bonds are redeemed, paid or purchased and cancelled, (ii) the Bonds are no longer held by DTC in book-entry form, (iii) this Auction Agreement shall be terminated as provided in this Section 5.1, (iv)

the Auction Agent resigns upon forty-five (45) days notice due to non-payment of the Auction Agent Fee, or (v) the Auction Agent is removed as provided in this Section 5.1. The Trustee shall, upon the written direction of the Company, remove the Auction Agent by giving at least fifteen (15) days prior written notice to the Auction Agent and each Broker Dealer; provided that a successor Auction Agent has been appointed, the Auction Agent may terminate this Auction Agreement by giving at least ninety (90) days notice to the Company, the Issuer and the Trustee, who shall give notice of the same to each Broker-Dealer. In the event the Auction Agent has not been compensated for its services rendered hereunder, the Auction Agent may terminate this Auction Agreement by giving at least forty-five (45) days notice to the Company, the Issuer and the Trustee (who shall give notice of the same to each Broker-Dealer), and upon the expiration of such forty-five (45) days, the Auction Agent may resign even if a successor Auction Agent has not been appointed.

(b) Except as otherwise provided in this paragraph (b), the respective rights and duties of the Trustee and the Auction Agent under this Auction Agreement shall cease upon termination of this Auction Agreement. The representations and warranties of the Trustee contained herein, and the rights of the Auction Agent under Sections 3.2 and 3.4 hereof, shall survive the termination hereof. Upon termination of this Auction Agreement, the Auction Agent shall be deemed to have resigned as Auction Agent under the Broker-Dealer Agreement and shall promptly deliver to the Company copies of all books and records maintained by it in connection with its duties hereunder.

5.2 Communications. Except for (a) communications authorized to be by telephone pursuant to this Auction Agreement or the Auction Procedures and (b) communications in connection with Auctions (other than those expressly required to be in writing), all notices, requests and other communications to any party hereunder shall be in writing (including telecopy or other electronic communication acceptable to the parties) and shall be given to such party, addressed to it, at its address, telecopy number or e-mail address set forth below:

If to the Trustee, addressed:	The Bank of New York Trust Company of Florida, N.A. 100 Ashford Center, North, Suite 520 Atlanta, Georgia 30338 Attention: Corporate Trust Department
If to the Auction Agent, Addressed:	The Bank of New York 100 Church Street, 8th Floor New York, New York 10286 Attention: Corporate Trust Administration - Dealing and Trading Group FAX: (212) 437-6123 PHONE: (212) 437-6166
If to the Issuer, addressed:	Board of Commissioners of Monroe County Forsyth, Georgia 31029

If to the Company,
addressed:

Gulf Power Company
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

or such other address, telecopier number or e-mail address as such party may hereafter specify for such purpose by notice to the other parties. Each such notice, request or communication shall be effective (a) if given by telecopy, when such telecopy is transmitted to the telecopier number specified herein or (b) if given by any other means, when delivered at the address specified herein. Communications shall be given on behalf of the parties hereto by one of their respective Authorized Officers.

5.3 Entire Agreement. This Auction Agreement contains the entire agreement between the parties relating to the subject matter hereof, and there are no other representations, endorsements, promises, agreements or understandings, oral, written or inferred, between the parties relating to the subject matter hereof.

5.4 Benefits; Successors and Assigns. This Auction Agreement shall be binding upon, inure to the benefit of and be enforceable by the Trustee and the Auction Agent and their respective successors and assigns. Nothing herein, express or implied, shall give to any person, other than the Trustee and the Auction Agent and their respective successors or assigns, any benefit of any legal or equitable right, remedy or claim hereunder, except as otherwise expressly stated, other than the rights expressly granted to the Company herein.

5.5 Amendment, Waiver.

(a) This Auction Agreement shall not be deemed or construed to be modified, amended, rescinded, cancelled or waived, in whole or in part, except by written instrument signed by a duly authorized representative of all the parties hereto.

(b) The failure of any party hereto to exercise any right or remedy hereunder in the event of a breach hereof by any party shall not constitute a waiver of any such right or remedy with respect to any subsequent breach.

5.6 Severability. If any clause, provision or section hereof shall be ruled invalid or unenforceable by any court or competent jurisdiction, the invalidity or unenforceability of such clause, provision or section shall not affect any of the remaining clauses, provisions or sections hereof.

5.7 Execution in Counterparts. This Auction 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.

5.8 Governing Law. This Auction Agreement shall be governed by and construed in accordance with the laws of the State of New York without regard to conflict of laws principles.

IN WITNESS WHEREOF, the parties hereto have caused this Auction Agreement to be duly executed and delivered by their proper and duly Authorized Officers as of the date first above written.

THE BANK OF NEW YORK TRUST COMPANY
OF FLORIDA, N.A.
as Trustee

By: _____
Name: Elizabeth T. Wagner
Title: Vice President

GULF POWER COMPANY

By: _____
Name: Wayne Boston
Title: Asst Sec

THE BANK OF NEW YORK
as Auction Agent

By: _____
Name:
Title:

IN WITNESS WHEREOF, the parties hereto have caused this Auction Agreement to be duly executed and delivered by their proper and duly Authorized Officers as of the date first above written.

THE BANK OF NEW YORK TRUST COMPANY OF FLORIDA, N.A.
as Trustee

By: _____
Name:
Title:

GULF POWER COMPANY

By: _____
Name:
Title:

THE BANK OF NEW YORK
as Auction Agent

By: _____
Name: JOSEPH PANEPINTO
Title: VICE PRESIDENT

EXHIBIT A

Form of Broker-Dealer Agreement

[See separate Broker-Dealer Agreement]

EXHIBIT B

SETTLEMENT PROCEDURES

(a) On each Auction Date, the Auction Agent shall notify by telephone or other electronic means or in writing each Broker-Dealer that participated in the Auction held on such Auction Date and submitted an Order on behalf of any Existing Owner or Potential Owner of the following:

(i) the Auction Mode Rate determined on such Auction Date for the succeeding Auction Period;

(ii) whether Sufficient Clearing Bids existed for the determination of the Winning Bid Rate;

(iii) if such Broker-Dealer submitted a Bid or a Sell Order on behalf of an Existing Owner, whether such Bid or Sell Order was accepted or rejected, in whole or in part, and the principal amount of Bonds, if any, to be sold by such Existing Owner;

(iv) if such Broker-Dealer submitted a Bid on behalf of a Potential Owner, whether such Bid was accepted or rejected, in whole or in part, and the principal amount of Bonds, if any, to be purchased by such Potential Owner;

(v) if the aggregate principal amount of Bonds to be sold by all Existing Owners on whose behalf such Broker-Dealer submitted Bids or Sell Orders is different from the aggregate principal amount of Bonds to be purchased by all Potential Owners on whose behalf such Broker-Dealer submitted a Bid, the name or names of one or more other Broker-Dealers (and the Agent Member, if any, of each such other Broker-Dealer) and the principal amount of Bonds to be (A) purchased from one or more Existing Owners on whose behalf such other Broker-Dealers submitted Bids or Sell Orders or (B) sold to one or more Potential Owners on whose behalf such Other Broker-Dealers submitted Bids; and

(vi) the immediately succeeding Auction Date.

(b) On each Auction Date, each Broker-Dealer that submitted an Order on behalf of any Existing Owner or Potential Owner shall:

(i) advise each Existing Owner and Potential Owner on whose behalf such Broker-Dealer submitted an Order as to (A) the Auction Mode Rate determined on such Auction Date, (B) whether any Bid or Sell Order submitted on behalf of each such Owner was accepted or rejected and (C) the immediately succeeding Auction Date;

(ii) instruct each Potential Owner on whose behalf such Broker-Dealer submitted a Bid that was accepted, in whole or in part, to instruct such Potential Owner's Agent Member to pay to such Broker-Dealer (or its Agent Member) through the Securities Depository the amount necessary to purchase the principal amount of Bonds to be purchased pursuant to such Bid (including, with respect to Bonds in a daily Auction

Period, accrued interest if the purchase date is not an Interest Payment Date for such Bonds) against receipt of such Bonds; and

(iii) instruct each Existing Owner on whose behalf such Broker-Dealer submitted a Sell Order that was accepted or a Bid that was rejected, in whole or in part, to instruct such Existing Owner's Agent Member to deliver to such Broker-Dealer (or its Agent Member) through DTC the principal amount of Bonds to be sold pursuant to such Bid or Sell Order against payment therefore.

(c) On the basis of the information provided to it pursuant to paragraph (a) above, each Broker-Dealer that submitted a Bid or Sell Order shall allocate any funds received by it pursuant to subparagraph (b) (ii) above, and any Bonds received by it pursuant to (b) (iii) above, among the Potential Owners, if any, on whose behalf such Broker-Dealer submitted Bids and the Existing Owners, if any, on whose behalf such Broker-Dealer submitted Bids or Sell Orders and any Broker-Dealer identified to it by the Auction Agent pursuant to subparagraph (a)(v) above.

(d) On the Business Day after the Auction Date or, in the case of Bonds in a daily Auction Period, on such Auction Date, DTC shall execute the transactions described above, debiting and crediting the accounts of the respective Agent Members as necessary to effect the purchase and sale of Bonds as determined in the Auction.

BROKER-DEALER AGREEMENT

Dated as of September 1, 2002

among

THE BANK OF NEW YORK
as Auction Agent

and

SUNTRUST CAPITAL MARKETS, INC.
as Broker-Dealer

and

GULF POWER COMPANY

relating to

$42,000,000

Development Authority of Monroe County

Pollution Control Revenue Bonds

(Gulf Power Company Plant Scherer Project)

First Series 2002

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BROKER-DEALER AGREEMENT

THIS BROKER-DEALER AGREEMENT, dated as of September 1, 2002 (the "Broker-Dealer Agreement"), among (i) THE BANK OF NEW YORK (the "Auction Agent"), not in its individual capacity but solely as agent of THE BANK OF NEW YORK TRUST COMPANY OF FLORIDA, N.A. (the "Trustee"), pursuant to authority granted to the Auction Agent in the Auction Agreement, dated as of September 1, 2002 (the "Auction Agreement"), between the Trustee and the Auction Agent and acknowledged by the Company, as hereinafter defined; (ii) SUNTRUST CAPITAL MARKETS, INC. ("BD"); and (iii) GULF POWER COMPANY (the "Company").

WITNESSETH

WHEREAS, the Development Authority of Monroe County (the "Issuer") is issuing $42,000,000 in aggregate principal amount of its Pollution Control Revenue Bonds (Gulf Power Company Plant Scherer Project), First Series 2002 (the "Bonds"); and

WHEREAS, BD is to perform certain duties set forth herein; and

WHEREAS, the Trust Indenture dated as of September 1, 2002 authorizing the issuance of the Bonds (the "Indenture") provides that, except as provided therein, the interest rate on the Bonds shall be the Auction Mode Rate which shall be, except as otherwise provided therein, the rate per annum that the Auction Agent determines to have resulted from the implementation of the Auction Procedures; and

WHEREAS, The Bank of New York has been appointed as Auction Agent for purposes of the Auction Agreement, and pursuant to Section 2.6(a) of the Auction Agreement, the Company has requested and directed the Auction Agent to execute and deliver this Broker-Dealer Agreement; and

WHEREAS, the Auction Procedures require the participation of one or more Broker-Dealers;

NOW, THEREFORE, the Auction Agent, as agent for the Trustee, BD, for the benefit of the Existing Owners and the Potential Owners of the Bonds and the Company agree as follows:

SECTION 1. DEFINITIONS AND RULES OF CONSTRUCTION.

1.1 *Terms Defined by Reference to the Indenture.* Capitalized terms not defined herein shall have the respective meanings specified in the Indenture. Unless otherwise specified, Section references to the Auction Agreement refer to such Sections in the Auction Agreement.

1.2 *Terms Defined Herein.* As used herein and in the exhibits hereto, the following terms shall have the following meanings, unless the context otherwise requires.

(a) "Authorized Officers" shall mean (i) in the case of the Auction Agent, each Vice President, Assistant Vice President and Assistant Treasurer of the Auction

Agent assigned to its Dealing and Trading Group of its Corporate Trust Department and every other officer or employee of the Auction Agent designated an "Authorized Officer" for purposes hereof in a written communication delivered to the Trustee, (ii) in the case of the Company, its Chief Financial Officer and every other officer or employee of the Company designated an "Authorized Officer" for purposes hereof in a written communication delivered to the Trustee, and (iii) in the case of the Trustee, every officer or employee of the Trustee designated as an "Authorized Officer" for purposes hereof in a written communication delivered to the Auction Agent.

(b) "BD Officer" shall mean each officer or employee of BD designated as a "BD Officer" for purposes of this Broker-Dealer Agreement in a communication to the Auction Agent.

(c) "Broker-Dealer Agreement" shall mean this Broker-Dealer Agreement and any substantially similar agreement between the Auction Agent and a Broker-Dealer.

(d) "Settlement Procedures" shall mean the Settlement Procedures for the Bonds and shall be substantially in the form attached hereto as EXHIBIT A.

1.3 *Rules of Construction.* Unless the context or rules indicates another or different meaning or intent, the following rules shall apply to the construction of this Broker-Dealer Agreement:

(a) Words importing the singular number shall include the plural number and vice versa.

(b) The captions and headings herein are solely for the convenience of reference and shall not constitute a part of this Broker-Dealer Agreement nor shall they affect its meaning, construction or effect.

(c) The words "hereof," "herein," "hereto" and other words of similar import refer to this Broker-Dealer Agreement as a whole.

(d) All references herein to a particular time of day shall be to New York City time.

(e) Each reference to the purchase, sale or holding of Bonds shall refer to beneficial ownership interests in Bonds unless the context clearly requires otherwise.

1.4 *Warranties of BD.* BD hereby represents and warrants that this Broker-Dealer Agreement has been duly authorized, executed and delivered by BD and that, assuming the due authorization, execution and delivery hereof by the Auction Agent and the Company, this Broker-Dealer Agreement constitutes a valid and binding agreement of BD, enforceable against it in accordance with its terms.

SECTION 2. THE AUCTION.

2.1 *Purpose; Incorporation by Reference of Auction Procedures and Settlement Procedures.*

(a) The Auction Procedures will be followed by the Auction Agent for the purpose of determining the Auction Mode Rate for each Auction Period after the Initial Period for the Bonds. Each periodic implementation of such procedures is hereinafter referred to as an "Auction."

(b) All of the provisions contained in the Auction Procedures and the Settlement Procedures are incorporated herein by reference in their entirety and shall be deemed to be a part of this Broker-Dealer Agreement to the same extent as if such provisions were fully set forth herein.

(c) BD agrees to act as, and assumes the obligations of, and limitations and restrictions placed upon, a Broker-Dealer under this Broker-Dealer Agreement. BD understands that other Persons meeting the requirements specified in the definition of "Broker-Dealer" contained in the Indenture may execute Broker-Dealer Agreements and participate as Broker-Dealers in Auctions. BD agrees to handle customer orders in accordance with its respective duties under applicable securities laws and rules.

(d) BD and other Broker-Dealers may participate in Auctions for their own accounts. The Company may, however, by notice to BD and all other Broker-Dealers, prohibit all of the Broker-Dealers from submitting Bids in Auctions for their own accounts, provided that Broker-Dealers may continue to submit Hold Orders and Sell Orders. Notwithstanding the foregoing, if BD is an affiliate of the Company it may not submit Bids to purchase Bonds in Auctions for its own account, but may submit Hold Orders and Sell Orders in Auctions with respect to Bonds otherwise acquired for its own account. The Auction Agent shall be under no duty or liability with respect to monitoring compliance with this Section 2.1(d).

2.2 *Preparation for Each Auction.*

(a) Not later than 9:30 A.M. on each Auction Date, the Auction Agent shall advise the Broker-Dealers by telephone or other electronic communication acceptable to the parties of the All Hold Rate, the Maximum Auction Rate and the Reference Rate.

(b) On the Closing Date and from time to time thereafter as the Auction Agent may request, BD shall provide the Auction Agent with a list, substantially in the form of EXHIBIT E hereto, of the names of its customers that it believes are Existing Owners of the Bonds and the principal amount of Bonds held by each of such customers. The Auction Agent shall not disclose any such information so provided to any Person other than the Trustee, the Issuer, the Company or BD except as otherwise required by law.

(c) Not later than 3:00 P.M. on the Record Date preceding each Auction Date, the Auction Agent shall notify BD of any change in the aggregate principal amount of Bonds, as of the opening of business on such Record Date by delivering a notice to

BD by telecopy or other electronic communication acceptable to the parties.

2.3 *Auction Schedule; Method of Submission of Orders.*

(a) The Auction Agent shall conduct Auctions for the Bonds in accordance with the schedule set forth below. Such schedule may be changed at any time by the Auction Agent at the written direction of the Company to reflect then currently accepted market practices for similar auctions. The Auction Agent shall give notice of any such change to BD, the Issuer, the Company and the Trustee, which notice shall be given prior to the close of business on the Business Day next preceding the first Auction Date on which any such change shall be effective.

Time	Event
By 9:30 A.M.	Auction Agent advises the Broker-Dealers of the All Hold Rate, the Maximum Auction Rate and the Reference Rate, as set forth in Section 2.2(a).
9:30 A.M.- 1:00 P.M. (11:00 A.M. in the case of a daily Auction Period).	Auction Agent assembles information communicated to it by Broker-Dealers as provided in Section 2.02 of Exhibit B of the Indenture. Submission Deadline is 1:00 P.M. (11:00 A.M. in the case of a daily Auction Period).
As soon as practical after 1:00 P.M. (by 11:30 A.M. in the case of a daily Auction Period).	Auction Agent makes determinations pursuant to Section 2.04 of Exhibit B of the Indenture.
By approximately 3:00 P.M. but not later than the close of business (by 12:00 Noon in the case of a daily Auction Period).	Submitted Bids and Submitted Sell Orders are accepted and rejected and Bonds allocated as provided in Section 2.05 of Exhibit B of the Indenture. Auction Agent gives notice of the Auction results as set forth in Section 2.4(a) hereof.

(b) BD agrees, for the purpose of implementing the Auctions (and thereby achieving the lowest possible interest rate on the Bonds), to contact Potential Owners, including Persons that are not Existing Owners, prior to the Submission Deadline on each Auction Date to determine the principal amount of Bonds, if any, that each such Potential Owner offers to purchase if the rate determined by the Auction Procedures for the next succeeding Auction Period is not less than the rate per annum requested by such Potential Owner. BD further agrees, upon request, to deliver a copy of the Auction Procedures and other relevant documents prepared for the purpose of disclosure to Potential Owners by the Issuer and the Company relating to the Bonds to each Potential Owner prior to such Potential Owner's participation in any Auction.

(c) In each Auction in which BD submits one or more Orders, BD shall submit a separate Order to the Auction Agent for each Potential Owner or Existing Owner on whose behalf BD is submitting an Order and shall not net the Orders of different Potential Owners or Existing Owners on whose behalf BD is submitting Orders. Each Order shall be in writing in substantially the form attached hereto as EXHIBIT B or in such other form as may be reasonably acceptable to the Auction Agent.

(d) BD shall deliver to the Auction Agent (i) a written notice, substantially in the form attached hereto as EXHIBIT C, of transfers of Bonds made through BD by an Existing Owner to another Person other than pursuant to an Auction, and (ii) a written notice, substantially in the form attached hereto as EXHIBIT D, of the failure of any Bond to be transferred to or by any Person that purchased or sold Bonds through BD pursuant to an Auction. The Auction Agent is not required to accept any such notice specified in this Subsection (d) for an Auction if it is received by it after 3:00 P.M. on the Business Day preceding such Auction.

2.4 *Notices.*

(a) On each Auction Date, the Auction Agent shall notify BD by telephone or other electronic communication acceptable to the parties of the results of the Auction as set forth in paragraph (a) of the Settlement Procedures. As soon as reasonably practicable thereafter, the Auction Agent shall notify BD, if so requested, in writing of the disposition of all Orders submitted by BD in the Auction held on such Auction Date.

(b) The Auction Agent shall notify BD of any change in the Auction schedule set forth in Section 2.3(a) hereof.

(c) BD shall notify each Existing Owner or Potential Owner on whose behalf BD has submitted an Order as set forth in paragraph (b) of the Settlement Procedures, and take such other action as is required of BD pursuant to the Settlement Procedures.

(d) The Auction Agent shall deliver to BD after receipt all notices and certificates which the Auction Agent is required to deliver to BD pursuant to Section 2 of the Auction Agreement at the times and in the manner set forth in the Auction Agreement.

2.5 *Compensation.*

(a) The initial rate of Broker-Dealer compensation (the "Broker-Dealer Fee Rate") shall equal .25 of 1% per annum. The Broker-Dealer Fee (hereinafter defined) for the Bonds shall be paid by the Company and represents compensation for the services of the Broker-Dealer in facilitating Auctions for the benefit of the beneficial owners of the Bonds. The Broker-Dealer Fee Rate may be adjusted from time to time with the approval of the Company upon a written request of the Broker-Dealer delivered to the Company.

(b) While the Bonds are in an Auction Period on each Interest Payment Date following each Auction Date, each Broker-Dealer shall be entitled to receive an amount (the "Broker-Dealer Fee") equal to the product of (x) .25 of 1% multiplied by (y)(A) if an Auction was held on such Auction Date, the sum of the aggregate principal amount of Bonds that were (1) the subject of a valid Hold Order of an Existing Owner submitted by such Broker-

Dealer, (2) the subject of a Submitted Bid of an Existing Owner submitted by such Broker-Dealer and continued to be held by such Existing Owner as a result of such Auction, (3) the subject of a Submitted Bid of a Potential Owner submitted by such Broker-Dealer and were purchased by such Potential Owner as a result of such Auction and (4) deemed to be the subject of a Hold Order by an Existing Owner that were acquired by such Existing Owner from such Broker-Dealer or (B) if an Auction was not held on such Auction Date, the aggregate principal amount of Outstanding Bonds that were acquired by an Existing Owner through such Broker-Dealer, multiplied by (z) a fraction, the numerator of which is (i) if the Auction Period is seven days, 28 days, 35 days or a Special Rate Period of 180 days or less, the actual number of days in the Auction Period next succeeding such Auction Date or (ii) if the Auction Period is six months or a Special Rate Period of more than 180 days, the number of days in the Auction Period next succeeding such Auction Date calculated on the basis of twelve 30 day months in a year, and in either case the denominator of which is 360. If the Bonds are in a daily Auction Period each Broker-Dealer shall be entitled to receive on each Interest Payment Date an amount equal to the sum calculated for each Auction Period in the preceding month of the product of (x) .25 of 1% multiplied by (y) the aggregate principal amount of Bonds for each Auction Period that were (1) the subject of a valid Hold Order submitted by such Broker-Dealer, (2) the subject of a Submitted Bid of an Existing Owner submitted by such Broker-Dealer and continued to be held by such Existing Owner as a result of such Auction, (3) the subject of a Submitted Bid of a Potential Owner submitted by such Broker-Dealer and were purchased by such Potential Owner as a result of such Auction, (4) deemed to be the subject of a Hold Order by an Existing Owner that were acquired by such Existing Owner from such Broker-Dealer and (5) if an Auction was not held for any Auction Period, the aggregate principal amount of Outstanding Bonds that were acquired by an Existing Owner through such Broker-Dealer, multiplied by (z) a fraction, the numerator of which is the number of days in the Auction Period and denominator of which is 360. The Broker-Dealer Fee shall be calculated by the Auction Agent, which shall be conclusive absent manifest error. Such amounts shall be communicated by the Auction Agent to the Company and the Trustee by 4:00 P.M., New York City time, on the Business Day immediately preceding each Interest Payment Date. On or before 10:00 A.M. on each Interest Payment Date, the Company shall pay to the Trustee the amount due to the Broker-Dealer. By noon on each Interest Payment Date, to the extent of receipt of adequate funds from the Company, the Trustee shall deliver to the Auction Agent the amount constituting the Broker-Dealer Fee, by wire transfer of immediately available funds to such account as the Auction Agent may designate. The amount constituting the Broker-Dealer Fee shall be held by the Auction Agent on behalf of the Broker- Dealer, and immediately upon receipt of such Fee, the Auction Agent shall deliver such Fee to the Broker-Dealer, pursuant to the written instructions of the Broker-Dealer. If any Existing Owner who acquired Bonds through a Broker-Dealer transfers any such Bonds to another Person other than through an Auction, the Broker-Dealer for the Bonds so transferred shall continue to be the Broker-Dealer with respect to such Bonds, provided, however, that if the transfer was effected by, or if the transferee is, another Person who has met the requirements specified in the definition of "Broker-Dealer" contained in the Indenture and executed a Broker-Dealer Agreement, such Person shall be the Broker-Dealer for such Bonds.

2.6 *Settlement.*

(a) If any Potential Owner on whose behalf BD has submitted an Order fails to deliver funds with respect to any Auction, BD shall promptly deliver such funds to

the party entitled to receive such funds. If any Existing Owner on whose behalf BD has submitted an Order fails to instruct its Agent Member to deliver Bonds subject to such Order against payment therefor, BD shall instruct such Agent Member to deliver such Bonds against payment therefor. The delivery of funds by BD for the purchase of Bonds by a Potential Owner, as provided above, shall not relieve such Potential Owner of any liability to BD for payment for such Bonds. Notwithstanding the foregoing provisions of this Section 2.6(a), any delivery or nondelivery of Bonds which represents any departure from the results of an Auction, as determined by the Auction Agent, shall be of no effect unless and until the Auction Agent shall have been notified of such delivery or non-delivery in accordance with the terms of Section 2.3(d) hereof. The Auction Agent shall have no duty or liability with respect to enforcement of this Section 2.6(a).

(b) The Auction Agent, the Trustee, the Company and the Issuer shall have no responsibility or liability with respect to the failure of an Existing Owner, a Potential Owner or its respective Agent Member to deliver Bonds or to pay for Bonds sold or purchased pursuant to the Auction Procedures or otherwise.

SECTION 3. THE AUCTION AGENT.

3.1 *Duties and Responsibilities of the Auction Agent.*

(a) The Auction Agent is acting solely as agent of the Trustee and owes no duties, fiduciary or otherwise, to any other person by reason of this Broker-Dealer Agreement, except as otherwise stated therein, and no implied duties, fiduciary or otherwise, shall be read into this Broker-Dealer Agreement.

(b) Each of Auction Agent and the Company undertake to perform such duties and only such duties as are expressly set forth in this Broker-Dealer Agreement, or expressly incorporated therein by reference pursuant to Section 2.1 thereof, to be performed by each of the Auction Agent and the Company, and no implied covenants or obligations shall be read into this Broker-Dealer Agreement against the Auction Agent or the Company.

(c) In the absence of bad faith, gross negligence or willful misconduct on its part, the Auction Agent, whether acting directly or through agents or attorneys as provided in Section 3.2(d), shall not be liable for any action taken, suffered, or omitted or for any error of judgment made by it in the performance of its duties hereunder. The Auction Agent shall not be liable for any error of judgment made in good faith unless the Auction Agent shall have been grossly negligent in ascertaining the pertinent facts necessary to make such judgment. In no event shall the Auction Agent be liable for special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profit), even if the Auction Agent has been advised of the likelihood of such loss or damage and regardless of the form of action.

(d) Upon termination of the Auction Agreement, the Auction Agent shall promptly deliver to the Company the Auction records and accompanying documentation and any other documents referred to in Section 2.8 therein to the extent not previously delivered to the Trustee.

(e) The Auction Agent shall: (i) not be required to and shall make no representations and have no responsibilities as to the validity, accuracy, value or genuineness of any signatures or endorsements, other than its own; or any document delivered pursuant to or as contemplated by this Broker-Dealer Agreement; (ii) not be obligated to take any legal action hereunder that might, in its judgment, involve any expense or liability, unless it has been furnished with reasonable indemnity; and (iii) not be responsible for or liable in any respect on account of the identity, authority or rights of any person executing or delivering or purporting to execute or deliver any document under this Broker-Dealer Agreement or any Broker Dealer Agreement.

(f) The Auction Agent shall not be responsible or liable for any failure or delay in the performance of its obligations under this Broker-Dealer Agreement arising out of or caused, directly or indirectly, by circumstances beyond its reasonable control, including without limitation, acts of God; earthquakes; fires; floods; wars; civil or military disturbances; terrorism; sabotage; epidemics; riots; interruptions; loss or malfunction of utilities; computer (hardware or software) or communications service; accidents; labor disputes; acts of civil or military authority or governmental actions; it being understood that the Auction Agent shall use reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

3.2 *Rights of the Auction Agent.*

(a) The Auction Agent may conclusively rely upon, and shall be fully protected in acting or refraining from acting upon, any communication authorized hereby and upon any such written instruction, notice, request, direction, consent, report, certificate, share certificate or other instrument, paper or other document believed by it to be genuine. The Auction Agent shall not be liable for acting in good faith upon any such communication made by telephone or other electronic communication acceptable to the parties which the Auction Agent reasonably believes to have been given by the particular party or parties. To the extent permitted by law, the Auction Agent may record telephone communications with the Company, the Issuer, the Trustee and the Broker-Dealers, and each of such parties may record telephone communications with the Auction Agent.

(b) The Auction Agent may consult with counsel of its choice (provided such selection is made with reasonable care) and the advice of such 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.

(c) The Auction Agent shall not be required to advance, expend or risk its own funds or otherwise incur or become exposed to financial liability in the performance of its duties hereunder, except as may be required as a result of its own gross negligence, willful misconduct or bad faith.

(d) The Auction Agent may perform its duties and exercise its rights hereunder either directly or by or through agents or attorneys and shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed by it with due care.

(e) The Auction Agent shall have no obligation or liability in respect of the registration or exemption therefrom of the Bonds under federal or state securities laws in respect of the sufficiency or the conformity of any transfer of the Bonds pursuant to the terms of this Broker-Dealer Agreement, any Broker-Dealer Agreement, the Indenture or any other document contemplated by any thereof.

SECTION 4. DISCLOSURE; INDEMNIFICATION.

4.1 *Disclosure.*

(a) The Company agrees to supply to BD, at the Company's expense, such number of copies of the Official Statement, dated September 23, 2002 (the "Official Statement"), as BD shall reasonably request from time to time and, upon request of BD, to amend the Official Statement so that the Official Statement will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading.

(b) If BD determines (upon consultation and mutual agreement with the Company) that it is necessary or desirable to use a disclosure statement (other than the Official Statement), relating specifically to the Bonds (a "Disclosure Statement") in connection with the solicitation of Orders for the Bonds, BD will notify the Company, and the Company will provide BD with a Disclosure Statement reasonably satisfactory to BD and its counsel. The Company will supply BD, at the Company's expense, with such number of copies of such Disclosure Statement as BD requests from time to time and will, upon request of BD, amend such Disclosure Statement (as well as the documents incorporated by reference therein) so that such Disclosure Statement will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading. In connection with the use of any Disclosure Statement by BD in its solicitation of Orders for the Bonds (other than the Official Statement), the Company will furnish to BD such certificates, accountants' letters and opinions of counsel as would be customary in a public offering of tax-exempt securities underwritten by BD. In addition, the Company will, at its own expense, take all steps reasonably requested by BD that BD or its counsel may consider necessary or desirable to effect compliance with applicable federal or state securities laws.

4.2 *Indemnification.*

(a) The Company agrees to indemnify and hold harmless BD and each person, if any, who controls BD, 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, joint or several, and expenses whatsoever arising out of any untrue statement or alleged untrue statement of a material fact contained in the Official Statement or the Disclosure Statement, 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 any 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 BD specifically for use therein; provided, however, that the indemnity agreement contained in this Section 4.2 shall not inure to the benefit of BD (or of any person so controlling BD) 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 Official Statement (exclusive of the documents incorporated by reference therein), 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 BD with or prior to the written confirmation of the sale involved.

(b) BD 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 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 Official Statement or the Disclosure Statement, 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 BD 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, and BD agrees with respect to any action against it or any person controlling it as aforesaid, 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 4.2 nor affect any rights such indemnifying party may have otherwise than under this Section 4.2 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.

SECTION 5. MISCELLANEOUS.

5.1 *Termination.* BD may be removed by the Auction Agent at the written direction of the Company, or may resign at any time, upon five Business Days' notice to the Auction Agent and the Company; provided, however, that BD may resign immediately if it determines, in its reasonable judgment, that for any reason, including, without limitation, (i) a pending or proposed change in applicable tax laws, (ii) a material adverse change in the financial condition of the Issuer or the Company, (iii) hostilities involving the United States, (iv) a down-rating of the Bonds, or (v) an imposition of material restrictions on the Bonds or similar obligations, it is not advisable to attempt to Auction the Bonds. The Auction Agent upon the written direction of the Company may terminate this Broker-Dealer Agreement at any time on five Business Days' notice to the other parties hereto; provided that this Broker-Dealer Agreement shall terminate upon the resignation or removal of the BD pursuant to this Section 5.1 or termination of the Auction Agreement.

5.2 *Participant.* BD is and for the term of this Broker-Dealer Agreement shall remain a member of, a participant in, or an affiliate of such a member or participant in DTC; and will give the Auction Agent, each other Broker-Dealer, the Company and the Trustee two Business Days' notice if it ceases to be so or if it changes its participation or affiliation to a different Bond Depository.

5.3 *Communications.* Except for (i) communications authorized to be by telephone pursuant to this Broker-Dealer Agreement or the Auction Procedures and (ii) communications in connection with Auctions (other than those expressly required to be in writing) all notices, requests and other communications to any party hereunder shall be in writing (including telecopy or similar writing or other electronic communication acceptable to the parties) and shall be given to such party, addressed to it, at its address, telecopy number or e-mail address set forth below and, where appropriate, reference the particular Auction to which such notice relates:

If to BD addressed:

SunTrust Capital Markets, Inc.
303 Peachtree Street, N.E.
Atlanta, Georgia 30308
FAX: (404) 827-6514
Phone: (404) 588-7554

If to the Auction Agent addressed:

The Bank of New York
100 Church Street, 8th Floor
New York, New York 10286
Attention: Corporate Trust Administration - Dealing and Trading Group
FAX: (212) 437-6123
PHONE: (212) 437-6166

If to the Issuer addressed: Board of Commissioners of Monroe County
Forsyth, Georgia 31029

If to the Company addressed: Gulf Power Company
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

or such other address, telecopy number or e-mail address as such party may hereafter specify for such purpose by notice to the other party. Each such notice, request or communication shall be effective (i) if given by telecopier, when such telecopy is transmitted to the telecopy number specified herein or (ii) if given by any other means, when delivered at the address specified herein. Communications shall be given on behalf of BD by a BD Officer and on behalf of the Auction Agent by an Authorized Officer.

5.4 *Entire Agreement.* This Broker-Dealer Agreement, and the other agreements and instruments executed and delivered in connection with the issuance of the Bonds, contain the entire agreement between the parties relating to the subject matter hereof, and there are no other representations, endorsements, promises, agreements or understandings, oral, written or inferred, between the parties relating to the subject matter hereof.

5.5 *Benefits; Successors and Assigns.* This Broker-Dealer Agreement shall be binding upon, inure to the benefit of, and be enforceable by, the respective successors and assigns of BD and the Auction Agent. Nothing in this Broker-Dealer Agreement, express or implied, shall give to any person, other than the Auction Agent and BD and their respective successors and assigns, any benefit of any legal or equitable right, remedy or claim under this Broker-Dealer Agreement, other than the rights expressly granted to the Issuer herein.

5.6 *Amendment; Waiver.*

(a) This Broker-Dealer Agreement shall not be deemed or construed to be modified, amended, rescinded, canceled or waived, in whole or in part, except by a written instrument signed by a duly authorized representative of the parties hereto and consented to in writing by a duly authorized officer of the Trustee.

(b) Failure of any party to this Broker-Dealer Agreement to exercise any right or remedy hereunder in the event of a breach of this Broker-Dealer Agreement by any other party shall not constitute a waiver of any such right or remedy with respect to any subsequent breach.

5.7 *Severability.* If any clause, provision or section of this Broker-Dealer Agreement shall be ruled invalid or unenforceable by any court of competent jurisdiction, the invalidity or unenforceability of such clause, provision or section shall not affect any of the remaining clauses, provisions or sections hereof.

5.8 *Execution in Counterparts.* This Broker-Dealer 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.

5.9 *Governing Law.* This Broker-Dealer Agreement shall be governed by and construed in accordance with the laws of the State of New York without regard to conflict of laws principles.

5.10 *No Implied Duties.*

Nothing contained in this Broker-Dealer Agreement, the Indenture or the Auction Agreement shall be deemed to imply any duties, covenants or obligations on the part of the Company not otherwise expressly set forth herein or therein.

IN WITNESS WHEREOF, the parties hereto have caused this Broker-Dealer Agreement to be duly executed and delivered by their proper and duly authorized officers as of the date first above written.

THE BANK OF NEW YORK,
as Auction Agent

By:_____
Name:
Title:

SUNTRUST CAPITAL MARKETS, INC.
as Broker-Dealer

By:_____
Name:
Title:

GULF POWER COMPANY

By:_____
Name:
Title:

IN WITNESS WHEREOF, the parties hereto have caused this Broker-Dealer Agreement to be duly executed and delivered by their proper and duly authorized officers as of the date first above written.

THE BANK OF NEW YORK,
as Auction Agent

By: _____
Name: JOSEPH PANEPINTO
Title: VICE PRESIDENT

SUNTRUST CAPITAL MARKETS, INC.
as Broker-Dealer

By: _____
Name:
Title:

GULF POWER COMPANY

By: _____
Name:
Title: VICE PRESIDENT & CFO

IN WITNESS WHEREOF, the parties hereto have caused this Broker-Dealer Agreement to be duly executed and delivered by their proper and duly authorized officers as of the date first above written.

THE BANK OF NEW YORK,
as Auction Agent

By:_____
Name:
Title:

SUNTRUST CAPITAL MARKETS, INC.
as Broker-Dealer

By:_____
Name: Henry R. Harris, III
Title: MD.

GULF POWER COMPANY

By:_____
Name:
Title:

EXHIBIT A

SETTLEMENT PROCEDURES FOR BONDS

(a) On each Auction Date, the Auction Agent shall notify by telephone or other electronic means or in writing each Broker-Dealer that participated in the Auction held on such Auction Date and submitted an Order on behalf of any Existing Owner or Potential Owner of the following:

(i) the Auction Mode Rate determined on such Auction Date for the succeeding Auction Period;

(ii) whether Sufficient Clearing Bids existed for the determination of the Winning Bid Rate;

(iii) if such Broker-Dealer submitted a Bid or a Sell Order on behalf of an Existing Owner, whether such Bid or Sell Order was accepted or rejected, in whole or in part, and the principal amount of Bonds, if any, to be sold by such Existing Owner;

(iv) if such Broker-Dealer submitted a Bid on behalf of a Potential Owner, whether such Bid was accepted or rejected, in whole or in part, and the principal amount of Bonds, if any, to be purchased by such Potential Owner;

(v) if the aggregate principal amount of Bonds to be sold by all Existing Owners on whose behalf such Broker-Dealer submitted Bids or Sell Orders is different from the aggregate principal amount of Bonds to be purchased by all Potential Owners on whose behalf such Broker-Dealer submitted a Bid, the name or names of one or more other Broker-Dealers (and the Agent Member, if any, of each such other Broker-Dealer) and the principal amount of Bonds to be (A) purchased from one or more Existing Owners on whose behalf such other Broker-Dealers submitted Bids or Sell Orders or (B) sold to one or more Potential Owners on whose behalf such other Broker-Dealers submitted Bids; and

(vi) the immediately succeeding Auction Date.

(b) On each Auction Date, each Broker-Dealer that submitted an Order on behalf of any Existing Owner or Potential Owner shall:

(i) advise each Existing Owner and Potential Owner on whose behalf such Broker-Dealer submitted an Order as to (A) the Auction Mode Rate determined on such Auction Date, (B) whether any Bid or Sell Order submitted on behalf of each such Owner was accepted or rejected, and (C) the immediately succeeding Auction Date;

(ii) instruct each Potential Owner on whose behalf such Broker-Dealer submitted a Bid that was accepted, in whole or in part, to instruct such Potential Owner's Agent Member to pay to such Broker-Dealer (or its Agent Member) through the Securities Depository the amount necessary to purchase the principal amount of Bonds to

be purchased pursuant to such Bid (including, with respect to Bonds in a daily Auction Period, accrued interest if the purchase date is not an Interest Payment Date for such Bonds) against receipt of such Bonds; and

(iii) instruct each Existing Owner on whose behalf such Broker-Dealer submitted a Sell Order that was accepted or a Bid that was rejected, in whole or in part, to instruct such Existing Owner's Agent Member to deliver to such Broker-Dealer (or its Agent Member) through DTC the principal amount of Bonds to be sold pursuant to such Bid or Sell Order against payment therefor;

(c) On the basis of the information provided to it pursuant to paragraph (a) above, each Broker-Dealer that submitted a Bid or Sell Order shall allocate any funds received by it pursuant to subparagraph (b) (ii) above, and any Bonds received by it pursuant to (b) (iii) above, among the Potential Owners, if any, on whose behalf such Broker-Dealer submitted Bids and the Existing Owners, if any, on whose behalf such Broker-Dealer submitted Bids or Sell Orders and any Broker-Dealer identified to it by the Auction Agent pursuant to subparagraph (a)(v) above.

(d) On the Business Day after the Auction Date or, in the case of Bonds in a daily Auction Period, on such Auction Date, DTC shall execute the transactions described above, debiting and crediting the accounts of the respective Agent Members as necessary to effect the purchase and sale of Bonds as determined in the Auction.

EXHIBIT B

(Submit only one Order on this Order Form)
$42,000,000

Development Authority of Monroe County (Georgia)
Pollution Control Revenue Bonds
(Gulf Power Company Plant Scherer Project)
First Series 2002 (the "Bonds")

Attention:

_____
Date of Auction

The undersigned Broker-Dealer submits the following Order on behalf of the Bidder listed below:

Name of Bidder:_____

Bidder places the Order listed below covering the Bonds indicated (complete only one blank):

$_____ Bonds now held by Bidder (an Existing Owner), and the Order is a (check one):

_____ Hold Order; or

_____ Bid at rate of %; or

_____ Sell Order.

or

$_____ Bonds not now held by Bidder (a Potential Owner), and the Order is a Bid at a rate of _____%.

Notes: (1) If submitting more than one Order for one Bidder, use additional Order Forms.

(2) If one or more Orders covering in the aggregate more than the number of Outstanding Bonds held by any Existing Owner are submitted, such Orders shall be considered valid in the order or priority set forth in the Auction Procedures.

(3) A Hold Order may be placed only by an Existing Owner covering a number of Outstanding Bonds not greater than the number of Outstanding Bonds currently held.

(4) Potential Owners may make only Bids, each of which must specify a rate. If more than one Bid is submitted on behalf of any Potential Owner, each Bid submitted shall be a separate Bid with the rate specified.

(5) Bids may contain no more than three figures to the right of the decimal point.

(6) An Order must be submitted in integral multiples of $1,000.

Name of Broker-Dealer:_____

By_____

EXHIBIT C

(To be used only for transfers of Bonds made
other than pursuant to an Auction)

$42,000,000

Development Authority of Monroe Country (Georgia)
Pollution Control Revenue Bonds
(Gulf Power Company Plant Scherer Project)
First Series 2002 (the "Bonds")

TRANSFER FORM

_____
_____
_____
Attention:_____

_____, ____

Check I, II or III

_____ I. We are the Existing Owner named below.

_____ II. We are the Agent Member for such Existing Owner.

_____ III. We are a Broker-Dealer for such Existing Owner.

We hereby notify you that the Existing Owner named below has transferred:

$_____ Bonds to _____

Complete either I or II

I. Corporate Name of Existing Owner:

By: _____
Printed Name:
Title:

II. Corporate Name of Existing Owner:

_____
Name of Agent Member or Broker-Dealer
Submitting this notice:

_____

By: _____
Printed Name:
Title:

Bonds may only be transferred in integral multiples of $1,000.

EXHIBIT D

(To be used for failure to deliver Bonds
sold pursuant to an Auction)

$42,000,000

Development Authority of Monroe County (Georgia)

Pollution Control Revenue Bonds
(Gulf Power Company Plant Scherer Project)
First Series 2002 (the "Bonds")

NOTICE OF FAILURE TO DELIVER

_____
_____
_____
Attention:_____

Complete either I or II _____,____ _____,____

I. We are a Broker-Dealer for _____ (the "Purchaser"), who was to purchase $_____ in the Auction held on _____.

II. We are a Broker-Dealer for _____ (the "Seller"), who was to sell $_____ Bonds in the Auction held on _____.

We hereby notify you that (check one) -

_____ the Seller failed to deliver such Bonds to us.

_____ the Purchaser failed to make payment to us upon delivery of such Bonds.

_____ the following Broker-Dealer failed to deliver to us such Bonds.

_____ the following Broker-Dealer failed to make payment to us upon delivery of such Bonds:

Name:_____

(Name of Broker-Dealer submitting this notice)

By:_____
Printed Name:
Title:

*Bonds may only be transferred in integral multiples of $1,000.

EXHIBIT E

TO BROKER - DEALER AGREEMENT

LISTING OF EXISTING OWNERS

of

$42,000,000

Pollution Control Revenue Bonds
(Gulf Power Company Plant Scherer Project)
First Series 2002 (the "Bonds")

_____
_____
_____
Attention:_____

The undersigned Broker-Dealer hereby provides the names and related principal amounts of each of its customers that it believes is an Existing Owner of Bonds:

Name of Existing Owner	Principal Amount of Bonds

Name of Broker-Dealer:

_____
By:_____
Name:
Title:

GULF POWER COMPANY

Letter of Representation

September 25, 2002

Development Authority of Monroe County (Georgia)
Forsyth, Georgia

SunTrust Capital Markets, Inc.
303 Peachtree Street, N.E.
Atlanta, GA 30308

Ladies and Gentlemen:

Re: $42,000,000 Development Authority of Monroe County (Georgia) Pollution Control Revenue Bonds (Gulf Power Company Plant Scherer Project), First Series 2002

Gulf Power Company (the "Company") delivers this Letter of Representation in order to induce SunTrust Capital Markets, Inc., as underwriter (the "Underwriter"), and the Development Authority of Monroe County (the "Authority") to enter into a Purchase Contract, to be dated the date hereof (the "Purchase Contract"), with the Authority relating to the purchase by the Underwriter from the Authority of $42,000,000 aggregate principal amount of its Pollution Control Revenue Bonds (Gulf Power Company Plant Scherer Project) First Series 2002 (the "Bonds"). The Bonds will be issued under and secured by a Trust Indenture, dated as of September 1, 2002 (the "Indenture"), between the Authority and The Bank of New York Trust Company of Florida, N.A., as trustee (the "Trustee"). The proceeds of the Bonds are to be used, pursuant to the terms of a Loan Agreement, dated as of September 1, 2002 (the "Agreement"), between the Authority and the Company, to provide funds to refund certain of the Authority's bonds heretofore issued to finance 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 Scherer, in Monroe County, Georgia (the "Project"). The Company's payment obligations with respect to the Bonds under the Agreement will be evidenced by a non-negotiable promissory note in principal amount equal to the Bonds and bearing interest at the rate or rates borne by the Bonds (the "Note"). The Bank of New York will be appointed Auction Agent (the "Auction Agent") pursuant to an Auction Agreement dated as of September 1, 2002 (the "Auction Agreement"), among the Company, the Trustee and The Bank of New York; and SunTrust Capital Markets, Inc. will be appointed Broker-Dealer pursuant to a Broker-Dealer Agreement dated as of September 1, 2002 (the "Broker-Dealer Agreement"), amoung the Auction Agent, SunTrust Capital Markets, Inc. and the Company. As used in this Letter of Representation the term "Official Statement" means the Official Statement of the Authority, dated September 23, 2002, relating to the Bonds and certain other obligations described therein, including the Appendices thereto and the documents incorporated in Appendix A by reference.

1. In consideration of the execution and delivery of the Purchase Contract, the Company represents, warrants and covenants to and with the Underwriter and the Authority that:

(a) The Official Statement does not, and at the Closing Date (as defined in the Purchase Contract) the Official Statement, 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 Official Statement under the captions "The Authority", "Tax Exemption" or "Underwriting" or in the statements on the cover page with respect to the initial public offering price, tax exemption and terms of offering or on the Table of Contents with respect to stabilization. The Company hereby consents to the use by the Underwriter of the Official Statement.

(b) The financial statements incorporated by reference in the Official Statement, together with the related schedules and notes, present fairly, in all material respects, the financial position, results of operations and cash flows of the Company as of and for the dates indicated; said financial statements have been prepared in conformity with accounting principles generally accepted in the United States ("GAAP") applied on a consistent basis (except that the unaudited financial statements may be subject to normal year-end adjustments) throughout the periods involved and necessarily include amounts that are based on the best estimates and judgments of management. The selected financial data and the summary financial information, if any, included in the Official Statement present fairly the information shown therein and have been compiled on a basis consistent with that of the audited and unaudited financial statements incorporated by reference in the Official Statement.

(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 Official Statement.

(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 Official Statement.

(e) This Letter of Representation has been, and the Agreement, the Note, Auction Agreement and the Broker-Dealer Agreement, 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 Continuing Disclosure Agreement (as defined in the Purchase Contract), when executed and delivered by the Company, will be duly authorized, executed and delivered by the Company.

(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, the Auction Agreement, the Broker-Dealer 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, the Auction Agreement, the Broker-Dealer Agreement and 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 (except for 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 the Purchase Contract and this Letter of Representation), 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 Official Statement, dated September 20, 2002 relating to the Bonds and certain other obligations of the Company described therein (the "Preliminary Official Statement") or the Official Statement.

(j) Except as disclosed in or contemplated by the Official Statement, 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 Purchase Contract or the Official Statement (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 Auction Agreement, the Broker-Dealer Agreement, the Note, the Purchase Contract 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 Purchase Contract or by the Official Statement (excluding transactions contemplated solely by the Appendix thereto and the documents incorporated in the Appendix by reference).

(k) The Company acknowledges the terms of the Purchase Contract 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 Purchase Contract (subject to the terms and conditions set forth therein).

(l) The Bonds, the Indenture, the Agreement and the Note conform in all material respects to the descriptions thereof in the Official Statement.

(m) The Official Statement incorporates or will incorporate by reference certain documents filed or to be filed by the Company with the Commission, which documents have been, and will be, prepared by the Company in conformity in all material respects with the requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations of the Securities and Exchange Commission thereunder, and copies of such documents have been and will be delivered to the Underwriter.

2. The Company covenants and agrees with the Authority and the Underwriter that:

(a) During such period (not to exceed nine months after the Closing Date) as the Underwriter believes delivery of the Official Statement is necessary or desirable in connection with the sales of the Bonds by the Underwriter or dealers, if any, the Company will advise the Underwriter promptly of any proposal to amend or supplement the Official Statement, insofar as it shall be known to the Company, and agrees not to effect any such amendment or supplementation of the Official Statement which is unsatisfactory in form to Dewey Ballantine LLP or in substance to the Underwriter; the Company will also advise the Underwriter promptly of the institution of any proceedings by the Commission or any other action or event of which the Company is aware and which may affect the use of the Official Statement in connection with the sale and distribution of the Bonds.

(b) If at any time prior to the completion of the sale of the Bonds by the Underwriter when in the judgment of the Underwriter, is necessary or desirable to deliver an Official Statement in connection with sales of the Bonds, an event occurs as a result of which, in the opinion of Dewey Ballantine LLP, counsel for the Underwriter, the Official Statement as then amended or supplemented would include an 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, the Company promptly will prepare an amendment or supplement (or, in its discretion, make an appropriate filing pursuant to Section 13 or 14 of the Exchange Act) which will correct such statement or omission; provided that any such amendment or supplement which is requested by the Underwriter more than 90 days after the Closing Date shall be prepared at the Underwriter's expense.

(c) The Company will assist, if necessary therefor, in the qualification of the Bonds for sale and the determination of their eligibility for investment under the laws of such jurisdiction as the Underwriter shall designate and will assist, if necessary therefore,

in the continuance of such qualifications in effect so long as required for the distribution of the Bonds; provided, however, that the Company shall not be required to qualify as a foreign corporation or to file any consent to service of process under the laws of any state or to comply with any other requirements in any jurisdiction where it is not now so qualified.

(d) The Company will not take or omit to take any action which will in any way cause the proceeds from the sale of the Bonds to be applied in a manner other than as provided in the Indenture and the Agreement.

3. The acceptance and confirmation of this Letter of Representation by the Authority shall constitute a representation and warranty by the Authority to the Company and the Underwriter that the representations and warranties contained in Section 4 of the Purchase Contract are true as of the date hereof and will be true in all material respects as of the Closing Date.

4. (a) The Company agrees to indemnify and hold harmless the Authority, any official or employee of the Authority, the Underwriter, and each person, if any, who controls the Underwriter 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, joint or several, and expenses whatsoever arising out of any untrue statement or alleged untrue statement of a material fact contained in the Preliminary Official Statement or the Official Statement, 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 Underwriter specifically for use therein; provided, however, that the indemnity agreement contained in this Section 4(a) shall not inure to the benefit of the Underwriter (or of any person so controlling the Underwriter) 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 Official Statement (exclusive of the documents incorporated in Appendix A 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 Underwriter with or prior to the written confirmation of the sale involved.

(b) The Underwriter 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 Authority and any official or employee of the Authority, 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 Official Statement, 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 Underwriter 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 Underwriter agrees with respect to any action against it or any person controlling it as aforesaid, and the Authority 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 4 nor affect any rights such indemnifying party may have otherwise than under this Section 4 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.

5. The Company will deliver or cause to be delivered all opinions, certificates and other documents as provided for in the Purchase Contract to be delivered by it.

6. The representations and warranties of the Company and the Authority contained herein, or in the certificates of officers of the Company or officials of the Authority submitted to the Underwriter pursuant to the Purchase Contract, and the agreements of the Company and the Underwriter contained in Section 4 hereof shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the Authority or any of its officials or employees, the Underwriter 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 Underwriter. The Company's agreement contained in Section 1(k) hereof to pay expenses shall survive the termination of the Purchase Contract and this Letter of Representation.

7. This Letter of Representation is made solely for the benefit of the Authority, the Underwriter and the Company, and, to the extent expressly provided herein, any person referred to in Section 4 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 Underwriter merely because of such purchase.

8. The execution and delivery of this Letter of Representation by the Company shall constitute the Company's approval of and consent to the Authority's entering into, acceptance and execution of the Purchase Contract and performance thereunder.

9. This Letter of Representation shall be governed by and construed in accordance with the laws of the State of Georgia.

10. 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 with a copy to Southern Company Services Inc., 270 Peachtree St., N.W., Atlanta, Georgia 30303, attention: Corporate Finance Department. Any notice or other communication to be given to the Authority may be given by delivering the same in writing to its address set forth in the Purchase Contract. Any notice or other communication to be given to the Underwriter may be given by delivering the same in writing at the address set forth in the Purchase Contract. The Company, the Authority and the Underwriter shall each be fully entitled to rely upon notice given pursuant to this Section and to act thereon.

11. This Letter of Representation shall become effective upon execution thereof and the effectiveness of the Purchase Contract referred to herein. It shall terminate upon termination of the Purchase Contract.

12. 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
One Energy Place.
Pensacola, Florida 32520-0102

By:_____
Wayne Boston
Assistant Secretary

Accepted and confirmed as of the
date first above written

SUNTRUST CAPITAL MARKETS, INC.

By:_____

DEVELOPMENT AUTHORITY OF MONROE COUNTY

By:_____
Title:_____

12. 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
One Energy Place.
Pensacola, Florida 32520-0102

By:_____

Accepted and confirmed as of the
date first above written

SUNTRUST CAPITAL MARKETS, INC.

By:_____

DEVELOPMENT AUTHORITY OF MONROE COUNTY

By:_____
Title: Chairman

$42,000,000

DEVELOPMENT AUTHORITY OF MONROE COUNTY (GEORGIA)

Pollution Control Revenue Bonds
(Gulf Power Company Plant Scherer Project)
First Series 2002

PURCHASE CONTRACT

Ladies and Gentlemen:

The undersigned SunTrust Capital Markets, Inc., as underwriter of the above-mentioned issuance (the "Underwriter"), hereby offers to enter into this Purchase Contract with you (the "Authority") for the purchase by the Underwriter and sale by the Authority of $42,000,000 aggregate principal amount of its Pollution Control Revenue Bonds (Gulf Power Company Plant Scherer Project), First Series 2002 (the "Bonds").

Upon the effectiveness of this Purchase Contract, 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 Purchase Contract. Defined terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in the Official Statement (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, (i) the Underwriter hereby agrees to purchase the Bonds from the Authority for offering to the public, and the Authority hereby agrees to sell the Bonds to the Underwriter for such purpose, for a purchase price of 100% of the principal amount of the Bonds, and (ii) the Company agrees to pay $147,000 to the Underwriter as an underwriting fee (the "Fee"). The Underwriter agrees that the initial public offering price for the Bonds shall be 100% of the principal amount thereof. The Bonds will initially be issued at an Auction Mode Rate, and the first Auction Date shall occur on the date described in the Official Statement.

2. The Bonds shall be as described in and shall be issued under and secured by a Trust Indenture, dated as of September 1, 2002 (the "Indenture"), by and between the Authority and The Bank of New York Trust Company of Florida, N.A., as trustee (the "Trustee"), to be executed and delivered on or prior to the Closing Date (as hereinafter defined). In addition, in connection with the issuance of the Bonds, the Company and the Trustee will enter into an Auction Agreement related to the Bonds, dated as of September 1, 2002 (the "Auction Agreement") with The Bank of New York, as auction agent (the "Auction Agent"), providing, among other things, that the Auction Agent will follow certain auction procedures (each implementation thereof, an "Auction") for the purpose of determining the rate of interest which the Bonds will bear when such rate is to be determined by an Auction (the "Auction Rate"). The Company and the Auction Agent will also enter into a Broker-Dealer Agreement, dated as of September 1, 2002 (the "Broker-Dealer Agreement") with SunTrust Capital Markets, Inc., as broker-dealer (in such capacity, the "Broker-

Dealer"). The Authority has previously executed and delivered a Blanket 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 September 1, 2002 (the "Agreement"), between the Authority and the Company to be executed and delivered on or prior to the Closing Date providing, among other things, for the undertaking by the Authority to loan amounts to the Company to provide funds 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 Scherer, in Monroe County, Georgia (the "Project"). The Project is located at Unit 3 of the Scherer coal-fired electric generating plant.

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 Official Statement, dated September 23, 2002. As used in this Purchase Contract, the term "Official Statement" means the Official Statement, dated September 23, 2002, including the Appendices thereto (the "Appendices") and the documents incorporated by reference in Appendix A at such date.

3. The Authority has delivered or caused to be delivered to the Underwriter a Preliminary Official Statement, dated September 20, 2002 (the "Preliminary Official Statement"), which the Company has deemed to be correct except for certain specified information as described below. At the time of or before the acceptance by the Authority hereof, the Authority shall deliver or cause to be delivered to the Underwriter a copy of the Official Statement executed on behalf of the Authority by the Chairman or Vice Chairman or other authorized representative of the Authority.

The Authority authorizes the use of the Official Statement, the Agreement and the Indenture, and the information therein contained, by the Underwriter in connection with the public offering and sale of the Bonds. The Authority ratifies and confirms the delivery to the Underwriter prior to the date hereof of the Preliminary Official Statement of the Authority in connection with the public offering of the Bonds.

The Authority has deemed the Preliminary Official Statement 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. In order to enable the Underwriter to comply with Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (the "Rule"), to the extent the Rule shall be applicable (i) the Authority shall provide or cause to be provided to the Underwriter sufficient quantities of the Official Statement which the Authority deems complete as of its date, executed by the Chairman or Vice Chairman or other authorized representative of the Authority, in substantially the same form as the Preliminary Official Statement, subject to minor additions, deletions and revisions, within seven business days after the effective date of this Purchase Contract and in sufficient time to accompany any confirmation that requires payment from any customer and (ii) the Authority agrees to notify the

Underwriter and the Company of any material developments impacting the Authority or the Bonds, of which the Authority becomes aware, within 90 days after delivery of the Bonds.

4. The Authority represents and warrants to the Underwriter and the Company that:

(a) The Authority is a public body corporate and politic duly organized and existing under the laws of the State of Georgia and is authorized under the provisions of the Development Authorities Law (O.C.G.A. Section 36-62-1, et seq.), as amended (the "Act"), to issue the Bonds; to loan the proceeds of the Bonds to the Company for the purpose of refinancing the acquisition, construction, installation and equipping of the Project, which loan is to be made under the Agreement and is evidenced by the Note; 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 and confirm the Letter of Representation; to sell and deliver the Bonds to the Underwriter as provided herein; and to carry out and consummate all other transactions contemplated on the part of the Authority by each of the aforesaid documents and the Official Statement.

(b) The Authority has complied with all provisions of the Constitution of the State of Georgia and the Act and has full power and authority to consummate all transactions contemplated on the part of the Authority by the Official Statement, this Purchase Contract, the Bonds, the Indenture, the Agreement and any and all other agreements relating thereto.

(c) The Authority 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 Official Statement and the Indenture; (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 Official Statement and the signing of the Official Statement 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 Purchase Contract, 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 Authority in order to carry out, give effect to and consummate the transactions contemplated thereby and by the Official Statement; (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 Authority by this Purchase Contract, the Official Statement, the Indenture and the Agreement.

(d) With respect to information contained under the captions "Introductory Statement", "The Authority", "Use of Bond Proceeds; Refunding of Outstanding Bonds" and "The Bonds", the Official Statement does not, and at the Closing Date the Official Statement, as it may be amended or supplemented, will not, include 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.

(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 Authority 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 Authority or the State of Georgia, 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 Authority 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 Authority from repayment of the Note.

(f) The Authority 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 Official Statement, this Purchase Contract, the Bonds, the Indenture, the Agreement, the DTC Letter and the other agreements contemplated on the part of the Authority hereby and by the Official Statement and compliance on the part of the Authority 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 Authority 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 Authority is subject or by which it is or may be bound, or to the knowledge of the Authority, any order, rule or regulation applicable to the Authority of any court or governmental agency or body having jurisdiction over the Authority 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 Authority of the transactions contemplated on the part of the Authority 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 Authority, threatened against or directly affecting the Authority, except as disclosed in or contemplated by the Official Statement, (i) to restrain or enjoin the issuance and sale of the Bonds or the execution, delivery or performance by the Authority 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 Official Statement (excluding the Appendices thereto and the documents incorporated in Appendix A by reference), (B) adversely affect or put in question the validity or enforceability of the Bonds, the Indenture, the Agreement, the DTC Letter, this Purchase Contract, the Letter of Representation or any other agreement, instrument or document to which the Authority is a party or by which it is bound relating to the consummation of the transactions contemplated hereby or by the Official Statement (excluding the Appendices thereto and the documents incorporated in Appendix A by reference), or (C) adversely affect the tax-exempt status of the Bonds.

(i) The Authority 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 Authority delivered to the Underwriter shall be deemed to be a representation and warranty by the Authority to the Underwriter as to the statements made therein.

(k) The Authority 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 Authority and is not currently in default in the payment of any such principal or interest.

(l) The Authority has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that the Authority is a bond issuer whose arbitrage certifications may not be relied upon.

(m) The issuance and sale of the Bonds to the Underwriter will not be subject to any State of Georgia issuance, transfer or other documentary stamp taxes.

5. At 10:00 A.M. New York City Time, on September 26, 2002, or at such other time or on such earlier or later business day as shall have been mutually agreed upon by the Authority and the Underwriter with the consent of the Company (the "Closing Date"), the Authority will deliver to the Underwriter the Bonds in definitive form, duly executed and authenticated, together with the other documents hereinafter mentioned, and the Underwriter 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 Authority. The Company shall pay the Fee to the Underwriter in immediately available funds. The Bonds so delivered will be in form acceptable for deposit with DTC and shall be registered in the name of Cede & Co., as nominee of DTC, and will be delivered to or held for the account of DTC as of the Closing Date.

6. The Underwriter's obligations hereunder to purchase and pay for the Bonds shall be subject to the performance by the Authority of its obligations to be performed hereunder at or prior to the Closing Date; to 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 Authority 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 Auction Agreement, the Broker-Dealer 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 Underwriter; provided, however, that the acceptance of delivery of the Bonds by the Underwriter 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) The Bonds shall have been validated pursuant to a judgment rendered by the Superior Court of Monroe County, Georgia.

(d) No amendment or supplement to the Official Statement 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) shall be unsatisfactory in form to Dewey Ballantine LLP, counsel for the Underwriter, or shall contain information (other than with respect to an amendment or supplement relating solely to the activity of the Underwriter) which, in the reasonable judgment of the Underwriter, shall materially impair the marketability of the Bonds.

(e) 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 Official Statement or the execution or performance of the Indenture, the Agreement, the Auction Agreement, the Broker-Dealer Agreement or the Note in accordance with their respective terms.

(f) At the Closing Date, there shall be in full force and effect appropriate orders of the Securities and Exchange Commission (if necessary) and the Florida Public Service Commission authorizing the participation of the Company in the transactions contemplated hereby and by the Official Statement (excluding the Appendices thereto and the documents incorporated in Appendix A by reference).

(g) At or prior to the Closing Date, the Underwriter shall have received the following documents:

(1) Executed counterparts, or certified copies, of the Agreement, the DTC Letter, the Indenture, the Auction Agreement, the Broker-Dealer Agreement, 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 Official Statement.

(3) Opinions dated the Closing Date, with such changes as the Underwriter shall approve, of (i) Beggs & Lane, General Counsel for the Company, substantially in the form annexed hereto as Exhibit A; (ii) King & Spalding, Bond Counsel, 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 LLP, Counsel for the Underwriter, 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 Vaughn, Wright & Stearns, LLP, counsel for the Authority, addressed also to King & Spalding, to the effect that: (A) the

Authority is validly existing as a body corporate and politic under the Constitution and laws of the State of Georgia and is an instrumentality of a political subdivision of such State with power and authority to refinance the Project, to issue and sell the Bonds, and to execute and deliver, and to carry out and perform its obligations under, the Indenture, the Agreement and the Purchase Contract; (B) the Bonds have been duly authorized and executed and legally issued by the Authority and constitute valid and legally binding limited special obligations of the Authority in accordance with their terms; (C) the Indenture, the Agreement and the Purchase Contract have been duly authorized, executed and delivered by the Authority and, assuming the due authorization, execution and delivery by the other respective parties thereto, the Indenture, the Agreement and the Purchase Contract constitute valid, legally binding and enforceable obligations of the Authority, 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; the Note has been duly assigned to the Trustee; (D) no action, proceeding or investigation is pending, or to their 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 Purchase Contract or the Agreement, or the existence of powers of the Authority or the right of the Authority to loan the proceeds of the Bonds to the Company; (E) neither the execution, delivery, receipt or due performance of the Indenture, the Agreement, the Purchase Contract or the other agreements contemplated hereby or by the Official Statement under the circumstances contemplated thereby, nor the compliance by the Authority with the provisions thereof, nor the acceptance of the Letter of Representation, will conflict with or constitute on the part of the Authority 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 Authority is subject or by which it is or may be bound; (F) a financing statement relating to the Bonds has been filed pursuant to the Uniform Commercial Code of Georgia covering the granting of security interests under the Indenture in all rights, title and interest of the Authority in the Agreement (except for certain amounts payable with respect to indemnification and expenses), and the Note, and there are no other properly indexed financing statements or liens of record affecting the property in which such security interests have been granted; and (G) the statements in the Official Statement under the caption "The Authority", insofar as they relate to the Authority and 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 Deloitte & Touche LLP, substantially to the effect set forth in Exhibit E hereto.

(6) A certificate, satisfactory to the Underwriter, of a duly authorized officer of the Authority satisfactory to the Underwriter, dated the Closing Date, to the effect that: (A) the Authority 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 Authority contained herein is true and correct as of the Closing Date; (B) the Authority has authorized, by all necessary action, the execution, delivery, receipt and due performance of the Indenture, the Agreement, the Purchase Contract, the Letter of Representation, and any and all such other agreements and documents as may be required to be executed, delivered, received or performed by the Authority in order to carry out, give effect to and consummate the transactions contemplated on its part by the Indenture, the Agreement and

the Official Statement; (C) the Bonds, the Indenture and the Agreement conform to the descriptions thereof herein and in the Official Statement; (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 Agreement or the existence or powers of the Authority or the right of the Authority 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 Purchase Contract or the other agreements contemplated hereby or by the Official Statement under the circumstances contemplated hereby or thereby, nor the compliance by the Authority with the provisions thereof, nor acceptance of the Letter of Representation, will conflict with or constitute on the part of the Authority 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 Authority 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 Official Statement.

(8) Evidence satisfactory to the Underwriter that the Bonds have been rated "A2/VMIG1" by Moody's Investors Service, Inc.

(9) A continuing disclosure agreement, in form and substance satisfactory to the Underwriter with respect to compliance with the Rule (the "Continuing Disclosure Agreement").

(10) Such additional certificates, instruments and other documents as the Underwriter or its counsel may deem necessary to evidence the accuracy as of the Closing Date of the representations of the Authority and the Company contained herein and in the Letter of Representation, respectively, and the due performance or satisfaction by the Authority 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 Authority and the Company in connection with the issuance of the Bonds.

If the Authority or the Company shall be unable to satisfy the conditions of the obligations of the Underwriter contained in this Purchase Contract, or if the obligations of the Underwriter shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate and neither the Underwriter nor the Authority shall be under further obligation hereunder except as otherwise provided in Section 8 hereof.

7. The Authority agrees to cooperate with the Underwriter 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 Underwriter may request; provided, however, that the Authority 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 Services, a division of The McGraw-Hill Companies, Inc.

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 Auction Agreement, the Broker-Dealer Agreement, the Note, the DTC Letter, the Preliminary Official Statement, the Official Statement, the Letter of Representation and this Purchase Contract, including, without limitation, (i) the Fee; (ii) fees and disbursements of counsel for the Underwriter 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, the Auction Agent and the Broker-Dealer; (vii) the fees and disbursements of Bond Counsel, Counsel for the Underwriter and Counsel for the Authority; (viii) any administrative or other fees charged in connection with the Bonds by the Authority and (ix) the fees, if any, for bond ratings shall be paid by the Company pursuant to the Letter of Representation. Nothing herein shall be construed to relieve the Underwriter of its liability for its default hereunder. The Underwriter shall pay (i) all advertising expenses in connection with the public offering of the Bonds and (ii) all other expenses incurred by it in connection with the public offering and distribution of the Bonds.

9. The Underwriter may terminate this Purchase Contract by notification to the Authority 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 Authority, 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; (ii) trading in securities on the New York Stock Exchange shall have been generally suspended, (iii) minimum or maximum ranges for prices shall have been generally established on the New York Stock Exchange, (iv) a general banking moratorium shall have been declared by federal or New York State authorities or (v) 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 (v) with the result that, in the opinion of the Underwriter, the marketability of the Bonds shall have been materially and adversely affected thereby.

10. This Purchase Contract shall be governed by and construed in accordance with the laws of the State of Georgia.

11. Any notice or other communication to be given to the Authority under this Purchase Contract may be given by delivering the same in writing to Board of Commissioners of Monroe County, Forsyth, Georgia 31029, Attention: Chairman. Any notice or other communication to be given to the Underwriter under this Purchase Contract may be given by delivering the same in writing to 303 Peachtree Street, N.E., Atlanta, Georgia 30308, Attention: Hank Harris.

12. This Purchase Contract will inure to the benefit of the Authority, the Underwriter 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 Underwriter solely by reason of such purchase.

13. The representations and warranties of the Authority contained herein, or in the certificates of officials of the Authority submitted to the Underwriter pursuant hereto, shall remain operative and in full force and effect regardless of any investigation made by or on behalf of any Underwriter and shall survive the delivery of the Bonds to the Underwriter.

14. This Purchase Contract 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: Sep. 25, 2002

SUNTRUST CAPITAL MARKETS, INC.

By: _____

Title: _____

Accepted as of the date hereof:

DEVELOPMENT AUTHORITY of
MONROE COUNTY (GEORGIA)
Forsyth, Georgia

By: _____

Title: Chairman

EXHIBIT A
to the Purchase Contract

[LETTERHEAD of BEGGS & LANE]

_____, 2002

SunTrust Capital Markets, Inc.
303 Peachtree Street, N.E.
Atlanta, GA 30308

Re: $42,000,000 Development Authority of Monroe County (Georgia) Pollution Control Revenue Bonds (Gulf Power Company Plant Scherer Project), First Series 2002

Ladies and Gentlemen:

We have acted as counsel to Gulf Power Company (the "Company") in connection with the purchase by you of $42,000,000 aggregate principal amount of Development Authority of Monroe County (Georgia) Pollution Control Revenue Bonds (Gulf Power Company Plant Scherer Project), First Series 2002 (the "Bonds"), pursuant to the Purchase Contract dated _____, 2002 (the "Purchase Contract") between you and the Development Authority of Monroe County (the "Authority").

We have examined (i) the Official Statement dated _____, 2002 relating to the Bonds, including Appendix A thereto (the "Official Statement"), which incorporates by reference the Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 2001, the Quarterly Reports on Form 10-Q of the Company for the quarters ended March 31, 2002 and June 30, 2002 and the Current Reports on Form 8-K of the Company dated January 18, 2002, February 13, 2002 and March 28, 2002 (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 September 1, 2002 (the "Trust Indenture") between the Authority and The Bank of New York Trust Company of Florida, N.A., as trustee; (iii) the Loan Agreement dated as of _____, 2002 (the "Agreement") between the Authority and the Company: (iv) the promissory note dated _____, 2002 (the "Note") in the principal amount of $42,000,000 issued by the Company pursuant to the Agreement; (v) the Purchase Contract; (vi) the Letter of Representation dated September __, 2002 (the "Letter of Representation") among the Company, the Authority and you; (vii) the Auction Agreement dated _____ (the "Auction Agreement") among the Company, the Trustee and The Bank of New York, as the auction agent (the "Auction Agent"); and (viii) the Broker-Dealer Agreement dated _____ (the "Broker-Dealer Agreement") among the Auction Agent, SunTrust Capital Markets, Inc., as Broker-Dealer, and the Company. 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 Authority 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 later documents.

In rendering this opinion we have relied with respect to certain questions of conformity to the laws of the state of Georgia upon the opinion of Troutman Sanders LLP of even date herewith and with respect to matters of New York law upon the opinion of Dewey Ballantine LLP of even date herewith. We believe that such opinion is satisfactory and that you are justified in relying thereon, and we, on our part have relied thereon to the extent that it relates to such questions.

We are of the opinion, relying as to laws and regulations administered by the Securities and Exchange Commission 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 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 Agreement, the Auction Agreement, the Broker-Dealer Agreement, the Letter of Representation and the Note have been duly authorized, executed and delivered by the Company and, assuming due authorization, execution and delivery thereof by other parties 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 Auction Agreement, the Broker-Dealer 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 or 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 Broker-Dealer Agreement and the Letter of Representation.

3. The statements made in the Official Statement under the captions "The Bonds," "The Agreement" and "The Indenture," 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. 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 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.

5. The execution and delivery of the Agreement, the Note and the Letter of Representation by the Company will not result in a breach of or constitute a default under the Charter or by-laws 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 is 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 any of its property.

We have no knowledge of any material litigation or proceeding pending or threatened which challenges the validity of the Agreement, the Note or the Letter of Representation, or which seeks to enjoin the performance of the Company's obligations thereunder.

We have not independently verified the accuracy, completeness or fairness of the statements or included in the Official Statement 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 Authority and the Company of the Official Statement, we participated in conferences with certain officers and employees of the Company, with other counsel for the Company, with your counsel, with representatives of Deloitte & Touche LLP 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 other counsel for the Company, with your counsel and with representatives of Deloitte & Touche LLP. Based upon our examination of the Official Statement 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 Official Statement (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 Official Statement or the Exchange Act Documents or with respect to the information in the Official Statement under the captions "The Authority," "Underwriting" and "Tax Exemption."

We are members of the Florida Bar and we do not express any opinion herein concerning any law other than the law of the State of Florida, and to the extent set forth herein, the federal

law of the United States and the laws of the States of Georgia, Mississippi, Maine 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, firm or corporation without our prior written consent, except that Dewey Ballantine LLP 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 Maine law.

Very truly yours,

BEGGS & LANE

EXHIBIT B
to the Purchase Contract

[LETTERHEAD OF KING & SPALDING]

September 26, 2002

Development Authority of Monroe County
Forsyth, Georgia

The Bank of New York Trust Company of Florida, N.A., as trustee
New York, New York

Gulf Power Company
Pensacola, Florida

SunTrust Capital Markets, Inc.
Atlanta, Georgia

Re: $42,000,000 Development Authority of Monroe County Pollution Control Revenue Bonds (Gulf Power Company Plant Scherer Project), First Series 2002

To the Addressees:

We have acted as Bond Counsel in connection with the issuance by the Development Authority of Monroe County, a public body corporate and politic of the State of Georgia (the "Authority"), of the Development Authority of Monroe County Pollution Control Revenue Bonds (Gulf Power Company Plant Scherer Project), First Series 2002, in the aggregate principal amount of $42,000,000 (the "Bonds"). We have examined the law and such certified proceedings, including a certified copy of the transcript of the validation proceeding concluded in the Superior Court of Monroe County, Georgia, with respect to the Bonds and certain other obligations, and other papers as we have deemed necessary to render this opinion. In all such examinations, we have assumed the genuineness of signatures on original documents and the conformity to original documents of all copies submitted to us as certified, conformed or photographic copies, and as to certificates of public officials, we have assumed the same to have been properly given and to be accurate.

The Bonds are being issued pursuant to resolutions of the Authority adopted on September 11, 2001 and September 10, 2002, and are being sold pursuant to a Purchase Contract, dated September 25, 2002 (the "Purchase Contract"), between the Authority and SunTrust Capital Markets, Inc. (the "Underwriter").

The Bonds are being issued for the purpose of refunding, pursuant to a Loan Agreement, dated as of September 1, 2002 (the "Agreement"), between the Authority, as lender, and Gulf Power Company, a Maine corporation (the "Company"), as borrower, (i) $22,000,000

in aggregate principal amount of the Authority's Pollution Control Revenue Bonds (Gulf Power Company Plant Scherer Project), First Series 1994 (the "First Series 1994 Bonds") and (ii) $20,000,000 in aggregate principal amount of the Authority's Pollution Control Revenue Bonds (Gulf Power Company Plant Scherer Project), Second Series 1994 (the "Second Series 1994 Bonds," and together with the First Series 1994 Bonds, the "Refunded Bonds"), which were issued to finance or refinance a portion of the cost of the acquisition, construction and installation of certain air or water pollution control facilities and sewage or solid waste disposal facilities in Monroe County, Georgia (the "Facilities") for the benefit of the Company. The obligation of the Company to repay the loan made pursuant to the Agreement is evidenced by a Promissory Note, dated the date of this opinion (the "Note"), from the Company to the Authority, under the terms of which the Company has agreed to make payments sufficient to provide for the payment of the principal of, redemption premium (if any) and interest on, and the purchase price of, the Bonds as the same become due and payable. The Company has also agreed to pay certain administrative expenses in connection with the Bonds.

As security for the payment of the Bonds, the Authority has, pursuant to a Trust Indenture, dated as of September 1, 2002 (the "Indenture"), between the Authority and The Bank of New York Trust Company of Florida, N.A., as trustee (the "Trustee"), assigned to the Trustee and pledged to the payment of the principal of, redemption premium (if any) and interest on, the Bonds, all rights, title and interest of the Authority in the Agreement (except for certain amounts payable to the Authority with respect to indemnification and expenses) and the Note.

Contemporaneously with the sale and issuance of the Bonds, the Mississippi Business Finance Corporation (the "Mississippi Authority") has sold and is issuing its Solid Waste Disposal Facilities Revenue Refunding Bonds, Series 2002 (Gulf Power Company Project) (the "Mississippi Bonds") in the aggregate principal amount of $13,000,000. The proceeds of the sale of the Mississippi Bonds are being applied to the refunding of certain obligations of the Mississippi Authority which were issued to finance or refinance the cost of certain air or water pollution control facilities and sewage or solid waste disposal facilities (the "Mississippi Facilities") in the State of Mississippi, for the benefit of the Company. Under the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and applicable regulations, the Bonds and the Mississippi Bonds may be deemed to be a single "issue" of obligations for certain federal income tax purposes, and the exclusion of interest on the Bonds from gross income for federal income tax purposes may be dependent upon compliance by the Mississippi Authority and the Company with certain covenants with respect to the Mississippi Bonds. We express no opinion with respect to the validity or the exclusion from gross income of interest on the Mississippi Bonds. On the date of this opinion, McGlinchey Stafford, PLLC, Jackson, Mississippi, is delivering an opinion with respect to the Mississippi Bonds substantially to the same effect as this opinion.

As to questions of fact material to our opinion, we have relied upon (a) representations of the Authority and the Company, (b) certified proceedings and other certifications of public officials furnished to us, (c) certifications by officials of the Company, and (d) representations of the Company relating to the use of the proceeds of the Bonds and the obligations refunded thereby, the design, scope, function, cost and economic useful life of the Facilities and the relationship of the Facilities to the plant which they are designed to serve,

contained in certificates of the Company without undertaking to verify the same by independent investigation.

We express no opinion with respect to (a) the corporate status and good standing of the Company, (b) the corporate power of the Company to enter into the Agreement and the Note and (c) the authorization, execution and delivery of the Agreement and the Note by the Company and with respect to the Agreement and the Note being binding and enforceable upon the Company. As to such matters, we refer you to the opinions of even date of Beggs & Lane, Pensacola, Florida, and Troutman Sanders LLP, Atlanta, Georgia, each counsel to the Company.

We have relied solely upon an opinion of even date of Vaughn, Wright & Stearns, LLP, Forsyth, Georgia, counsel to the Authority, with respect to the filing of a UCC-1 financing statement covering the granting of a security interest under the Indenture in all rights, title and interest of the Authority in the Agreement (except for certain amounts payable to the Authority with respect to indemnification and expenses) and the Note, and the fact that there are no other properly indexed financing statements or liens of record affecting the property in which such security interest has been granted.

Based upon our examination, we are of the opinion that as of the date hereof and under existing law as follows:

1. The Authority is a duly created and validly existing public body corporate and politic of the State of Georgia with the full power and authority (a) to issue and sell the Bonds, (b) to loan the proceeds from the sale of the Bonds to the Company for the purpose of refunding the Refunded Bonds and (c) to execute, deliver and perform its obligations under the Indenture, the Agreement and the Purchase Contract.

2. The Indenture, the Agreement and the Purchase Contract have been duly authorized, executed and delivered by the Authority, and the Indenture, the Purchase Contract and the Agreement are valid and binding obligations of the Authority enforceable against the Authority. The Note has been assigned to the Trustee. The Indenture creates a valid security interest in all rights, title and interest of the Authority in the Agreement (except for certain amounts payable to the Authority with respect to indemnification and expenses) and the Note, subject to no equal, prior or other lien, charge or encumbrance, and a financing statement has been filed as required by the Georgia Uniform Commercial Code in order to perfect such security interest in the Agreement, and such security interest will continue in full force and effect as a perfected security interest for the benefit of the holders of the Bonds for a period of five years from the date of filing thereof.

3. The Bonds have been duly authorized, executed and delivered by the Authority and are valid, binding limited obligations of the Authority, secured by the Indenture and payable solely from the payments to be received by the Authority pursuant to the Note.

4. No authorization, approval, consent or other order of any governmental authority or agency is required for the valid authorization, execution, issuance and sale of the Bonds by the Authority and the valid authorization, execution and delivery of the Indenture, the Agreement and the Purchase Contract by the Authority, except for the authorizations, consents or approvals as have been obtained or may be required under state securities or "blue sky" laws.

5. The statements with respect to the Bonds in the Official Statement, dated September 23, 2002 (the "Official Statement") relating to the Bonds under the captions "Introduction", "The Bonds", "The Agreement", "The Indenture" and "Tax Exemption", insofar as they purport to constitute summaries of the documents or matters referred to therein, fairly and accurately summarize the portions of the documents or matters summarized therein. No opinion, however, is expressed with respect to the information under the caption "The Bonds - Book-Entry System." No other opinion is expressed with respect to the accuracy, completeness or fairness of the Official Statement, and no opinion is expressed with respect to the compliance by the Authority or the Underwriter with any federal or state statute, regulation or ruling with respect to the sale (other than the initial sale by the Authority) or distribution of the Bonds.

6. No 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, is required in connection with the offer and sale of the Bonds.

7. Under existing statutes, rulings and court decisions, and under applicable regulations and proposed regulations, the interest on the Bonds is not includable in gross income for federal income tax purposes except for interest on any Bond for any period during which such Bond is held by a "substantial user" of the Facilities or a "related person" within the meaning of Section 147(a) of the Code. Furthermore, interest on the Bonds is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations; however, with respect to corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings for purposes of computing the federal alternative minimum tax imposed on certain corporations. We express no opinion regarding any other federal tax consequences caused by the receipt or accrual of interest on, or ownership of, the Bonds. In rendering this opinion, we have assumed the continued compliance by the Authority, the Mississippi Authority and the Company with their respective covenants regarding certain requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that the interest on the Bonds be and continue to be excluded from gross income for federal income tax purposes. Failure to comply with such covenants could cause interest on the Bonds to be included in federal gross income retroactive to the date of issuance of the Bonds.

8. Under existing statutes, the interest on the Bonds is exempt from all present State of Georgia income taxation.

The rights of the holders of the Bonds and the enforceability of the Bonds, the Agreement, the Indenture and the Purchase Contract may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting the enforcement of creditors' rights generally and principles of equity applicable to the availability of specific performance or other equitable relief. We have not undertaken to notify the Authority, the Trustee, the Company, the Underwriter or any other person or entity of any change in law or fact after the date of this opinion which might affect any of the opinions expressed herein.

Very truly yours,

KING & SPALDING

By:

EXHIBIT C
to the Purchase Contract

[LETTERHEAD OF TROUTMAN SANDERS LLP]

_____, 2002

SunTrust Capital Markets, Inc.
303 Peachtree Street, N.E.
Atlanta, GA 30308

Re: $42,000,000 Development Authority of Monroe County (Georgia) Pollution Control Revenue Bonds (Gulf Power Company Plant Scherer Project) First Series 2002

Ladies and Gentlemen:

We have acted as counsel to Gulf Power Company (the "Company") in connection with the purchase by you of $42,000,000 aggregate principal amount of Development Authority of Monroe County (Georgia) Pollution Control Revenue Bonds (Gulf Power Company Plant Scherer Project), First Series 2002 (the "Bonds"), pursuant to the Purchase Contract dated _____, 2002 (the "Purchase Contract"), between the Development Authority of Monroe County (the "Authority") and you.

We have examined (i) the Official Statement dated _____, 2002 relating to the Bonds, including Appendix A thereto (the "Official Statement"), which incorporates by reference the Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 2001, the Quarterly Reports on Form 10-Q of the Company for the quarters ended March 31, 2002 and June 30, 2002 and the Current Reports on Form 8-K of the Company dated January 18, 2002, February 13, 2002 and March 28, 2002 (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 _____, 2002 (the "Trust Indenture") between the Authority and The Bank of New York Trust Company of Florida, N.A., as trustee; (iii) the Loan Agreement dated as of _____, 2002 (the "Agreement") between the Authority and the Company; (iv) the promissory note dated _____, 2002 (the "Note") in the aggregate principal amount of $42,000,000 issued by the Company pursuant to the Agreement; (v) the Purchase Contract; (vi) the Letter of Representation dated _____, 2002 (the "Letter of Representation") among the Company, the Authority and you; (viii) the Auction Agreement dated _____, 2002 (the "Auction Agreement") among the Company, the Trustee and The Bank of New York, as auction agent (the "Auction Agent"); and (ix) the Broker-Dealer Agreement dated _____, 2002 (the "Broker-Dealer Agreement") among the Auction Agent, SunTrust Capital Markets, Inc., as Broker-Dealer, and the Company. 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 Authority 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 later documents.

Based upon the foregoing, and subject to the qualifications and limitations stated herein, we are of the opinion, relying as to matters of Florida, Maine and Mississippi law upon the opinion dated the date hereof rendered to you by Beggs & Lane, a Registered Limited Liability Partnership ("Beggs & Lane"), and relying as to matters of New York law upon the opinion dated the date hereof rendered by Dewey Ballantine 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 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 Agreement, the Auction Agreement, the Broker-Dealer Agreement, the Letter of Representation and the Note have been duly authorized, executed and delivered by the Company and, assuming due authorization, execution and delivery thereof by 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 Auction Agreement, the Broker-Dealer 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 limiting the right to enforce indemnification provisions contained in the Broker-Dealer Agreement and the Letter of Representation.

3. The statements made in the Official Statement under the captions "The Bonds", "The Agreement" and "The Indenture" 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. 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 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.

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.

In rendering the opinion expressed in paragraph 5 above, we have relied upon the legal opinion dated the date hereof, rendered to you by King & Spalding, Bond Counsel, pursuant to the Purchase Contract 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 Official Statement 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 Authority and the Company of the Official Statement, we participated in conferences with certain officers and employees of the Company, with other counsel for the Company, with representatives of Deloitte & Touche LLP, with your counsel 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 other counsel for the Company, with your counsel and with representatives of Deloitte & Touche LLP. Based upon our examination of the Official Statement 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 Official Statement (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 Official Statement or the Exchange Act Documents or with respect to the information in the Official Statement under the captions "The Authority," "The Bonds — Book-Entry System," "Underwriting" 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 set forth herein, the laws of the States of Florida, Maine, Mississippi 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, firm or corporation without our prior written consent, except that Dewey Ballantine LLP and Beggs & Lane 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 Georgia law and except that Beggs & Lane may rely on this opinion in giving their opinion pursuant to Section 6 of the Purchase Contract insofar as such opinion relates to laws and regulations administered by the Commission.

Very truly yours,

TROUTMAN SANDERS LLP

EXHIBIT D
to the Purchase Contract

[LETTERHEAD OF DEWEY BALLANTINE LLP]

_____, 2002

SunTrust Capital Markets, Inc.
303 Peachtree Street, N.E.
Atlanta, GA 30308

Re: $42,000,000 Development Authority of Monroe County (Georgia) Pollution Control Revenue Bonds (Gulf Power Company Plant Scherer Project), First Series 2002

Ladies and Gentlemen:

We have acted as your counsel in connection with the purchase by you of $42,000,000 aggregate principal amount of Development Authority of Monroe County (Georgia) Pollution Control Revenue Bonds (Gulf Power Company Plant Scherer Project), First Series 2002 (the "Bonds"), pursuant to the Purchase Contract dated _____, 2002 (the "Purchase Contract") between you and the Development Authority of Monroe County (the "Authority").

We have examined (i) the Official Statement dated _____, 2002 relating to the Bonds, including Appendix A thereto (the "Official Statement"), which incorporates by reference the Annual Report on Form 10-K of Gulf Power Company (the "Company") for the fiscal year ended December 31, 2001, the Quarterly Reports on Form 10-Q of the Company for the quarters ended March 31, 2002 and June 30, 2002 and the Current Reports on Form 8-K of the Company dated January 18, 2002, February 13, 2002 and March 28, 2002 (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 _____, 2002 (the "Indenture") between the Authority and The Bank of New York Trust Company of Florida, N.A., as trustee (the "Trustee"); (iii) the Loan Agreement, dated as of _____, 2002 (the "Agreement") between the Company and the Authority; (iv) the promissory note dated _____, 2002 (the "Note") in the aggregate principal amount of $42,000,000 issued by the Company pursuant to the Agreement; (v) the Purchase Contract; (vi) the Letter of Representation dated _____, 2002 (the "Letter of Representation") among the Company, the Authority and you; (vii) the Auction Agreement dated _____, 2002 (the "Auction Agreement"), among the Company, the Trustee and The Bank of New York, as auction agent (the "Auction Agent"); and (viii) the Broker-Dealer Agreement dated _____, 2002 (the "Broker-Dealer Agreement") among the Auction Agent, SunTrust Capital Markets, Inc., as Broker-Dealer and the Company. 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

Authority 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.

Insofar as the opinions expressed below relate to or are dependent upon matters governed by the laws of the States of Maine, Florida and Mississippi, we have relied upon the legal opinions dated the date hereof, rendered to you by Beggs & Lane, General Counsel for the Company, and upon matters governed by laws of the State of Georgia, we have relied upon the legal opinions dated the date hereof rendered to you by Troutman Sanders LLP, Counsel for the Company. With respect to the opinion expressed in paragraph 4 below, we have, with your consent, relied on an opinion of even date herewith rendered by King & Spalding 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 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.

2. The Agreement, the Auction Agreement, the Broker-Dealer Agreement, the Letter of Representation and the Note have been duly authorized, executed and delivered by the Company and, assuming due authorization, execution and delivery thereof by 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 Letter of Representation, the Auction Agreement, the Broker-Dealer Agreement 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 Broker-Dealer Agreement and the Letter of Representation.

3. The statements made in the Official Statement under the captions "The Bonds", "The Agreement" and "The Indenture", 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 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 Official Statement 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 Authority and the Company of the Official Statement, we participated in conferences with certain officers and employees of the Company, with representatives of Deloitte & Touche 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 Deloitte & Touche LLP and with counsel for the Company. Based upon our examination of the Official Statement 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 Official Statement (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 Official Statement or the Exchange Act Documents or with respect to the information in the Official Statement under the captions "The Authority", "The Bonds — Book-Entry System", "Underwriting" and "Tax Exemption".

We are members of the Bar of the State of New York and we do not express any opinion herein concerning any law other than the law of the State of New York, the federal law of the United States and, to the extent necessary to render the opinions herein, the law of the States of Maine, Florida, Mississippi and Georgia.

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 6(g)(3) of the Purchase Agreement, insofar as such opinions relate to matters of New York law.

Very truly yours,

DEWEY BALLANTINE LLP

EXHIBIT E
to the Purchase Contract

[LETTERHEAD OF DELOITTE & TOUCHE LLP]

This letter will be to the effect that:

(A) Deloitte & Touche LLP are independent certified public accountants with respect to Gulf Power Company (the "Company") under Rule 101 of the American Institute of Certified Public Accountant's Code of Professional Conduct and its interpretations and rulings; (B) at the Underwriter's request, Deloitte & Touche 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 Appendix A to the Official Statement (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, Earnings Before Interest and Income Taxes, Net Income After Dividends on Preferred Stock and the 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 calendar quarter subsequent to that set forth in (iii) above and agreeing the amounts contained therein and the unaudited amounts of Operating Revenues, Earnings Before Interest and Income Taxes, Net Income After Dividends on Preferred Stock and the 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, to 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) and (iv) are stated on a basis substantially consistent with that of the audited financial statements incorporated by reference in the Appendix; (c) the specified unaudited amounts or ratios described in (iii) and (iv) 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 (d) 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 draw-downs or regularly scheduled payments of capitalized lease obligations, (iv) are occasioned by the purchase or redemption of bonds or stock to satisfy mandatory or optional 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 Deloitte & Touche LLP make no representations as to the sufficiency of such procedures for the Underwriter's purposes).

EXHIBIT F
to the Purchase Contract

GULF POWER COMPANY

Letter of Representation

_____, 2002

Development Authority of Monroe County (Georgia)
Forsyth, Georgia

SunTrust Capital Markets, Inc.
303 Peachtree Street, N.E.
Atlanta, GA 30308

Ladies and Gentlemen:

Re: $42,000,000 Development Authority of Monroe County (Georgia) Pollution Control Revenue Bonds (Gulf Power Company Plant Scherer Project), First Series 2002

Gulf Power Company (the "Company") delivers this Letter of Representation in order to induce SunTrust Capital Markets, Inc., as underwriter (the "Underwriter"), and the Development Authority of Monroe County (the "Authority") to enter into a Purchase Contract, to be dated the date hereof (the "Purchase Contract"), with the Authority relating to the purchase by the Underwriter from the Authority of $42,000,000 aggregate principal amount of its Pollution Control Revenue Bonds (Gulf Power Company Plant Scherer Project) First Series 2002 (the "Bonds"). The Bonds will be issued under and secured by a Trust Indenture, dated as of September 1, 2002 (the "Indenture"), between the Authority and The Bank of New York Trust Company of Florida, N.A., as trustee (the "Trustee"). The proceeds of the Bonds are to be used, pursuant to the terms of a Loan Agreement, dated as of September 1, 2002 (the "Agreement"), between the Authority and the Company, to provide funds to refund certain of the Authority's bonds heretofore issued to finance 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 Scherer, in Monroe County, Georgia (the "Project"). The Company's payment obligations with respect to the Bonds under the Agreement will be evidenced by a non-negotiable promissory note in principal amount equal to the Bonds and bearing interest at the rate or rates borne by the Bonds (the "Note"). The Bank of New York will be appointed Auction Agent (the "Auction Agent") pursuant to an Auction Agreement dated as of September 1, 2002 (the "Auction Agreement"), among the Company, the Trustee and The Bank of New York; and SunTrust Capital Markets, Inc. will be appointed Broker-Dealer pursuant to a Broker-Dealer Agreement dated as of September 1, 2002 (the "Broker-Dealer Agreement"), amoung the Auction Agent, SunTrust Capital Markets, Inc. and the Company. As used in this Letter of Representation the term "Official Statement" means the Official Statement

of the Authority, dated September 23, 2002, relating to the Bonds and certain other obligations described therein, including the Appendices thereto and the documents incorporated in Appendix A by reference.

1. In consideration of the execution and delivery of the Purchase Contract, the Company represents, warrants and covenants to and with the Underwriter and the Authority that:

(a) The Official Statement does not, and at the Closing Date (as defined in the Purchase Contract) the Official Statement, 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 Official Statement under the captions "The Authority", "Tax Exemption" or "Underwriting" or in the statements on the cover page with respect to the initial public offering price, tax exemption and terms of offering or on the Table of Contents with respect to stabilization. The Company hereby consents to the use by the Underwriter of the Official Statement.

(b) The financial statements incorporated by reference in the Official Statement, together with the related schedules and notes, present fairly, in all material respects, the financial position, results of operations and cash flows of the Company as of and for the dates indicated; said financial statements have been prepared in conformity with accounting principles generally accepted in the United States ("GAAP") applied on a consistent basis (except that the unaudited financial statements may be subject to normal year-end adjustments) throughout the periods involved and necessarily include amounts that are based on the best estimates and judgments of management. The selected financial data and the summary financial information, if any, included in the Official Statement present fairly the information shown therein and have been compiled on a basis consistent with that of the audited and unaudited financial statements incorporated by reference in the Official Statement.

(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 Official Statement.

(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 Official Statement.

(e) This Letter of Representation has been, and the Agreement, the Note, Auction Agreement and the Broker-Dealer Agreement, 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 Continuing Disclosure Agreement (as defined in the Purchase Contract), when executed and delivered by the Company, will be duly authorized, executed and delivered by the Company.

(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, the Auction Agreement, the Broker-Dealer 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, the Auction Agreement, the Broker-Dealer Agreement and 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 (except for 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 the Purchase Contract and this Letter of Representation), 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 Official Statement, dated September 20, 2002 relating to the Bonds and certain other obligations of the Company described therein (the "Preliminary Official Statement") or the Official Statement.

(j) Except as disclosed in or contemplated by the Official Statement, 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 Purchase Contract or the Official Statement (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 Auction Agreement, the Broker-Dealer Agreement, the Note, the Purchase Contract 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 Purchase Contract or by the Official Statement (excluding transactions contemplated solely by the Appendix thereto and the documents incorporated in the Appendix by reference).

(k) The Company acknowledges the terms of the Purchase Contract 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 Purchase Contract (subject to the terms and conditions set forth therein).

(l) The Bonds, the Indenture, the Agreement and the Note conform in all material respects to the descriptions thereof in the Official Statement.

(m) The Official Statement incorporates or will incorporate by reference certain documents filed or to be filed by the Company with the Commission, which documents have been, and will be, prepared by the Company in conformity in all material respects with the requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations of the Securities and Exchange Commission thereunder, and copies of such documents have been and will be delivered to the Underwriter.

2. The Company covenants and agrees with the Authority and the Underwriter that:

(a) During such period (not to exceed nine months after the Closing Date) as the Underwriter believes delivery of the Official Statement is necessary or desirable in connection with the sales of the Bonds by the Underwriter or dealers, if any, the Company will advise the Underwriter promptly of any proposal to amend or supplement the Official Statement, insofar as it shall be known to the Company, and agrees not to effect any such amendment or supplementation of the Official Statement which is unsatisfactory in form to Dewey Ballantine LLP or in substance to the Underwriter; the Company will also advise the Underwriter promptly of the institution of any proceedings by the Commission or any other action or event of which the Company is aware and which may affect the use of the Official Statement in connection with the sale and distribution of the Bonds.

(b) If at any time prior to the completion of the sale of the Bonds by the Underwriter when in the judgment of the Underwriter, is necessary or desirable to deliver an Official Statement in connection with sales of the Bonds, an event occurs as a result of which, in the opinion of Dewey Ballantine LLP, counsel for the Underwriter, the Official Statement as then amended or supplemented would include an 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, the Company promptly will prepare an amendment or supplement (or, in its discretion, make an appropriate filing pursuant to Section 13 or 14 of the Exchange Act) which will correct such statement or omission; provided that any such amendment or supplement

which is requested by the Underwriter more than 90 days after the Closing Date shall be prepared at the Underwriter's expense.

(c) The Company will assist, if necessary therefor, in the qualification of the Bonds for sale and the determination of their eligibility for investment under the laws of such jurisdiction as the Underwriter shall designate and will assist, if necessary therefore, in the continuance of such qualifications in effect so long as required for the distribution of the Bonds; provided, however, that the Company shall not be required to qualify as a foreign corporation or to file any consent to service of process under the laws of any state or to comply with any other requirements in any jurisdiction where it is not now so qualified.

(d) The Company will not take or omit to take any action which will in any way cause the proceeds from the sale of the Bonds to be applied in a manner other than as provided in the Indenture and the Agreement.

3. The acceptance and confirmation of this Letter of Representation by the Authority shall constitute a representation and warranty by the Authority to the Company and the Underwriter that the representations and warranties contained in Section 4 of the Purchase Contract are true as of the date hereof and will be true in all material respects as of the Closing Date.

4. (a) The Company agrees to indemnify and hold harmless the Authority, any official or employee of the Authority, the Underwriter, and each person, if any, who controls the Underwriter 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, joint or several, and expenses whatsoever arising out of any untrue statement or alleged untrue statement of a material fact contained in the Preliminary Official Statement or the Official Statement, 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 Underwriter specifically for use therein; provided, however, that the indemnity agreement contained in this Section 4(a) shall not inure to the benefit of the Underwriter (or of any person so controlling the Underwriter) 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 Official Statement (exclusive of the documents incorporated in Appendix A 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 Underwriter with or prior to the written confirmation of the sale involved.

(b) The Underwriter 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 Authority and any official or employee of the Authority, 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 Official

Statement, 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 Underwriter 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 Underwriter agrees with respect to any action against it or any person controlling it as aforesaid, and the Authority 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 4 nor affect any rights such indemnifying party may have otherwise than under this Section 4 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.

5. The Company will deliver or cause to be delivered all opinions, certificates and other documents as provided for in the Purchase Contract to be delivered by it.

6. The representations and warranties of the Company and the Authority contained herein, or in the certificates of officers of the Company or officials of the Authority submitted to the Underwriter pursuant to the Purchase Contract, and the agreements of the Company and the Underwriter contained in Section 4 hereof shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the Authority or any of its officials or employees, the Underwriter 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 Underwriter. The Company's agreement contained in Section 1(k) hereof to pay expenses shall survive the termination of the Purchase Contract and this Letter of Representation.

7. This Letter of Representation is made solely for the benefit of the Authority, the Underwriter and the Company, and, to the extent expressly provided herein, any

person referred to in Section 4 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 Underwriter merely because of such purchase.

8. The execution and delivery of this Letter of Representation by the Company shall constitute the Company's approval of and consent to the Authority's entering into, acceptance and execution of the Purchase Contract and performance thereunder.

9. This Letter of Representation shall be governed by and construed in accordance with the laws of the State of Georgia.

10. 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 with a copy to Southern Company Services Inc., 270 Peachtree St., N.W., Atlanta, Georgia 30303, attention: Corporate Finance Department. Any notice or other communication to be given to the Authority may be given by delivering the same in writing to its address set forth in the Purchase Contract. Any notice or other communication to be given to the Underwriter may be given by delivering the same in writing at the address set forth in the Purchase Contract. The Company, the Authority and the Underwriter shall each be fully entitled to rely upon notice given pursuant to this Section and to act thereon.

11. This Letter of Representation shall become effective upon execution thereof and the effectiveness of the Purchase Contract referred to herein. It shall terminate upon termination of the Purchase Contract.

12. 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
One Energy Place.
Pensacola, Florida 32520-0102

By:_____

Accepted and confirmed as of the
date first above written

SUNTRUST CAPITAL MARKETS, INC.

By:_____

DEVELOPMENT AUTHORITY OF MONROE COUNTY

By:_____
Title:_____

NEW ISSUE — BOOK-ENTRY ONLY

In the opinion of King & Spalding, Bond Counsel, assuming the accuracy of certain representations and certifications and compliance with certain tax covenants, interest on the 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 the Project or a "related person" as defined in the Internal Revenue Code of 1986, as amended. In the opinion of Bond Counsel, interest on the Bonds will not be treated as an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and 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 the Bonds is exempt from present State of Georgia income taxation under existing statutes as described herein.

$42,000,000

Development Authority of Monroe County (Georgia)
Pollution Control Revenue Bonds
(Gulf Power Company Plant Scherer Project)
First Series 2002

THE BONDS ARE THE LIMITED SPECIAL OBLIGATIONS OF THE AUTHORITY AND ARE PAYABLE SOLELY FROM THE LOAN REPAYMENTS UNDER A NOTE ISSUED PURSUANT TO A LOAN AGREEMENT WITH

GULF POWER
A SOUTHERN COMPANY

a subsidiary of The Southern Company

Dated: Date of original issuance and delivery Due: September 1, 2037

The Bonds will bear interest from their date of original issuance and delivery (the "Issue Date") for the period to but not including October 31, 2002 (the "Initial Period") at a rate established by the Broker-Dealer prior to the Issue Date and thereafter at the Auction Mode Rate for each Auction Period. Interest on the Bonds will be adjusted based upon 35-day Auction Periods (or, at the option of the Company, any period having a length between 1 and 365 days). The first Auction Date for the Bonds shall be October 30, 2002, the last Business Day of the Initial Period. Generally, the Interest Payment Date with respect to an Auction Period will be the Business Day immediately following each Auction Period, and in addition, for an Auction Period of more than 91 days, each 13th Thursday after the first day of such Auction Period. The length of the Auction Period with respect to the Bonds may be changed in accordance with the terms of the Indenture.

The Bonds are subject to redemption and mandatory tender as described under "THE BONDS—Mandatory Tender," "THE BONDS—Optional Redemption" and "THE BONDS—Extraordinary Optional Redemption" below.

Subject to satisfaction of certain conditions in the Indenture 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 to a Daily, Weekly, Commercial Paper, Long-Term Interest or Index Rate, as more fully described under "THE BONDS—Determination Methods."

The Bonds will be offered 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 acts as securities depository for the Bonds. During an Auction Rate Period, the Bonds will be issued in denominations of $1,000 and integral multiples thereof. 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 the Bonds will be made by The Bank of New York Trust Company of Florida, N.A., 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.

PRICE: 100%

The Bonds are offered subject to prior sale, when, as and if issued and received by the Underwriter, subject to the approval of legality by King & Spalding, Bond Counsel, and certain other conditions. 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 on for the Company by its counsel, Beggs & Lane, a Registered Limited Liability Partnership, Pensacola, Florida, and Troutman Sanders LLP, Atlanta, Georgia, and for the Underwriter by its counsel, Dewey Ballantine LLP, New York, New York. The Bonds are expected to be delivered through the facilities of DTC in New York, New York on or about September 26, 2002.

SunTrust Capital Markets

September 23, 2002

The information contained in this Official Statement has been obtained from Gulf Power Company (the "Company"), DTC or other sources. No representation or warranty is made as to the accuracy or completeness of such information, and nothing contained in this Official Statement is, or shall be relied upon as, a promise or representation by the Underwriter. This Official Statement 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 Official Statement at any time does not imply that information herein or in the Appendices 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 Authority, by the Company or by the Underwriter to give any information or to make any representation other than as contained in this Official Statement or in the Appendices 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 Official Statement 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 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 OFFICIAL STATEMENT. 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 DESCRIPTION OF THESE ACTIVITIES, SEE "UNDERWRITING" HEREIN.

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OFFICIAL STATEMENT

$42,000,000

Development Authority of Monroe County (Georgia)
Pollution Control Revenue Bonds
(Gulf Power Company Plant Scherer Project),
First Series 2002

INTRODUCTORY STATEMENT

This Official Statement of the Development Authority of Monroe County (the "Authority") is provided to furnish information in connection with the sale of $42,000,000 aggregate principal amount of Development Authority of Monroe County (Georgia) Pollution Control Revenue Bonds (Gulf Power Company Plant Scherer Project), First Series 2002 (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.

The Bonds are to be issued pursuant to a Trust Indenture dated as of September 1, 2002 (the "Indenture") between the Authority and The Bank of New York Trust Company of Florida, N.A., 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 (the "Project"). The Project is located at Unit No. 3 of the Scherer steam electric generating plant (the "Plant") in Monroe County, Georgia, of which the Company owns a 25% undivided interest. The total installed (nameplate) capacity of the portion of Unit No. 3 of the Plant owned by the Company is 204,500 kilowatts.

The Authority will loan to the Company the proceeds of the Bonds pursuant to a Loan Agreement dated as of September 1, 2002 (the "Agreement"). In order to evidence the loan from the Authority (the "Loan") and to provide for its repayment, the Company will issue a nonnegotiable promissory note (the "Note") pursuant to the Agreement. Payments required under the Note will be sufficient to pay when due the principal of, premium, if any, and interest on the Bonds.

The Bonds initially will bear interest at an Auction Mode Rate. The Bonds have a 35-day Auction Period unless changed at the option of the Company, as provided in the Indenture. The Initial Period for the Bonds shall be from the Issue Date to but not including October 31, 2002. See "THE BONDS" and Appendix B — "AUCTION PROCEDURES." The interest rate on the Bonds can be converted from the Auction Mode Rate to Daily, Weekly, Commercial Paper, Index or Long-Term Interest Rates or the duration of the Auction Period may be changed in accordance with the Indenture, in each case following mandatory tender for purchase upon not less than 15 days' prior written notice to the owners of the Bonds. THIS OFFICIAL STATEMENT DOES NOT PROVIDE ANY INFORMATION REGARDING THE BONDS AFTER THE DATE, IF ANY, ON WHICH THE BONDS CONVERT TO BEAR INTEREST AT AN INTEREST RATE OTHER THAN AN AUCTION MODE RATE.

The Bonds will be limited special obligations of the Authority payable solely from and secured by revenues and proceeds to be received by the Authority pursuant to the Note. The Bonds will be secured by an assignment and pledge to the Trustee of substantially all the Authority's right, title and interest in and to the Note and Agreement.

There follow brief descriptions of the Authority, the use of the proceeds of the Bonds, the Bonds, the Agreement and the Indenture. Information with respect to the Company, including certain financial statements, is set forth or incorporated by reference in Appendix A hereto. Information with respect to the Auction Procedures is set forth in Appendix B 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 Agreement and the Indenture, copies of which are available for inspection, during the initial offering period of the Bonds, at the offices of Southern Company Services, Inc., 241 Ralph McGill Boulevard, N.E., Atlanta,

Georgia 30308-3374, Attention: Wayne Boston. The statements made herein are qualified in their entirety by reference to each such document.

THE AUTHORITY

The Authority has been activated by resolution of the Board of Commissioners of Monroe County pursuant to the provisions of the Development Authorities Law (O.C.G.A. Section 36-62-1, *et seq.*), as amended (the "Act"). The Authority is a public body corporate and politic of the State of Georgia with power to perform acts in its corporate capacity and in its corporate name necessary and proper to carry out the purposes enumerated in the Act, including full power to authorize and to issue and deliver the Bonds and to perform all of its obligations under the Agreement and Indenture.

USE OF BOND PROCEEDS; REFUNDING OF OUTSTANDING BONDS

The proceeds received by the Authority from the sale of the Bonds, together with any investment proceeds and other moneys of the Company, will be used to redeem (i) $22,000,000 aggregate principal amount of Development Authority of Monroe County (Georgia) Pollution Control Revenue Bonds (Gulf Power Company Plant Scherer Project), First Series 1994 and (ii) $20,000,000 aggregate principal amount of Development Authority of Monroe County (Georgia) Pollution Control Revenue Bonds (Gulf Power Company Plant Scherer Project), Second Series 1994.

It is anticipated that a total of approximately $275,000 will be expended by the Company for legal, accounting, printing and other fees in connection with the issuance of the Bonds. See also "UNDERWRITING" herein.

THE BONDS

General

This Official Statement does not provide any information regarding the Bonds after the date, if any, on which the Bonds convert to bear interest, as permitted by the Indenture, at interest rates other than an Auction Mode Rate. The Bonds are subject to mandatory tender in the event of any such conversion. See "— Mandatory Tender" below. See also Appendix B hereto for definitions relating to the Auction Mode Rate and for Auction Procedures.

The Bonds will mature on the date set forth on the cover page of this Official Statement. The Bonds will bear interest from the Issue Date for the Initial Period at a rate established prior to that date by SunTrust Capital Markets, Inc. as the minimum rate required to sell the Bonds for delivery on the Issue Date at a price of par. The Initial Period for the Bonds shall be from the Issue Date to but not including October 31, 2002. Following the Initial Period, the Bonds will bear interest for 35-day Auction Periods (unless changed at the option of the Company pursuant to the terms of the Indenture). Upon (i) a conversion from an Auction Mode Rate Determination Method to a Daily Rate, Weekly Rate, Index Rate, Commercial Paper Rate or Long-Term Interest Rate Determination Method or (ii) a change in the length of the Auction Period, the Bonds will be subject to mandatory tender on the Conversion Date or the date of such change at a price equal to 100% of the principal amount thereof; provided, however, that such mandatory tender price is payable solely from the proceeds of the remarketing of such Bonds, and if all such Bonds are not remarketed, such mandatory tender will be cancelled with the effect described under "— Conversion from Auction Mode Rate Determination Method" below. The first Auction Date for the Bonds shall be the last Business Day of the Initial Period. Interest will be payable with respect to the Bonds on each Interest Payment Date (as defined below). During any Auction Rate Period, interest on the Bonds in an Auction Period of 180 days or less will be computed on the basis of actual days over 360 and in an Auction Period greater than 180 days on the basis of a 360-day year of twelve 30-day months.

The Bonds will be issued as fully registered bonds without coupons and in authorized denominations of $1,000 or any integral multiple thereof. The Bonds will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"). DTC acts 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 below) 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 below) for subsequent disbursement to the Beneficial Owners. See "— Book-Entry System" below.

The Bank of New York Trust Company of Florida, N.A. is the trustee under the Indenture. The principal corporate trust office of The Bank of New York Trust Company of Florida, N.A. is currently located in Atlanta, Georgia. 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 of the Trustee will become effective upon the acceptance of appointment by the successor Trustee. See "THE TRUSTEE AND THE AUCTION AGENT" below.

Interest

During any Auction Rate Period, interest shall be payable to the registered holder of the Bonds as of the Record Date (as defined below) by check mailed by first-class mail on the Interest Payment Date to such holder's registered address. When the Bonds are held in book-entry form, such payments will be made to DTC as record owner (see "— Book-Entry System" below).

"Interest Payment Date" means, except as otherwise provided in Appendix B, with respect to Bonds in an Auction Rate Period, the Business Day immediately following each Auction Period, and, in addition, for an Auction Period of more than 91 days, each 13th Thursday after the first day of such Auction Period. "Record Date" means, for Bonds bearing interest at an Auction Mode Rate, the second Business Day immediately preceding an Interest Payment Date.

Auction Agent

The Trustee and the Company will enter into the Auction Agreement initially with The Bank of New York, pursuant to which, The Bank of New York, as agent for the Trustee, shall perform the duties of Auction Agent. The Auction Agreement will provide, among other things, that the Auction Agent will determine the Auction Mode Rate for each Auction in accordance with the Auction Procedures.

Auction Date

An Auction to determine the interest rate with respect to the Bonds for the next succeeding Auction Period will be held (i) on each Business Day while such Bonds are in a one-day Auction Period, (ii) the last Business Day of the Special Rate Period while such Bonds are in a Special Rate Period, and (iii) if the Bonds are in an Auction Period of any other length, on the Business Day next preceding each Interest Payment Date for such Bonds. The first Auction for the Bonds will take place on October 30, 2002.

Orders by Existing Owners and Potential Owners

The procedure for submitting orders prior to the Submission Deadline on each Auction Date is described in Appendix B, as are the particulars with regard to the determination of the Auction Mode Rate and the allocation of Bonds bearing interest at an Auction Mode Rate (collectively, the "Auction Procedures").

Amendment of Auction Procedures

During any Auction Rate Period, the provisions of the Indenture concerning the Auction Procedures including without limitation the definitions of All Hold Rate, Default Rate, Maximum Auction Rate, Reference Rate, Applicable Percentage and Auction Mode Rate, may be amended by obtaining the consent of the owners of all the Bonds bearing interest at an Auction Mode Rate. All owners will be deemed to have consented if, on the first Auction Date occurring at least 20 days after the Trustee mailed notice to such owners, (i) the Auction Mode Rate determined for such date is the Winning Bid Rate, and (ii) there is delivered to the Company and the Trustee an Opinion of Tax Counsel to the effect that such amendment will not adversely affect the validity of the Bonds or any exemption from federal income tax to which the interest on the Bonds would otherwise be entitled.

Conversion from Auction Mode Rate Determination Method

At the option of the Company, the Bonds may be converted to bear interest at a Daily Rate, a Weekly Rate, a Commercial Paper Rate, an Index Rate or a Long-Term Interest Rate. On the Conversion Date applicable to the Bonds, the Bonds shall be subject to mandatory tender at a purchase price equal to 100% of the principal amount thereof, plus accrued interest. The purchase price of the Bonds so tendered is payable solely from the proceeds of the remarketing of such Bonds. In the event that the conditions of a conversion are not satisfied, including the failure to remarket all such Bonds, the Bonds will not be subject to mandatory tender, will be returned to their owners, will automatically convert to a seven-day Auction Period and will bear interest at the Maximum Auction Rate. It is currently anticipated that, should any of the Bonds be converted to bear interest at a Daily Rate, a Weekly Rate, a Commercial Paper Rate, an Index Rate or a Long-Term Interest Rate, a new reoffering memorandum or reoffering circular will be distributed describing the Bonds while they bear interest at any such interest rate.

Conversion from One Auction Period to Another

During any Auction Rate Period, the Company may, from time to time, on an Interest Payment Date, change the length of the Auction Period with respect to all of the Bonds. Any such change in the Auction Period shall be deemed to be a change in Determination Method and will be subject to mandatory tender as described under "— Conversion from Auction Mode Rate Determination Method" above. In the event of a failed conversion to another Auction Period due to the lack of Sufficient Clearing Bids in accordance with the Indenture, the Bonds will not be subject to mandatory tender, will be returned to their owners, will automatically convert to a seven-day Auction Period and will bear interest at the Maximum Auction Rate. In connection with a change in the length of the Auction Period, written notice of such change will be given in accordance with the Auction Procedures.

Special Considerations Relating to the Bonds Bearing Interest at an Auction Mode Rate

The Auction Agreement provides that the Auction Agent may resign from its duties as Auction Agent by giving at least 90 days' notice or 45 days' notice, if it has not been paid, to the Authority, the Company and the Trustee and does not require, as a condition to the effectiveness of such resignation, that a replacement Auction Agent be in place if its fee has not been paid. The Broker-Dealer Agreement provides that the Broker-Dealer thereunder may resign upon five Business Days' notice or immediately, in certain circumstances, and does not require, as a condition to the effectiveness of such resignation, that a replacement Broker-Dealer be in place. For any Auction Period during which there is no duly appointed Auction Agent, or during which there is no duly appointed Broker-Dealer, it will not be possible to hold Auctions.

The Broker-Dealer Agreement provides that a Broker-Dealer may submit an Order in Auctions for its own account. If a Broker-Dealer submits an Order for its own account in any Auction, it might have an advantage over other Bidders in that it would have knowledge of Orders placed through it in that Auction; such Broker-Dealer, however, would not have knowledge of Orders submitted by other Broker-Dealers (if any) in that Auction. In the Broker-Dealer Agreement, Broker-Dealers agree to handle customer orders in accordance with their respective duties under applicable securities laws and rules. Initially, SunTrust Capital Markets, Inc. is the only Broker-Dealer. The Company may retain other Broker-Dealers from time to time or terminate any Broker-Dealer upon not less than five Business Days' notice.

During an Auction Rate Period, a beneficial owner of a Bond may sell, transfer or dispose of a Bond only pursuant to a Bid or Sell Order in accordance with the Auction Procedures (see "Appendix B — AUCTION PROCEDURES") or through a Broker-Dealer. The ability to sell a Bond in an Auction may be adversely affected if there are not sufficient buyers willing to purchase all the Bonds at a rate equal to or less than the Maximum Auction Rate. SunTrust Capital Markets, Inc. has advised the Company that it intends initially to make a market in the Bonds between Auctions; however, SunTrust Capital Markets, Inc. is not obligated to make or maintain such markets, and no assurance can be given that secondary markets therefor will develop.

Changes to the Auction Periods and the Auction Dates do not require the amendment of the Auction Procedures.

Security

The Bonds are limited special obligations of the Authority, payable by the Authority solely from and secured by an assignment and pledge by the Authority to the Trustee of its right to payments by the Company pursuant to the Note.

The Authority has assigned to the Trustee, for the benefit of the holders of the Bonds, all its right, title and interest in and to the Agreement and the Note and all amounts payable thereunder (except for certain amounts payable under the Agreement in respect of 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, 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 Georgia or any political subdivision thereof, including Monroe County. Neither the State of Georgia nor any political subdivision thereof nor the Authority 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 Georgia or any political subdivision thereof, including Monroe County, is pledged to the payment of the principal of the Bonds or the interest thereon or other costs incident thereto.

Determination Methods

Pursuant to the Indenture, the Bonds may bear interest at a Daily Rate, Weekly Rate, Commercial Paper Rate, Long-Term Interest Rate, Auction Mode Rate or Index Rate. The Bonds shall bear interest at an Auction Mode Rate, or, upon conversion as described above under "— Conversion from Auction Mode Rate Determination Method," at another interest rate as provided by the Indenture.

THIS OFFICIAL STATEMENT DOES NOT PROVIDE ANY INFORMATION REGARDING THE BONDS AFTER THE DATE, IF ANY, ON WHICH THE BONDS CONVERT TO BEAR INTEREST AT INTEREST RATES OTHER THAN AN AUCTION MODE RATE.

Optional Tender

While the Bonds bear interest at an Auction Mode Rate, the owner of a Bond does not have the option to require the purchase of his Bonds.

Mandatory Tender

The Bonds are subject to mandatory tender upon 15 days' prior written notice to each Bondholder at a price equal to 100% of the principal amount of the Bonds on the effective date of any change in Determination Method, subject to the successful remarketing of such Bonds. See "— Conversion from Auction Mode Rate Determination Method" above.

Optional Redemption

During an Auction Rate Period, the Bonds may be redeemed in whole or in part at the option of the Company, on the first day after the last day of the Auction Period then in effect.

Extraordinary Optional Redemption

The Bonds are subject to redemption in whole at any time prior to maturity at the redemption price equal to the principal amount thereof plus accrued interest to the redemption date, but without premium at any time, upon receipt by the Trustee and the Authority 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 the Plant, rendering impracticable or uneconomical the operation by the Company of either, including, without limitation, the condemnation or taking by eminent domain of all or substantially all of the Project or the 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 the Plant as an efficient generating facility uneconomical; or

(c) the Project or the Plant has been damaged or destroyed to such an extent that it is not practicable or desirable to rebuild, repair or restore the Project or the Plant.

Notice of Redemption

At least 30 days before the redemption date of any Bonds, the Trustee shall cause a notice of any such redemption to be mailed, postage prepaid, to all registered owners of Bonds to be redeemed at their addresses as they appear on the registration books maintained by the Trustee. No further interest will accrue on the principal of any Bonds called for redemption after the redemption date if notice has been duly given and payment of the redemption price thereof and accrued interest has been duly provided for, and the owners of such Bonds will have no rights with respect to such Bonds except to receive payment of the redemption price thereof and interest accrued to the redemption date.

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 one fully-registered bond 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 (the "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 Authority 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 Authority, 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 Authority 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 Authority, the Company nor the Purchaser 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, 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 may be designated.

THE AGREEMENT

Issuance of the Bonds

The Authority 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" above.

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 a Note in the same principal amount as the Bonds and having the same stated maturity and interest rate. Pursuant to the Note, the Company will pay to the Trustee, as assignee of the Authority, 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. 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 pay the fees and charges of the Trustee and any paying agents and tender agents under the Indenture 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 and all other amounts payable by the Company under the Agreement and the Note 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 tax law or other law of the United States of America or the State of Georgia or failure by the Authority to perform its obligations under the Agreement.

Assignment and Pledge

The Authority will assign 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) to the Trustee as security for the Bonds. 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 Authority or the Trustee of any obligation to the Company, whether under the Agreement or otherwise, or out of any indebtedness or liability at any time owing to the Company by the Authority or the Trustee.

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 in writing 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 Georgia and that such consolidation, merger or transfer of assets 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": (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; (b) failure by the Company to pay within 30 days of the date due any other amounts required to be paid pursuant to the Agreement; (c) 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 Authority or the Trustee, unless extended; and (d) certain events of bankruptcy, insolvency, dissolution, liquidation, winding-up, reorganization or other similar events of the Company.

Under the terms of the Agreement, certain of the Company's obligations referred to in clause (c) 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 any above 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 the fees and expenses of the Trustee, paying agents and tender agents and all other amounts required to be paid under the Indenture shall 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 INDENTURE — Amendment of the Agreement" herein.

THE INDENTURE

Permitted Investments

Except as otherwise provided in the Indenture, any moneys held by the Trustee shall be invested and reinvested by the Trustee, at the direction of the Company, in: (a) Government Obligations (as defined under "—Defeasance" below); (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.

Default Under the Indenture

The following shall be "events of default" under the Indenture: (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; and (c) the occurrence and continuance of an "Event of Default" under the Agreement.

Remedies Under the Indenture

Upon the occurrence of an Event of Default, the Trustee may, and upon written request of the holders of not less than 25% in aggregate principal amount of the Bonds then outstanding shall, by notice in writing to the Authority 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 has been declared due and payable, all arrears of interest and principal and premium, if any, having become due other than by acceleration are paid by the Authority, and the Authority 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 and other costs, the Trustee shall annul such declaration and such annulment shall be binding upon all holders of the Bonds issued hereunder; 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 Authority in and to the Agreement and the Note may enforce each and every right granted to the Authority 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 security and 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 Authority to enforce any rights under the Agreement and the Note and to require the Authority to carry out any other provisions of the 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 Authority 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 under the Indenture 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 the 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.

A Bondholder may not pursue any remedy with respect to the Indenture of 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 security and 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. Nothing contained in the Indenture shall, however, affect or impair the right of any Bondholder to enforce the payment of the principal of, premium, if any, and interest on any Bond after the stated maturity thereof.

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.

Waivers of Events of Default

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.

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) Government Obligations maturing as to principal and interest in such amounts and at such times as will insure, without any further investment, the availability of sufficient moneys to make such payment, and (b) all compensation and reasonable expenses, without any further reinvestment, 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 Authority and shall be payable solely from the moneys or 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.

Notwithstanding the foregoing, upon the deposit of funds or Government Obligations under clause (a)(2) above, the purchase price of tendered Bonds shall be paid from the sale of Bonds under the Indenture. If payment of

such purchase price is not made from the sale of Bonds pursuant to the Indenture, payment shall be made from funds (or Government Obligations) on deposit pursuant to the Indenture without the need of any further instruction or direction by the Company, in which case such Bonds shall be surrendered to the Trustee and cancelled.

Notwithstanding the foregoing, no deposit under clause (a)(2) above shall be deemed a payment of a Bond until (1) the 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 Internal Revenue Code of 1986, as amended, and (2) (a) notice of redemption of the Bond is given in accordance with the Indenture 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 the Indenture, that the deposit required by (a)(2) above has been made with the Trustee and that the Bond is deemed to be paid under the Indenture 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.

"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).

Amendment of the Indenture

Any amendment of the Indenture will be effected by a supplemental indenture entered into by the Authority and the Trustee. The Authority and the Trustee may enter into supplemental indentures without notice to or the consent of any Bondholder for the following purposes: (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 the Indenture additional collateral or to add other agreements of the Authority; (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 the Bonds of different authorized denominations, redemptions of portions of the Bonds of particular authorized denominations and similar amendments and modifications of a technical nature; (f) to increase the number of days specified for the giving of notices of mandatory tender and to make corresponding changes to the period for notice of redemption 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 Authority of a co-trustee; (i) to make any change that does not materially adversely affect the rights of any Bondholder; or (j) to make any other changes to the Indenture that take effect as to any or all remarketed Bonds following a mandatory tender.

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 or tender of the Bonds, extend the due date for the purchase of Bonds tendered by the holders thereof or call for mandatory redemption or tender 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 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 the Agreement

The Authority may enter into, and the Trustee may consent to, any amendment of or supplement to the Agreement, or may waive compliance by the Company of any provision of the Agreement, 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 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 in the judgment of the Trustee does not materially adversely affect the rights of any Bondholder.

Any other amendment, change of or supplement of the Agreement or the terms of the Note may be with the consent of the holders of not less than 50% in aggregate principal amount of the Bonds at the time outstanding.

THE TRUSTEE AND THE AUCTION AGENT

The Bank of New York Trust Company of Florida, N.A. is the Trustee. The Bank of New York, the Auction Agent and an affiliate of the Trustee, serves as trustee under other indentures providing for certain tax-exempt bonds for the benefit of the Company. The Company and certain of its affiliates maintain banking relationships with The Bank of New York and borrow from such bank from time to time.

UNDERWRITING

Pursuant to an agreement with the Authority, SunTrust Capital Markets, Inc. (the "Underwriter") has agreed, subject to certain conditions, to purchase the Bonds from the Authority at a purchase price equal to 100% of the aggregate principal amount thereof.

In consideration of such purchase, the Company will pay to the Underwriter a fee of $147,000. The nature of the Underwriter's obligation is such that if it purchases any Bonds, it must purchase all the Bonds. After the Bonds are released for sale to the public, the offering price and other selling terms may from time to time be varied by the Underwriter and such Bonds may be offered and sold to certain dealers (including dealers depositing such Bonds into investment accounts) and others at prices lower than the public offering price set forth on the cover page hereof. The Company has agreed to indemnify the Underwriter and the Authority against certain liabilities relating to this Official Statement, including certain liabilities under federal securities laws.

In connection with this offering and in compliance with applicable law and industry practice, the Underwriter may overallot 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.

None of the Authority, the Company or the Underwriter 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, none of the Authority, the Company or the Underwriter makes any representation that the Underwriter will engage in such transactions or that such transactions, once commenced, will not be discontinued without notice.

In the ordinary course of their respective businesses, the Underwriter and its affiliates have engaged, and may in the future engage, in investment banking and commercial banking transactions with the Company and its affiliates.

TAX EXEMPTION

In the opinion of King & Spalding, Bond Counsel, dated the date of issuance of the Bonds, under existing statutes, rulings and court decisions, and under applicable regulations and proposed regulations, interest on the Bonds is not includable in gross income for federal income tax purposes except for interest on any Bond for any period during which such Bond 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"). In addition, the opinion of Bond Counsel will state that the interest on the Bonds will not be treated as an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations; however, with respect to corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on such corporations. No opinion will be expressed with respect to any other federal tax consequences of the receipt or accrual of interest on, or ownership of, the Bonds. King & Spalding has not undertaken to notify the Authority, the Trustee, the Company, the Underwriter or the owners of the Bonds of any change in law or fact after the date of such opinion which might affect any of the opinions expressed therein.

Ownership of the Bonds may result in other 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.

Contemporaneous with the sale and issuance of the Bonds, the Mississippi Business Finance Corporation (the "Mississippi Issuer") has sold and is issuing its $13,000,000 Mississippi Business Finance Corporation Solid Waste Disposal Revenue Refunding Bonds, Series 2002 (Gulf Power Company Project) (the "Mississippi Bonds"). The Mississippi Bonds are being issued for the purpose of financing or refinancing for the Company the cost of certain solid waste disposal facilities (the "Mississippi Facilities") located in Mississippi. Under the provisions of the Code and applicable treasury regulations, the Bonds and the Mississippi Bonds may be deemed to be a single issue of obligations for certain purposes, and the exclusion from gross income of the interest on the Bonds may be contingent on compliance by the Mississippi Issuer and the Company with certain covenants with respect to the Mississippi Bonds. King & Spalding will express no opinion with respect to the validity or the exclusion from gross income of interest on the Mississippi Bonds.

In concluding that the interest on the Bonds is not includable in gross income for federal income tax purposes, Bond Counsel will (i) rely as to certain factual matters upon representations and certifications of the Company with respect to the use of the proceeds of the obligations of the Authority being refunded thereby, the use of the proceeds of the Bonds, the design, scope, function, cost and economic useful life of the facilities constituting the Project, and the relationship of such facilities to the plant which they are designed to serve, without undertaking to verify the same by independent investigation, and (ii) assume the continued compliance by the Authority, the Mississippi Issuer and the Company 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 retroactive to the date of issuance of the Bonds.

In the opinion of King & Spalding, Bond Counsel, under existing statutes, interest on the Bonds is exempt from all present state income taxation within the State of Georgia; provided, however, that the laws of the State of Georgia effectively provide that the aforesaid exemption does not exist unless the interest is excludable from gross income for federal income tax purposes under the Code.

The foregoing discussion is a general discussion of certain federal income tax consequences with respect to the Bonds and does not purport to deal with all tax questions that may be relevant to particular investors or circumstances, including purchasers of Bonds in the secondary market at a price other than the stated redemption

price at maturity. Owners of Bonds purchased in the secondary market at prices other than the stated redemption price at maturity should consult their own tax advisors with respect to such matters and with respect to the state and local tax consequences of any discount with respect to the Bonds.

SECONDARY MARKET INFORMATION

No financial statements or operating data concerning the Authority are included in this Official Statement and the Authority has not undertaken to provide any such information in the future.

Solely for the purpose of enabling the Underwriter to comply with the requirements of Rule 15c2-12(b)(5) under the Securities Exchange Act of 1934, as in effect on the date hereof (the "Rule"), the Company has undertaken (but only to the extent required for compliance with valid and effective provisions of the Rule), for the benefit of the holders of the Bonds, to provide the persons specified below (i) not later than 100 days after the end of each fiscal year of the Company, the Company's Annual Report to the Commission on Form 10-K (or any successor form), excluding any exhibits or documents incorporated by referenced therein, other than (if applicable) the audited financial statements appearing in the Company's annual report to shareholders (the "Form 10-K"), or, if the Form 10-K is no longer required, audited annual financial statements of the Company of the type incorporated by reference in Appendix A hereto (the "Audited Financial Statements"), and (ii) in a timely manner, notice of the occurrence of certain events enumerated in the Rule, if material (the "Company's Undertaking").

The Form 10-K (or, if required, the Audited Financial Statements) shall be provided to each Nationally Recognized Municipal Securities Information Repository ("NRMSIR") recognized by the Commission for purposes of the Rule and to the Georgia State Information Depository ("GSID"), if one shall be established for the purposes of the Rule, and the notices of certain events shall be provided to each NRMSIR or to the Municipal Securities Rulemaking Board and to the GSID, if any.

Neither the Authority nor its members, officers or employees have any responsibility or liability for the sufficiency, performance or enforcement of the Company's Undertaking. The Company and its directors, officers, employees and shareholders shall have no liability under the Company's Undertaking for any act or failure to act; a failure to perform the Company's Undertaking shall not constitute an Event of Default under the Agreement, an event of default under the Indenture or a default under the Note or any Bond; and the sole remedy shall be specific enforcement of the Company's Undertaking by the Trustee or by such persons, if any, as the Rule may require to be entitled to enforce the same. The Company reserves the right to (a) contest the validity of the Rule and (b) modify its performance of the Company's Undertaking, to the extent not inconsistent with valid and effective provisions of the Rule.

LEGAL MATTERS

Legal matters incident to the authorization and issuance of the Bonds are subject to the approving opinion of King & Spalding, 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, a Registered Limited Liability Partnership, Pensacola, Florida, and Troutman Sanders LLP, Atlanta, Georgia, and for the Underwriter by its counsel, Dewey Ballantine LLP, New York, New York.

The Bonds have been validated by a decree rendered by the Superior Court of Monroe County, Georgia.

MISCELLANEOUS

Information, including certain financial statements, relating to the business and properties of the Company is contained or incorporated by reference in the Appendix A to this Official Statement and is hereby made a part hereof.

This Official Statement has been duly approved by:

DEVELOPMENT AUTHORITY OF MONROE COUNTY

By /s/ James E. Copelan
Chairman

APPENDIX A

GULF POWER COMPANY

THE INFORMATION CONTAINED HEREIN AS AN APPENDIX TO THE OFFICIAL STATEMENT 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 mailing address of GULF'S principal executive offices is One Energy Place, Pensacola, Florida 32520-0100, and the telephone number is (850) 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 "Commission"). Such reports and other information can be inspected and copied, upon payment of a fee set by the Commission, at the public reference room of the Commission in Washington, D.C. (450 Fifth Street, N.W., 20549). The Commission may be contacted at 1-800-732-0330 for information on the public reference room. GULF'S reports are also available on the internet through the Commission's EDGAR database at the Commission's website at http://www.sec.gov. 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 Commission 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, 2001.

2. Quarterly Reports on Form 10-Q for the quarters ended March 31, 2002 and June 30, 2002.

3. Current Reports on Form 8-K dated January 18, 2002, February 13, 2002 and March 28, 2002.

All documents subsequently filed by GULF with the Commission 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. Any statement contained in a document incorporated or deemed to be incorporated by reference herein as aforesaid shall be deemed to be modified or superseded for purposes of this Appendix 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 Appendix.

GULF hereby undertakes to provide without charge to each person to whom a copy of this Official Statement 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, Vice President, Secretary and Treasurer, Gulf Power Company, One Energy Place, Pensacola, Florida 32520-0100, (850) 444-6111.

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, 2001	376,520
Generating Capacity at December 31, 2001 (kilowatts)	2,188,150
Sources of Generation during 2001 (kilowatt-hours)	Coal (99%), Oil and Gas (1%)

Selected Financial Information

	Year Ended December 31,					6 Months Ended June 30, 2002
	1997	1998	1999	2000	2001	(Unaudited)
	(Thousands, Except Ratios)					
Operating Revenues	$625,856	$650,518	$674,099	$714,319	$725,203	$370,920
Earnings Before Interest and Income Taxes	$124,428	$120,946	$119,576	$116,892	$121,227	$57,628
Net Income After Dividends on Preferred Stock	$57,610	$56,521	$53,667	$51,843	$58,307	$25,204
Ratio of Earnings to Fixed Charges (1)	4.18	3.83	3.62	3.38	3.64	2.85

	Capitalization as of June 30, 2002	
	(Thousands, Except Percentages)	
Common Stock Equity	$535,129	45.9%
Cumulative Preferred Stock	4,236	0.4
Company Obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trusts Holding Company Junior Subordinated Notes	115,000	9.9
Long-Term Debt	511,938	43.8
Total, excluding amounts due within one year	$1,166,303	100.0%

(1) This ratio is computed as follows: (i) "Earnings" have been calculated by adding to "Earnings Before Interest and Income Taxes" 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.

APPENDIX B

AUCTION PROCEDURES

AUCTION PROVISIONS

Definitions

In addition to the words and terms elsewhere defined in this Official Statement, the following words and terms as used in this Appendix B and elsewhere in this Official Statement have the following meanings while the Bonds are in an Auction Rate Period unless the context or use indicates another or different meaning or intent:

"Agent Member" means a member of, or participant in, the Securities Depository who shall act on behalf of a Bidder.

"All Hold Rate" means, as of any Auction Date, 45% of the Reference Rate in effect on such Auction Date.

"Applicable Percentage" means, as of any Auction Date, the Percentage of Reference Rate (in effect on such Auction Date) determined as set forth below, based on the Prevailing Rating of the Bonds in effect at the close of business on the Business Day immediately preceding such Auction Date:

Prevailing Rating	Percentage of Reference Rate
AAA/Aaa	175%
AA/Aa	200%
A/A	250%
BBB/Baa	275%
Below BBB/Baa	300%

"Auction" means each periodic implementation of the Auction Procedures.

"Auction Agent" means the auctioneer appointed in accordance with this Appendix B and shall initially be The Bank of New York.

"Auction Agreement" means an agreement among the Company, the Auction Agent and the Trustee pursuant to which the Auction Agent agrees to follow the procedures specified in this Appendix B with respect to the Bonds while bearing interest at an Auction Mode Rate, as such agreement may from time to time be amended or supplemented.

"Auction Date" means during any period in which the Auction Procedures are not suspended in accordance with the provisions hereof, (i) if the Bonds are in a daily Auction Period, each Business Day, and (ii) if the Bonds are in a Special Rate Period, the last Business Day of the Special Rate Period, and (iii) if the Bonds are in any other Auction Period, the Business Day next preceding each Interest Payment Date for such Bonds (whether or not an Auction shall be conducted on such date); provided, however, that the last Auction Date with respect to the Bonds in an Auction Period other than a daily Auction Period or a Special Rate Period shall be the earlier of (a) the Business Day next preceding the Interest Payment Date next preceding the Conversion Date for the Bonds and (b) the Business Day next preceding the Interest Payment Date next preceding the final maturity date for the Bonds; and provided, further, that if the Bonds are in a daily Auction Period, the last Auction Date shall be the earlier of (x) the Business Day next preceding the Conversion Date for the Bonds and (y) the Business Day next preceding the final maturity date for the Bonds. The last Business Day of a Special Rate Period shall be the Auction Date for the Auction Period which begins on the next succeeding Business Day, if any. On the Business Day preceding the conversion from a daily Auction Period to another Auction Period, there shall be two Auctions, one for the last daily Auction Period and one for the first Auction Period following the conversion. The first Auction Date for the Bonds is October 30, 2002.

"Auction LIBOR," on any date of determination for any Auction Period, means: (i) for any Auction Period of fewer than 49 days, the offered rate for deposits in U.S. dollars for a one-month period which appears on the MoneyLine Telerate Page 3750 at approximately 11:00 A.M., London time, on such date, or if such date is not a date on which dealings in U.S. dollars are transacted in the London interbank market, then on the next preceding day on

which such dealings were transacted in such market (the "calculation date") and (ii) for any Auction Period of (A) 49 or more but fewer than 70 days, such rates for deposits in U.S. dollars for a two-month period, (B) 70 or more but fewer than 85 days, the arithmetic average of such rates for deposits in U.S. dollars for two and three-month periods, (C) 85 or more but fewer than 120 days, such rate for deposits in U.S. dollars for a three-month period, (D) 120 or more but fewer than 148 days, the arithmetic average of such rates for deposits in U.S. dollars for three and six-month periods, (E) 148 or more but fewer than 180 days, such rate for deposits in U.S. dollars for a six-month period, (F) 180 or more but fewer than 225 days, the arithmetic average of such rates for deposits in U.S. dollars for six and nine-month periods, (G) 225 or more but fewer than 290 days, such rate for deposits in U.S. dollars for a nine-month period, (H) 290 or more but fewer than 325 days, the arithmetic average of such rates for deposits in U.S. dollars for nine-month and one-year periods and (I) 325 or more but fewer than 365 days, such rate for deposits in U.S. dollars for a one-year period.

"Auction Mode Rate" means the rate of interest to be borne by the Bonds during each Auction Period determined in accordance with this Appendix B; provided, however, in no event may the Auction Mode Rate exceed the Maximum Auction Rate.

"Auction Period" or "Auction Rate Period" means any period of less than 365 days during which the Bonds bear interest at a single Auction Mode Rate, as established pursuant to the Indenture.

"Auction Procedures" means the procedures for conducting Auctions for Bonds during an Auction Rate Period set forth in this Appendix B.

"Auction Rate" means for each Auction Period, (i) if Sufficient Clearing Bids exist, the Winning Bid Rate, provided, however, if all of the Bonds are the subject of Submitted Hold Orders, the All Hold Rate and (ii) if Sufficient Clearing Bids do not exist, the Maximum Auction Rate.

"Auction Rate Conversion Date" means with respect to Bonds, the date on which the Bonds convert from an interest rate period other than an Auction Rate Period and begin to bear interest at an Auction Mode Rate.

"Authorized Denominations" means $1,000 and integral multiples thereof, notwithstanding anything else in the Indenture to the contrary, so long as the Bonds bear interest at a Auction Mode Rate.

"Available Bonds" means on each Auction Date, the aggregate principal amount of Bonds that are not the subject of Submitted Hold Orders.

"Bid" has the meaning specified in this Appendix B.

"Bidder" means each Existing Owner and Potential Owner who places an Order.

"Broker-Dealer" means any entity that is permitted by law to perform the function required of a Broker-Dealer described in this Appendix B, that is a member of, or a direct participant in, the Securities Depository, that has been selected by the Company, and that is a party to a Broker-Dealer Agreement with the Company and the Auction Agent.

"Broker-Dealer Agreement" means an agreement among the Auction Agent, the Company and a Broker-Dealer pursuant to which such Broker-Dealer agrees to follow the procedures described in this Appendix B, as such agreement may from to time be amended or supplemented.

"Business Day" in addition to any other definition of "Business Day" included in the Indenture while Bonds bear interest at an Auction Mode Rate, the term Business Day shall not include April 14 or 15 or December 30 or 31 or days on which the Auction Agent or any Broker-Dealer are not open for business.

"Conversion Date" means the date on which the Bonds begin to bear interest at a Daily Rate, a Weekly Rate, a Commercial Paper Rate, a Long-Term Interest Rate or an Index Rate.

"Default Rate" means, in respect of any Auction Period other than a daily Auction Period, a per annum rate equal to three hundred percent (300%) of the Reference Rate determined on the Auction Date next preceding the first

day of such Auction Period or in the case of Bonds in a daily Auction Period, three hundred percent (300%) of the Reference Rate determined on the Auction Date which was the first day of such Auction Period, provided, however, the Default Rate shall not exceed the Maximum Interest Rate.

"Existing Owner" means a Person who is listed from time to time as the beneficial owner of Bonds in the records of the Auction Agent.

"Hold Order" has the meaning specified in this Appendix B.

"Initial Period" means the period from the date of original issuance of the Bonds to an Auction Mode Rate to but not including October 31, 2002.

"Interest Payment Date" with respect to Bonds bearing interest at Auction Mode Rates, means October 31, 2002 and thereafter (a) when used with respect to any Auction Period other than a daily Auction Period or a Special Rate Period, the Business Day immediately following such Auction Period, (b) when used with respect to a daily Auction Period, the first Business Day of the month immediately succeeding such Auction Period, (c) when used with respect to a Special Rate Period of (i) seven or more but fewer than 92 days, the Business Day immediately following such Special Rate Period, or (ii) 92 or more days, each 13th Thursday after the first day of such Special Rate Period or the next Business Day if such Thursday is not a Business Day and on the Business Day immediately following such Special Rate Period, (d) each Conversion Date, and (e) the Maturity Date.

"Maximum Interest Rate" means 15% on the date hereof and to the extent the maximum rate permitted by applicable law shall become less than 15% then the maximum rate permitted by applicable law.

"Maximum Auction Rate" means, as of any Auction Date, the product of the Reference Rate multiplied by the Applicable Percentage, provided, however, the Maximum Auction Rate shall not exceed the Maximum Interest Rate.

"Moody's" means Moody's Investors Service, Inc and its successors and assigns.

"Order" means a Hold Order, Bid or Sell Order.

"Payment Default" means any Event of Default resulting from a failure to pay principal, premium, purchase price or interest on any Bond when due.

"Potential Owner" means any Person, including any Existing Owner, who may be interested in acquiring a beneficial interest in the Bonds in addition to the Bonds currently owned by such Person, if any.

"Prevailing Rating" means (a) AAA/Aaa, if the Bonds shall have a rating of AAA or better by S&P and a rating of Aaa or better by Moody's, (b) if not AAA/Aaa, AA/Aa if the Bonds shall have a rating of AA- or better by S&P and a rating of Aa3 or better by Moody's, (c) if not AAA/Aaa or AA/Aa, A/A if the Bonds shall have a rating of A- or better by S&P and a rating of A3 or better by Moody's, (d) if not AAA/Aaa, AA/Aa or A/A, BBB/Baa, if the Bonds shall have a rating of BBB- or better by S&P and a rating of Baa3 or better by Moody's, and (e) if not AAA/Aaa, AA/Aa, A/A or BBB/Baa, then below BBB/Baa, whether or not the Bonds are rated by any securities rating agency. For purposes of this definition, S&P's rating categories of "AAA," "AA," "A" and "BBB" and Moody's rating categories of "Aaa," "Aa3," "A3" and "Baa" shall be deemed to refer to and include the respective rating categories correlative thereto in the event that any such Rating Agencies shall have changed or modified their generic rating categories or if any successor thereto appointed in accordance with the definitions thereof shall use different rating categories. If the Bonds are not rated by a Rating Agency, the requirement of a rating by such Rating Agency shall be disregarded. If the ratings for the Bonds are split between two of the foregoing categories, the lower rating shall determine the Prevailing Rating. If there is no rating, then the Auction Mode Rate shall be the Maximum Auction Rate.

"Principal Office" means, with respect to the Auction Agent, the office thereof designated in writing to the Company, the Trustee and each Broker-Dealer.

"Rating Agencies" means Moody's and S&P.

"Reference Rate" shall have the meaning specified in this Appendix B.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. and its successors and assigns.

"Securities Depository" means The Depository Trust Company and its successors and assigns or any other securities depository selected by the Company which agrees to follow the procedures required to be followed by such securities depository in connection with the Bonds.

"Sell Order" has the meaning specified in this Appendix B.

"Special Rate Period" means any period of not less than seven nor more than 365 days which begins on an Interest Payment Date and ends on a Wednesday unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day.

"Submission Deadline" means 1:00 p.m., New York City time, on each Auction Date not in a daily Auction Period and 11:00 a.m., New York City time, on each Auction Date in a daily Auction Period, or such other time on such date as shall be specified from time to time by the Auction Agent pursuant to the Auction Agreement as the time by which Broker-Dealers are required to submit Orders to the Auction Agent.

"Submitted Bid" has the meaning specified in this Appendix B.

"Submitted Hold Order" has the meaning specified in this Appendix B.

"Submitted Order" has the meaning specified in this Appendix B.

"Submitted Sell Order" has the meaning specified in this Appendix B.

"Sufficient Clearing Bids" means an Auction for which the aggregate principal amount of Bonds that are the subject of Submitted Bids by Potential Owners specifying one or more rates not higher than the Maximum Auction Rate is not less than the aggregate principal amount of Bonds that are the subject of Submitted Sell Orders and of Submitted Bids by Existing Owners specifying rates higher than the Maximum Auction Rate.

"Winning Bid Rate" means the lowest rate specified in any Submitted Bid which if selected by the Auction Agent as the Auction Rate, subject to the All Hold Rate, would cause the aggregate principal amount of Bonds that are the subject of Submitted Bids specifying a rate not greater than such rate to be not less than the aggregate principal amount of Available Bonds.

AUCTION PROCEDURES

General Procedures

While the Bonds bear interest at the Auction Mode Rate, Auctions shall be conducted on each Auction Date (other than the Auction Date immediately preceding (i) each Auction Rate Period commencing after the ownership of the Bonds is no longer maintained in the book-entry system described in the Indenture; (ii) each Auction Rate Period commencing after the occurrence and during the continuance of a Payment Default; or (iii) any Auction Rate Period commencing less than two Business Days after the cure of a Payment Default). If there is an Auction Agent on such Auction Date, Auctions shall be conducted in the manner set forth in this Appendix B.

Orders by Existing Owners and Potential Owners

(a) Prior to the Submission Deadline on each Auction Date:

(i) each Existing Owner may submit to a Broker-Dealer, in writing or by such other method as shall be reasonably acceptable to such Broker-Dealer, information as to:

(A) the principal amount of Bonds, if any, held by such Existing Owner which such Existing Owner irrevocably commits to continue to hold for the next succeeding Auction Period without regard to the rate determined by the Auction Procedures for such Auction Period,

(B) the principal amount of Bonds, if any, held by such Existing Owner which such Existing Owner irrevocably commits to continue to hold for the next succeeding Auction Period if the rate determined by the Auction Procedures for such Auction Period shall not be less than the rate per annum then specified by such Existing Owner (and which such Existing Owner irrevocably offers to sell on the next succeeding Auction Date (or the same day in the case of a daily Auction Period) if the rate determined by the Auction Procedures for the next succeeding Auction Period shall be less than the rate per annum then specified by such Existing Owner), and/or

(C) the principal amount of Bonds, if any, held by such Existing Owner which such Existing Owner irrevocably offers to sell on the next succeeding Auction Date (or on the same day in the case of a daily Auction Period) without regard to the rate determined by the Auction Procedures for the next succeeding Auction Period; and

(ii) for the purpose of implementing the Auctions and thereby to achieve the lowest possible interest rate on the Bonds, the Broker-Dealers shall contact Potential Owners, including Persons that are Existing Owners, to determine the principal amount of Bonds, if any, which each such Potential Owner irrevocably offers to purchase if the rate determined by the Auction Procedures for the next succeeding Auction Period is not less than the rate per annum then specified by such Potential Owner.

For the purposes hereof an Order containing the information referred to in clause (i)(A) above is herein referred to as a "Hold Order," an Order containing the information referred to in clause (i)(B) or (ii) above is herein referred to as a "Bid" and an Order containing the information referred to in clause (i)(C) above is herein referred to as a "Sell Order."

(b) (i) Subject to the provisions of this Appendix B, a Bid by an Existing Owner shall constitute an irrevocable offer to sell:

(A) the principal amount of Bonds specified in such Bid if the rate determined by the Auction Procedures on such Auction Date shall be less than the rate specified therein; or

(B) such principal amount or a lesser principal amount of Bonds to be determined as set forth herein if the rate determined by the Auction Procedures on such Auction Date shall be equal to such specified rate; or

(C) a lesser principal amount of Bonds to be determined as set forth herein if such specified rate shall be higher than the Maximum Auction Rate and Sufficient Clearing Bids do not exist.

(ii) Subject to the provisions of this Appendix B, a Sell Order by an Existing Owner shall constitute an irrevocable offer to sell:

(A) the principal amount of Bonds specified in such Sell Order; or

(B) such principal amount or a lesser principal amount of Bonds as set forth herein if Sufficient Clearing Bids do not exist.

(iii) Subject to the provisions of this Appendix B, a Bid by a Potential Owner shall constitute an irrevocable offer to purchase:

(A) the principal amount of Bonds specified in such Bid if the rate determined by the Auction Procedures on such Auction Date shall be higher than the rate specified therein; or

(B) such principal amount or a lesser principal amount of Bonds as set forth herein if the rate determined by the Auction Procedures on such Auction Date shall be equal to such specified rate.

(c) Anything herein to the contrary notwithstanding:

(i) for purposes of any Auction, any Order which specifies Bonds to be held, purchased or sold in a principal amount which is not $1,000 or an integral multiple thereof shall be rounded down to the nearest $1,000, and the Auction Agent shall conduct the Auction Procedures as if such Order had been submitted in such lower amount;

(ii) for purposes of any Auction other than during a daily Auction Period, any portion of an Order of an Existing Owner which relates to a Bond which has been called for redemption on or prior to the Interest Payment Date next succeeding such Auction shall be invalid with respect to such portion and the Auction Agent shall conduct the Auction Procedures as if such portion of such Order had not been submitted;

(iii) for purposes of any Auction other than during a daily Auction Period, no portion of a Bond which has been called for redemption on or prior to the Interest Payment Date next succeeding such Auction shall be included in the calculation of Available Bonds for such Auction; and

(iv) the Auction Procedures shall be suspended during the period commencing on the date of the Auction Agent's receipt of notice from the Trustee or the Authority of the occurrence of a Payment Default but shall resume two Business Days after the date on which the Auction Agent receives notice from the Trustee that such Payment Default has been waived or cured, with the next Auction to occur on the next regularly scheduled Auction Date occurring thereafter.

Submission of Orders by Broker-Dealers to Auction Agent

(a) Each Broker-Dealer shall submit to the Auction Agent in writing or by such other method as shall be reasonably acceptable to the Auction Agent, prior to the Submission Deadline on each Auction Date, all Orders obtained by such Broker-Dealer and specifying, with respect to each Order:

(i) the name of the Bidder placing such Order;

(ii) the aggregate principal amount of Bonds, if any, that are the subject of such Order;

(iii) to the extent that such Bidder is an Existing Owner:

(A) the principal amount of Bonds, if any, subject to any Hold Order placed by such Existing Owner;

(B) the principal amount of Bonds, if any, subject to any Bid placed by such Existing Owner and the rate specified in such Bid; and

(C) the principal amount of Bonds, if any, subject to any Sell Order placed by such Existing Owner; and

(iv) to the extent such Bidder is a Potential Owner, the rate and amount specified in such Potential Owner's Bid.

(b) If any rate specified in any Bid contains more than three figures to the right of the decimal point, the Auction Agent shall round such rate up to the next highest one thousandth of one percent (0.001%).

(c) If an Order or Orders covering all of the Bonds held by an Existing Owner is not submitted to the Auction Agent prior to the Submission Deadline, the Auction Agent shall deem a Hold Order to have been submitted on behalf of such Existing Owner covering the principal amount of Bonds held by such Existing Owner and not

subject to Orders submitted to the Auction Agent; provided, however, that if there is a conversion from one Auction Period to another Auction Period and Orders have not been submitted to the Auction Agent prior to the Submission Deadline covering the aggregate principal amount of Bonds to be converted held by such Existing Owner, the Auction Agent shall deem a Sell Order to have been submitted on behalf of such Existing Owner covering the principal amount of Bonds to be converted held by such Existing Owner not subject to Orders submitted to the Auction Agent.

(d) If one or more Orders covering in the aggregate more than the principal amount of Outstanding Bonds held by any Existing Owner are submitted to the Auction Agent, such Orders shall be considered valid as follows and in the following order of priority:

(i) all Hold Orders shall be considered valid Hold Orders, but only up to and including in the aggregate the principal amount of Bonds held by such Existing Owner, and if the aggregate principal amount of Bonds subject to such Hold Orders exceeds the aggregate principal amount of Bonds held by such Existing Owner, the aggregate principal amount of Bonds subject to each such Hold Order shall be reduced pro rata to cover the aggregate principal amount of Outstanding Bonds held by such Existing Owner;

(ii) (A) any Bid of an Existing Owner shall be considered valid as a Bid of an Existing Owner up to and including the excess of the principal amount of Bonds held by such Existing Owner over the aggregate principal amount of the Bonds subject to Hold Orders referred to in paragraph (i) above;

(B) subject to sub-clause (A) of this paragraph (ii), all Bids of an Existing Owner with the same rate shall be aggregated and considered a single Bid of an Existing Owner up to and including the excess of the principal amount of Bonds held by such Existing Owner over the principal amount of Bonds held by such Existing Owner subject to Hold Orders referred to in sub-paragraph (i) of this paragraph (d);

(C) subject to sub-clause (A) of this paragraph (ii), if more than one Bid with different rates is submitted on behalf of such Existing Owner, such Bids shall be considered valid Bids of an Existing Owner in the ascending order of their respective rates up to the amount of the excess of the principal amount of Bonds held by such Existing Owner over the principal amount of Bonds held by such Existing Owner subject to Hold Orders referred to in sub-paragraph (i) of this paragraph (d); and

(D) the principal amount, if any, of such Bonds subject to Bids not considered to be Bids of an Existing Owner under this paragraph (ii) shall be treated as the subject of a Bid by a Potential Owner at the rate specified therein; and

(iii) all Sell Orders shall be considered valid Sell Orders, but only up to and including a principal amount of Bonds equal to the excess of the principal amount of Bonds held by such Existing Owner over the sum of the principal amount of the Bonds considered to be subject to Hold Orders pursuant to sub-paragraph (i) of this paragraph (d) and the principal amount of Bonds considered to be subject to Bids of such Existing Owner pursuant to sub-paragraph (ii) of this paragraph (d).

(e) If more than one Bid is submitted on behalf of any Potential Owner, each Bid submitted with the same rate shall be aggregated and considered a single Bid and each Bid submitted with a different rate shall be considered a separate Bid with the rate and the principal amount of Bonds specified therein.

(f) Any Bid submitted by an Existing Owner or a Potential Owner specifying a rate lower than the All Hold Rate shall be treated as a Bid specifying the All Hold Rate, and any such Bid shall be considered as valid and shall be selected in ascending order of the respective rates in the Submitted Bids.

(g) Neither the Authority, the Company, the Trustee, the Remarketing Agent nor the Auction Agent shall be responsible for the failure of any Broker-Dealer to submit an Order to the Auction Agent on behalf of any Existing Owner or Potential Owner.

Determination of Auction Mode Rate

(a) Not later than 9:30 a.m., New York City time, on each Auction Date, the Auction Agent shall advise the Broker-Dealers and the Trustee by telephone or other electronic means of the All Hold Rate, the Maximum Auction Rate and the Reference Rate.

(b) Promptly after the Submission Deadline on each Auction Date, the Auction Agent shall assemble all Orders submitted or deemed submitted to it by the Broker-Dealers (each such Order as submitted or deemed submitted by a Broker-Dealer being hereinafter referred to as a "Submitted Hold Order," a "Submitted Bid" or a "Submitted Sell Order," as the case may be, and collectively as a "Submitted Order") and shall determine (i) the Available Bonds, (ii) whether there are Sufficient Clearing Bids and (iii) the Auction Rate.

(c) Promptly after the Auction Agent has made the determinations pursuant to subsection (b) above, the Auction Agent shall advise the Trustee and the Company by telex, facsimile or other electronic transmission of the Auction Rate for the next succeeding Auction Period and the Trustee shall promptly notify DTC of such Auction Rate.

(d) In the event the Auction Agent fails to calculate or, for any reason, fails to timely provide the Auction Rate for any Auction Period, (i) if the preceding Auction Period was a period of 35 days or less, the new Auction Period shall be the same as the preceding Auction Period and the Auction Mode Rate for the New Auction Period shall be the same as the Auction Mode Rate for the preceding Auction Period, and (ii) if the preceding Auction Period was a period of greater than 35 days, the preceding Auction Period shall be extended to the seventh day following the day that would have been the last day of such Auction Period had it not been extended (or if such seventh day is not followed by a Business Day then to the next succeeding day which is followed by a Business Day) and the Auction Mode Rate in effect for the preceding Auction Period will continue in effect for the Auction Period as so extended. In the event an Auction Period is extended as set forth in clause (ii) of the preceding sentence, an Auction shall be held on the last Business Day of the Auction Period as so extended to take effect for an Auction Period beginning on the Business Day immediately following the last day of the Auction Period as extended which Auction Period will end on the date it would otherwise have ended on had the prior Auction Period not been extended.

(e) In the event the Auction Procedures are suspended due to the failure to pay principal of, premium or interest on any Bond, the Auction Mode Rate for the next succeeding Auction Period shall be the Default Rate.

(f) In the event of a failed conversion from a Auction Mode Rate Determination Method to another Determination Method or in the event of a failure to change the length of the current Auction Period due to the lack of Sufficient Clearing Bids at the Auction on the Auction Date for the first new Auction Period, the Auction Mode Rate for the next Auction Period shall be the Maximum Auction Rate and the Auction Period shall be a seven-day Auction Period.

(g) If the Bonds are not rated or if the Bonds are no longer maintained in book-entry-only form by the Securities Depository, then the Auction Mode Rate shall be the Maximum Rate.

Allocation of the Bonds

(a) In the event of Sufficient Clearing Bids, subject to the further provisions of subsections (c) and (d) below, Submitted Orders shall be accepted or rejected as follows in the following order of priority:

(i) the Submitted Hold Order of each Existing Owner shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Hold Order;

(ii) the Submitted Sell Order of each Existing Owner shall be accepted, and the Submitted Bid of each Existing Owner specifying any rate that is higher than the Winning Bid Rate shall be rejected, thus requiring each such Existing Owner to sell the Bonds that are the subject of such Submitted Sell Order or Submitted Bid;

(iii) the Submitted Bid of each Existing Owner specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Bid;

(iv) the Submitted Bid of each Potential Owner specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Potential Owner to purchase the Bonds that are the subject of such Submitted Bid;

(v) the Submitted Bid of each Existing Owner specifying a rate that is equal to the Winning Bid Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Bid, but only up to and including the principal amount of Bonds obtained by multiplying (A) the aggregate principal amount of Bonds outstanding which are not the subject of Submitted Hold Orders described in sub-paragraph (i) of this paragraph (a) or of Submitted Bids described in sub-paragraphs (iii) and (iv) of this paragraph (a) by (B) a fraction the numerator of which shall be the principal amount of Bonds outstanding held by such Existing Owner subject to such Submitted Bid and the denominator of which shall be the aggregate principal amount of Bonds outstanding subject to such Submitted Bids made by all such Existing Owners that specified a rate equal to the Winning Bid Rate, and the remainder, if any, of such Submitted Bid shall be rejected, thus requiring each such Existing Owner to sell any excess amount of Bonds;

(vi) the Submitted Bid of each Potential Owner specifying a rate that is equal to the Winning Bid Rate shall be accepted, thus requiring each such Potential Owner to purchase the Bonds that are the subject of such Submitted Bid, but only in an amount equal to the principal amount of Bonds obtained by multiplying (A) the aggregate principal amount of Bonds outstanding which are not the subject of Submitted Hold Orders described in sub-paragraph (i) of this paragraph (a) or of Submitted Bids described in sub-paragraphs (iii), (iv) or (v) of this paragraph (a) by (B) a fraction the numerator of which shall be the principal amount of Bonds outstanding subject to such Submitted Bid and the denominator of which shall be the sum of the aggregate principal amount of Bonds outstanding subject to such Submitted Bids made by all such Potential Owners that specified a rate equal to the Winning Bid Rate, and the remainder of such Submitted Bid shall be rejected; and

(vii) the Submitted Bid of each Potential Owner specifying any rate that is higher than the Winning Bid Rate shall be rejected.

(b) In the event there are not Sufficient Clearing Bids, subject to the further provisions of subsections (c) and (d) below, Submitted Orders shall be accepted or rejected as follows in the following order of priority:

(i) the Submitted Hold Order of each Existing Owner shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Hold Order;

(ii) the Submitted Bid of each Existing Owner specifying any rate that is not higher than the Maximum Auction Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Bid;

(iii) the Submitted Bid of each Potential Owner specifying any rate that is not higher than the Maximum Auction Rate shall be accepted, thus requiring each such Potential Owner to purchase the Bonds that are the subject of such Submitted Bid;

(iv) the Submitted Sell Orders of each Existing Owner shall be accepted as Submitted Sell Orders and the Submitted Bids of each Existing Owner specifying any rate that is higher than the Maximum Auction Rate shall be deemed to be and shall be accepted as Submitted Sell Orders, in both cases only up to and including the principal amount of Bonds obtained by multiplying (A) the aggregate principal amount of Bonds subject to Submitted Bids described in paragraph (iii) of this subsection (b) by (B) a fraction the numerator of which shall be the principal amount of Bonds outstanding held by such Existing Owner subject to such Submitted Sell Order or such Submitted Bid deemed to be a Submitted Sell Order and the denominator of which shall be the principal amount of Bonds outstanding subject to all such Submitted Sell Orders and such Submitted Bids deemed to be Submitted Sell Orders, and the remainder of each such

Submitted Sell Order or Submitted Bid shall be deemed to be and shall be accepted as a Hold Order and each such Existing Owner shall be required to continue to hold such excess amount of Bonds; and

(v) the Submitted Bid of each Potential Owner specifying any rate that is higher than the Maximum Auction Rate shall be rejected.

(c) If, as a result of the procedures described in subsection (a) or (b) above, any Existing Owner or Potential Owner would be required to purchase or sell an aggregate principal amount of Bonds which is not an integral multiple of $1,000 on any Auction Date, the Auction Agent shall by lot, in such manner as it shall determine in its sole discretion, round up or down the principal amount of Bonds to be purchased or sold by any Existing Owner or Potential Owner on such Auction Date so that the aggregate principal amount of Bonds purchased or sold by each Existing Owner or Potential Owner on such Auction Date shall be an integral multiple of $1,000, even if such allocation results in one or more of such Existing Owners or Potential Owners not purchasing or selling any Bonds on such Auction Date.

(d) If, as a result of the procedures described in subsection (a) above, any Potential Owner would be required to purchase less than $1,000 in principal amount of Bonds on any Auction Date, the Auction Agent shall by lot, in such manner as it shall determine in its sole discretion, allocate Bonds for purchase among Potential Owners so that the principal amount of Bonds purchased on such Auction Date by any Potential Owner shall be an integral multiple of $1,000, even if such allocation results in one or more of such Potential Owners not purchasing Bonds on such Auction Date.

Notice of Auction Mode Rate

(a) On each Auction Date, the Auction Agent shall notify by telephone or other electronic means or in writing each Broker-Dealer that participated in the Auction held on such Auction Date and submitted an Order on behalf of any Existing Owner or Potential Owner of the following:

(i) the Auction Mode Rate determined on such Auction Date for the succeeding Auction Period;

(ii) whether Sufficient Clearing Bids existed for the determination of the Winning Bid Rate;

(iii) if such Broker-Dealer submitted a Bid or a Sell Order on behalf of an Existing Owner, whether such Bid or Sell Order was accepted or rejected, in whole or in part, and the principal amount of Bonds, if any, to be sold by such Existing Owner;

(iv) if such Broker-Dealer submitted a Bid on behalf of a Potential Owner, whether such Bid was accepted or rejected, in whole or in part, and the principal amount of Bonds, if any, to be purchased by such Potential Owner;

(v) if the aggregate principal amount of the Bonds to be sold by all Existing Owners on whose behalf such Broker-Dealer submitted Bids or Sell Orders is different from the aggregate principal amount of Bonds to be purchased by all Potential Owners on whose behalf such Broker-Dealer submitted a Bid, the name or names of one or more Broker-Dealers (and the Agent Member, if any, of each such other Broker-Dealer) and the principal amount of Bonds to be (A) purchased from one or more Existing Owners on whose behalf such other Broker-Dealers submitted Bids or Sell Orders or (B) sold to one or more Potential Owners on whose behalf such Broker-Dealer submitted Bids; and

(vi) the immediately succeeding Auction Date.

(b) On each Auction Date, each Broker-Dealer that submitted an Order on behalf of any Existing Owner or Potential Owner shall:

(i) advise each Existing Owner and Potential Owner on whose behalf such Broker-Dealer submitted an Order as to (A) the Auction Mode Rate determined on such Auction Date, (B) whether any

Bid or Sell Order submitted on behalf of each such Owner was accepted or rejected and (C) the immediately succeeding Auction Date;

(ii) instruct each Potential Owner on whose behalf such Broker-Dealer submitted a Bid that was accepted, in whole or in part, to instruct such Potential Owner's Agent Member to pay to such Broker-Dealer (or its Agent Member) through the Securities Depository the amount necessary to purchase the principal amount of Bonds to be purchased pursuant to such Bid (including, with respect to the Bonds in a daily Auction Period, accrued interest if the purchase date is not an Interest Payment Date for such Bond) against receipt of such Bonds; and

(iii) instruct each Existing Owner on whose behalf such Broker-Dealer submitted a Sell Order that was accepted or a Bid that was rejected in whole or in part, to instruct such Existing Owner's Agent Member to deliver to such Broker-Dealer (or its Agent Member) through the Securities Depository the principal amount of Bonds to be sold pursuant to such Bid or Sell Order against payment therefor.

Reference Rate

(a) The Reference Rate on any Auction Date with respect to Bonds in any Auction Period of less than 180 days shall be the greater of Auction LIBOR or the Thirty-Day "AA" Composite Commercial Paper Rate (non-financial) on such date. The Reference Rate with respect to Bonds in any Auction Period of 180 days or more shall be the greater of Auction LIBOR or the rate on Treasury securities having a maturity which most closely approximates the length of the Auction Period, as last published in The Wall Street Journal. If either rate is unavailable, the Reference Rate shall be an index or rate agreed to by all Broker-Dealers and consented to by the Company.

"Thirty-Day 'AA' Composite Commercial Paper Rate" (non-financial) on any date of determination, means the interest equivalent of the Thirty-Day rate on commercial paper placed on behalf of non financial issuers whose corporate bonds are rated AA by S&P, or the equivalent of such rating by S&P, as made available on a discount basis or otherwise by the Federal Reserve Bank of New York for the Business Day immediately preceding such date of determination, or if the Federal Reserve Bank of New York does not make available any such rate, then the arithmetic average of such rates, as quoted on a discount basis or otherwise, by Lehman Commercial Paper Inc., Goldman, Sachs & Co. and Merrill Lynch, Pierce, Fenner & Smith Incorporated or, in lieu of any thereof, their respective affiliates or successors which are commercial paper dealers (the "Commercial Paper Dealers"), to the Auction Agent before the close of business on the Business Day immediately preceding such date of determination.

For purposes of the definitions of Thirty-Day "AA" Composite Commercial Paper Rate, the "interest equivalent" means the equivalent yield on a 360-day basis of a discount-basis security to an interest-bearing security. If any Commercial Paper Dealer does not quote a commercial paper rate required to determine the Thirty-Day "AA" Composite Commercial Paper Rate, the Thirty-Day "AA" Composite Commercial Paper Rate shall be determined on the basis of the quotation or quotations furnished by the remaining Commercial Paper Dealer or Commercial Paper Dealers and any substitute commercial paper dealer not included within the definition of Commercial Paper Dealer above, which may be CS First Boston Corporation or Morgan Stanley Dean Witter or their respective affiliates or successors which are commercial paper dealers (a "Substitute Commercial Paper Dealer") selected by the Auction Agent (who shall be under no liability for such selection) to provide such commercial paper rate or rates not being supplied by any Commercial Paper Dealer or Commercial Paper Dealers, as the case may be, or if the Auction Agent does not select any such Substitute Commercial Paper Dealer or Substitute Commercial Paper Dealers, by the remaining Commercial Paper Dealer or Commercial Paper Dealers.

(b) If for any reason on any Auction Date the Reference Rate shall not be determined as hereinabove provided in this Section, the Reference Rate shall be the Reference Rate for the Auction Period ending on such Auction Date.

(c) The determination of the Reference Rate as provided herein shall be conclusive and binding upon the Authority, the Company, the Trustee, the Remarketing Agent, the Broker-Dealers, the Auction Agent and the Owners and Beneficial Owners of the Bonds.

Miscellaneous Provisions Regarding Auctions

(a) In this Appendix B, each reference to the purchase, sale or holding of Bonds shall refer to beneficial interests in Bonds, unless the context clearly requires otherwise.

(b) During an Auction Rate Period, the provisions of the Indenture and the definitions contained therein and described in this Appendix B, including without limitation the definitions of All Hold Rate, Default Rate, Interest Payment Date, Maximum Auction Rate, Reference Rate, Applicable Percentage and Auction Mode Rate, may be amended pursuant to the Indenture by obtaining the consent of the owners of all Bonds bearing interest at a Auction Mode Rate, as follows. If, on the first Auction Date occurring at least 20 days after the date on which the Trustee mailed notice of such proposed amendment to the registered owners of the Bonds as required by the Indenture, (i) the Auction Mode Rate which is determined on such date is the Winning Bid Rate and (ii) there is delivered to the Company and the Trustee an Opinion of Tax Counsel to the effect that such amendment shall not adversely affect the validity of the Bonds or any exemption from federal income tax to which the interest on the Bonds would otherwise be entitled, the proposed amendment shall be deemed to have been consented to by the owners of all affected Bonds affected by such amendment.

(c) During an Auction Rate Period, so long as the ownership of the Bonds is maintained in book-entry form by the Securities Depository, an Existing Owner or a beneficial owner may sell, transfer or otherwise dispose of a Bond only pursuant to a Bid or Sell Order in accordance with the Auction Procedures or to or through a Broker-Dealer, provided that (i) in the case of all transfers other than pursuant to Auctions, such Existing Owner or its Broker-Dealer or its Agent Member advises the Auction Agent of such transfer and (ii) a sale, transfer or other disposition of Bonds from a customer of a Broker-Dealer who is listed on the records of that Broker-Dealer as the Existing Owner of such Bonds to that Broker-Dealer or another customer of that Broker-Dealer shall not be deemed to be a sale, transfer or other disposition for purposes of this section if such Broker-Dealer remains the Existing Owner of the Bonds so sold, transferred or disposed of immediately after such sale, transfer or disposition.

Changes in Auction Period or Auction Date

(a) Changes in Auction Period.

(i) During any Auction Rate Period, the Company, may, from time to time on any Interest Payment Date, change the length of the Auction Period with respect to all of the Bonds in order to accommodate economic and financial factors that may affect or be relevant to the length of the Auction Period and the interest rate borne by such Bonds. Any such change in the Auction Period shall be deemed to be a change in Determination Method. The Company shall initiate the change in the length of the Auction Period by giving a conversion notice pursuant to Section 2.02(b)(1) of the Indenture.

(ii) The change in the length of the Auction Period shall not be effective unless Sufficient Clearing Bids existed at both the Auction before the date on which the notice of the proposed change was given as provided in this subsection (a) and the Auction immediately preceding the proposed change.

(iii) The change in length of the Auction Period shall take effect only if (i) Sufficient Clearing Bids exist at the Auction on the Auction Date for such first Auction Period, and (ii) on the proposed effective date, the Company provides the Trustee with a Favorable Opinion of Tax Counsel as to such change in the Auction Period. For purposes of the Auction for such first Auction Period only, each Existing Owner shall be deemed to have submitted Sell Orders with respect to all of its Bonds except to the extent such Existing Owner submits an Order with respect to such Bonds. If the conditions referred to in the first sentence of this sub-paragraph (iii) are not met, the Trustee shall notify the Auction Agent and then the Auction Mode Rate for the next Auction Period shall be the Maximum Auction Rate, and the Auction Period shall be a seven-day Auction Period.

(iv) On the conversion date of the Bonds selected for conversion from one Auction Period to another, any Bonds which are not the subject of a specific Hold Order or Bid will be deemed to be subject to a Sell Order.

(b) Changes in Auction Date. During any Auction Rate Period, the Auction Agent, with the written consent of the Company, may specify an earlier Auction Date (but in no event more than five Business Days earlier) than the Auction Date that would otherwise be determined in accordance with the definition of "Auction Date" in order to conform with then current market practice with respect to similar securities or to accommodate economic and financial factors that may affect or be relevant to the day of the week constituting an Auction Date and the interest rate borne on the Bonds. The Auction Agent shall provide notice of its determination to specify an earlier Auction Date for an Auction Period by means of a written notice delivered at least 45 days prior to the proposed changed Auction Date to the Trustee, the Authority, the Company, the Broker-Dealers, the Remarketing Agent and the Securities Depository.

Auction Agent

(a) The Auction Agent shall be The Bank of New York, or any successor appointed by the Company, to perform the functions specified herein. The Auction Agent shall designate its Principal Office and signify its acceptance of the duties and obligations imposed upon it hereunder by a written instrument, delivered to the Company, the Trustee, the Authority and each Broker-Dealer which shall set forth such procedural and other matters relating to the implementation of the Auction Procedures as shall be satisfactory to the Authority, the Company and the Trustee.

(b) Subject to any applicable governmental restrictions, the Auction Agent may be or become the owner of or trade in Bonds with the same rights as if such entity were not the Auction Agent.

Qualifications of Auction Agent; Resignation; Removal

The Auction Agent shall be (a) a bank or trust company organized under the laws of the United States or any state or territory thereof having a combined capital stock, surplus and undivided profits of at least $30,000,000, or (b) a member of NASD having a capitalization of at least $30,000,000 and, in either case, authorized by law to perform all the duties and obligations imposed upon it by the Indenture and a member of or a participant in, the Securities Depository. The Auction Agent may at any time resign and be discharged of the duties and obligations created by the Indenture by giving at least 90 days notice to the Company, the Authority and the Trustee. The Auction Agent may be removed at any time by the Company by written notice, delivered to the Auction Agent, the Authority and the Trustee. Upon any such resignation or removal, the Company shall appoint a successor Auction Agent meeting the requirements of this section. In the event of the resignation or removal of the Auction Agent, the Auction Agent shall pay over, assign and deliver any moneys and Bonds held by it in such capacity to its successor. The Auction Agent shall continue to perform its duties hereunder until its successor has been appointed by the Company. In the event that the Auction Agent has not been compensated for its services, the Auction Agent may resign by giving forty-five (45) days notice to the Company, the Authority and the Trustee even if a successor Auction Agent has not been appointed.

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September 26, 2002

SunTrust Capital Markets, Inc.
303 Peachtree Street, N.E.
Atlanta, GA 30308

Re: $42,000,000 Development Authority of Monroe County (Georgia) Pollution Control Revenue Bonds (Gulf Power Company Plant Scherer Project), First Series 2002

Ladies and Gentlemen:

We have acted as counsel to Gulf Power Company (the "Company") in connection with the purchase by you of $42,000,000 aggregate principal amount of Development Authority of Monroe County (Georgia) Pollution Control Revenue Bonds (Gulf Power Company Plant Scherer Project), First Series 2002 (the "Bonds"), pursuant to the Purchase Contract dated September 25, 2002 (the "Purchase Contract") between you and the Development Authority of Monroe County (the "Authority").

We have examined (i) the Official Statement dated September 23, 2002 relating to the Bonds, including Appendix A thereto (the "Official Statement"), which incorporates by reference the Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 2001, the Quarterly Reports on Form 10-Q of the Company for the quarters ended March 31, 2002 and June 30, 2002 and the Current Reports on Form 8-K of the Company dated January 18, 2002, February 13, 2002 and March 28, 2002 (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 September 1, 2002 (the "Trust Indenture") between the Authority and The Bank of New York Trust Company of Florida, N.A., as trustee; (iii) the Loan Agreement dated as of September 1, 2002 (the "Agreement") between the Authority and the Company: (iv) the promissory note dated September 26, 2002 (the "Note") in the principal amount of $42,000,000 issued by the Company pursuant to the Agreement; (v) the Purchase Contract; (vi) the Letter of Representation dated September 25, 2002 (the "Letter of Representation") among the Company, the Authority and you; (vii) the Auction Agreement dated as of September 1, 2002 (the "Auction Agreement") among the Company, the Trustee and The Bank of New York, as the auction agent (the "Auction Agent"); and (viii) the Broker-Dealer Agreement dated as of September 1, 2002 (the "Broker-Dealer Agreement") among the Auction Agent, SunTrust Capital Markets, Inc., as Broker-Dealer, and the Company.

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 Authority 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 later documents.

In rendering this opinion we have relied with respect to certain questions of conformity to the laws of the state of Georgia upon the opinion of Troutman Sanders LLP of even date herewith and with respect to matters of New York law upon the opinion of Dewey Ballantine LLP of even date herewith. We believe that such opinion is satisfactory and that you are justified in relying thereon, and we, on our part have relied thereon to the extent that it relates to such questions.

We are of the opinion, relying as to laws and regulations administered by the Securities and Exchange Commission 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 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 Agreement, the Auction Agreement, the Broker-Dealer Agreement, the Letter of Representation and the Note have been duly authorized, executed and delivered by the Company and, assuming due authorization, execution and delivery thereof by other parties 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 Auction Agreement, the Broker-Dealer 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 or 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 Broker-Dealer Agreement and the Letter of Representation.

3. The statements made in the Official Statement under the captions "The Bonds," "The Agreement" and "The Indenture," 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. 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 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.

5. The execution and delivery of the Agreement, the Note and the Letter of Representation by the Company will not result in a breach of or constitute a default under the Charter or by-laws 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 is 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 any of its property.

We have no knowledge of any material litigation or proceeding pending or threatened which challenges the validity of the Agreement, the Note or the Letter of Representation, or which seeks to enjoin the performance of the Company's obligations thereunder.

We have not independently verified the accuracy, completeness or fairness of the statements or included in the Official Statement 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 Authority and the Company of the Official Statement, we participated in conferences with certain officers and employees of the Company, with other counsel for the Company, with your counsel, with representatives of Deloitte & Touche LLP 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 other counsel for the Company, with your counsel and with representatives of Deloitte & Touche LLP. Based upon our examination of the Official Statement 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 Official Statement (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

Official Statement or the Exchange Act Documents or with respect to the information in the Official Statement under the captions "The Authority," "Underwriting" and "Tax Exemption."

We are members of the Florida Bar and we do not express any opinion herein concerning any law other than the law of the State of Florida, and to the extent set forth herein, the federal law of the United States and the laws of the States of Georgia, Mississippi, Maine 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, firm or corporation without our prior written consent, except that Dewey Ballantine LLP 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 Maine law.

Very truly yours,

BEGGS & LANE

TROUTMAN SANDERS LLP
ATTORNEYS AT LAW
A LIMITED LIABILITY PARTNERSHIP

BANK OF AMERICA PLAZA
600 PEACHTREE STREET, N.E. - SUITE 5200
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September 26, 2002

SunTrust Capital Markets, Inc.
303 Peachtree Street, N.E.
Atlanta, GA 30308

Re: $42,000,000 Development Authority of Monroe County (Georgia) Pollution Control Revenue Bonds (Gulf Power Company Plant Scherer Project) First Series 2002

Ladies and Gentlemen:

We have acted as counsel to Gulf Power Company (the "Company") in connection with the purchase by you of $42,000,000 aggregate principal amount of Development Authority of Monroe County (Georgia) Pollution Control Revenue Bonds (Gulf Power Company Plant Scherer Project), First Series 2002 (the "Bonds"), pursuant to the Purchase Contract dated September 25, 2002 (the "Purchase Contract"), between the Development Authority of Monroe County (the "Authority") and you.

We have examined (i) the Official Statement dated September 23, 2002 relating to the Bonds, including Appendix A thereto (the "Official Statement"), which incorporates by reference the Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 2001, the Quarterly Reports on Form 10-Q of the Company for the quarters ended March 31, 2002 and June 30, 2002 and the Current Reports on Form 8-K of the Company dated January 18, 2002, February 13, 2002 and March 28, 2002 (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 September 1, 2002 (the "Trust Indenture") between the Authority and The Bank of New York Trust Company of Florida, N.A., as trustee; (iii) the Loan Agreement dated as of September 1, 2002 (the "Agreement") between the Authority and the Company; (iv) the promissory note dated September 26, 2002 (the "Note") in the aggregate principal amount of $42,000,000 issued by the Company pursuant to the Agreement; (v) the Purchase Contract; (vi) the Letter of Representation dated September 25, 2002 (the "Letter of Representation") among the Company, the Authority and you; (viii) the Auction Agreement dated as of September 1, 2002 (the "Auction Agreement") among the Company, the Trustee and The Bank of New York, as auction agent (the "Auction Agent"); and (ix) the Broker-Dealer Agreement dated as of September 1, 2002 (the "Broker-Dealer Agreement") among the Auction Agent, SunTrust Capital Markets, Inc., as Broker-Dealer, and the Company. 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 Authority 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 later documents.

Based upon the foregoing, and subject to the qualifications and limitations stated herein, we are of the opinion, relying as to matters of Florida, Maine and Mississippi law upon the opinion dated the date hereof rendered to you by Beggs & Lane, a Registered Limited Liability Partnership ("Beggs & Lane"), and relying as to matters of New York law upon the opinion dated the date hereof rendered by Dewey Ballantine 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 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 Agreement, the Auction Agreement, the Broker-Dealer Agreement, the Letter of Representation and the Note have been duly authorized, executed and delivered by the Company and, assuming due authorization, execution and delivery thereof by 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 Auction Agreement, the Broker-Dealer 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 limiting the right to enforce indemnification provisions contained in the Broker-Dealer Agreement and the Letter of Representation.

3. The statements made in the Official Statement under the captions "The Bonds," "The Agreement" and "The Indenture" 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. 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 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.

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.

In rendering the opinion expressed in paragraph 5 above, we have relied upon the legal opinion dated the date hereof, rendered to you by King & Spalding, Bond Counsel, pursuant to the Purchase Contract 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 Official Statement 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 Authority and the Company of the Official Statement, we participated in conferences with certain officers and employees of the Company, with other counsel for the Company, with representatives of Deloitte & Touche LLP, with your counsel 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 other counsel for the Company, with your counsel and with representatives of Deloitte & Touche LLP. Based upon our examination of the Official Statement 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 Official Statement (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 Official Statement or the Exchange Act Documents or with respect to the information in the Official Statement under the captions "The Authority," "The Bonds — Book-Entry System," "Underwriting" 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 set forth herein, the laws of the States of Florida, Maine, Mississippi 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, firm or corporation without our prior written consent, except that Dewey Ballantine LLP and Beggs & Lane 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 Georgia law and except that Beggs & Lane may rely on this opinion in giving their opinion pursuant to Section 6 of the Purchase Contract insofar as such opinion relates to laws and regulations administered by the Commission.

Very truly yours,

Troutman Sanders LLP

TROUTMAN SANDERS LLP

KING & SPALDING

191 PEACHTREE STREET
ATLANTA, GEORGIA 30303-1763
TELEPHONE: 404/572-4600
FACSIMILE: 404/572-5100

DIRECT DIAL: DIRECT FAX:

September 26, 2002

Development Authority of Monroe County
Forsyth, Georgia

The Bank of New York Trust Company
of Florida, N.A., as trustee
Atlanta, Georgia

Gulf Power Company
Pensacola, Florida

SunTrust Capital Markets, Inc.
Atlanta, Georgia

Re: $42,000,000 Development Authority of Monroe County Pollution Control Revenue Bonds (Gulf Power Company Plant Scherer Project), First Series 2002

To the Addressees:

We have acted as Bond Counsel in connection with the issuance by the Development Authority of Monroe County, a public body corporate and politic of the State of Georgia (the "Authority"), of the Development Authority of Monroe County Pollution Control Revenue Bonds (Gulf Power Company Plant Scherer Project), First Series 2002, in the aggregate principal amount of $42,000,000 (the "Bonds"). We have examined the law and such certified proceedings, including a certified copy of the transcript of the validation proceeding concluded in the Superior Court of Monroe County, Georgia, with respect to the Bonds and certain other obligations, and other papers as we have deemed necessary to render this opinion. In all such examinations, we have assumed the genuineness of signatures on original documents and the conformity to original documents of all copies submitted to us as certified, conformed or photographic copies and, as to certificates of public officials, we have assumed the same to have been properly given and to be accurate.

The Bonds are being issued pursuant to resolutions of the Authority adopted on September 11, 2001 and September 10, 2002, and are being sold pursuant to a Purchase Contract, dated September 25, 2002 (the "Purchase Contract"), between the Authority and SunTrust Capital Markets, Inc. (the "Underwriter").

The Bonds are being issued for the purpose of refunding, pursuant to a Loan Agreement, dated as of September 1, 2002 (the "Agreement"), between the Authority, as lender, and Gulf Power Company, a Maine corporation (the "Company"), as borrower, (i) $22,000,000 in aggregate principal amount of the Authority's Pollution Control Revenue Bonds (Gulf Power Company Plant Scherer Project), First Series 1994 (the "First Series 1994 Bonds") and (ii) $20,000,000 in aggregate principal amount of the Authority's Pollution Control Revenue Bonds (Gulf Power Company Plant Scherer Project), Second Series 1994 (the "Second Series 1994 Bonds" and, together with the First Series 1994 Bonds, the "Refunded Bonds"), which were issued to finance or refinance a portion of the cost of the acquisition, construction and installation of certain air or water pollution control facilities and sewage or solid waste disposal facilities in Monroe County, Georgia (the "Facilities") for the benefit of the Company. The obligation of the Company to repay the loan made pursuant to the Agreement is evidenced by a Promissory Note, dated the date of this opinion (the "Note"), from the Company to the Authority, under the terms of which the Company has agreed to make payments sufficient to provide for the payment of the principal of, redemption premium (if any) and interest on, and the purchase price of, the Bonds as the same become due and payable. The Company has also agreed to pay certain administrative expenses in connection with the Bonds.

As security for the payment of the Bonds, the Authority has, pursuant to a Trust Indenture, dated as of September 1, 2002 (the "Indenture"), between the Authority and The Bank of New York Trust Company of Florida, N.A., as trustee (the "Trustee"), assigned to the Trustee and pledged to the payment of the principal of, redemption premium (if any) and interest on, the Bonds, all rights, title and interest of the Authority in the Agreement (except for certain amounts payable to the Authority with respect to indemnification and expenses) and the Note.

Contemporaneously with the sale and issuance of the Bonds, the Mississippi Business Finance Corporation (the "Mississippi Authority") has sold and is issuing its Solid Waste Disposal Facilities Revenue Refunding Bonds, Series 2002 (Gulf Power Company Project) (the "Mississippi Bonds") in the aggregate principal amount of $13,000,000. The proceeds of the sale of the Mississippi Bonds are being applied to the refunding of certain obligations of the Mississippi Authority which were issued to finance or refinance the cost of certain air or water pollution control facilities and sewage or solid waste disposal facilities (the "Mississippi Facilities") in the State of Mississippi, for the benefit of the Company. Under the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and applicable regulations, the Bonds and the Mississippi Bonds may be deemed to be a single issue of obligations for certain federal income tax purposes, and the exclusion of interest on the Bonds from gross income for federal income tax purposes may be dependent upon compliance by the Mississippi Authority and the Company with certain covenants with respect to the Mississippi Bonds. We express no opinion with respect to the validity or the exclusion from gross income of interest on the Mississippi Bonds. On the date of this opinion, McGlinchey Stafford, PLLC, Jackson, Mississippi, is delivering an opinion with respect to the Mississippi Bonds substantially to the same effect as this opinion.

As to questions of fact material to our opinion, we have relied upon (a) representations of the Authority and the Company, (b) certified proceedings and other certifications of public officials furnished to us, (c) certifications by officials of the Company, and (d) representations of the Company relating to the use of the proceeds of the Bonds and the obligations refunded thereby, the design, scope, function, cost and economic useful life of the Facilities and the relationship of the Facilities to the plant which they are designed to serve, contained in certificates of the Company without undertaking to verify the same by independent investigation.

We express no opinion with respect to (a) the corporate status and good standing of the Company, (b) the corporate power of the Company to enter into the Agreement and the Note and (c) the authorization, execution and delivery of the Agreement and the Note by the Company and with respect to the Agreement and the Note being binding and enforceable upon the Company. As to such matters, we refer you to the opinions of even date of Beggs & Lane, Pensacola, Florida, and Troutman Sanders LLP, Atlanta, Georgia, each counsel to the Company.

We have relied solely upon an opinion of even date of Vaughn, Wright & Stearns, LLP, Forsyth, Georgia, counsel to the Authority, with respect to the filing of a UCC-1 financing statement covering the granting of a security interest under the Indenture in all rights, title and interest of the Authority in the Agreement (except for certain amounts payable to the Authority with respect to indemnification and expenses) and the Note, and the fact that there are no other properly indexed financing statements or liens of record affecting the property in which such security interest has been granted.

Based upon our examination, we are of the opinion that as of the date hereof and under existing law as follows:

1. The Authority is a duly created and validly existing public body corporate and politic of the State of Georgia with the full power and authority (a) to issue and sell the Bonds, (b) to loan the proceeds from the sale of the Bonds to the Company for the purpose of refunding the Refunded Bonds and (c) to execute, deliver and perform its obligations under the Indenture, the Agreement, and the Purchase Contract.

2. The Indenture, the Agreement and the Purchase Contract have been duly authorized, executed and delivered by the Authority, and the Indenture, the Agreement and the Purchase Contract are valid and binding obligations of the Authority enforceable against the Authority. The Note has been assigned to the Trustee. The Indenture creates a valid security interest in all rights, title and interest of the Authority in the Agreement (except for certain amounts payable to the Authority with respect to indemnification and expenses) and the Note, subject to no equal, prior or other lien, charge or encumbrance, and a financing statement has been filed as required by the Georgia Uniform Commercial Code in order to perfect such security interest in the Agreement, and such security interest will continue in full force and effect as a perfected security interest for the benefit of the holders of the Bonds for a period of five years from the date of filing thereof.

3. The Bonds have been duly authorized, executed and delivered by the Authority and are valid, binding limited obligations of the Authority, secured by the Indenture and payable solely from the payments to be received by the Authority pursuant to the Note.

4. No authorization, approval, consent or other order of any governmental authority or agency is required for the valid authorization, execution, issuance and sale of the Bonds by the Authority and the valid authorization, execution and delivery of the Indenture, the Agreement and the Purchase Contract by the Authority, except for the authorizations, consents or approvals as have been obtained or may be required under state securities or "blue sky" laws.

5. The statements with respect to the Bonds in the Official Statement, dated September 23, 2002 (the "Official Statement") relating to the Bonds under the captions "Introduction", "The Bonds", "The Agreement", "The Indenture" and "Tax Exemption", insofar as they purport to constitute summaries of the documents or matters referred to therein, fairly and accurately summarize the portions of the documents or matters summarized therein. No opinion, however, is expressed with respect to the information under the caption "The Bonds - Book-Entry System." No other opinion is expressed with respect to the accuracy, completeness or fairness of the Official Statement, and no opinion is expressed with respect to the compliance by the Authority or the Underwriter with any federal or state statute, regulation or ruling with respect to the sale (other than the initial sale by the Authority) or distribution of the Bonds.

6. No 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, is required in connection with the offer and sale of the Bonds.

7. Under existing statutes, rulings and court decisions, and under applicable regulations and proposed regulations, the interest on the Bonds is not includable in gross income for federal income tax purposes except for interest on any Bond for any period during which such Bond is held by a "substantial user" of the Facilities or a "related person" within the meaning of Section 147(a) of the Code. Furthermore, interest on the Bonds is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations; however, with respect to corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings for purposes of computing the federal alternative minimum tax imposed on certain corporations. We express no opinion regarding any other federal tax consequences caused by the receipt or accrual of interest on, or ownership of, the Bonds. In rendering this opinion, we have assumed the continued compliance by the Authority, the Mississippi Authority and the Company with their respective covenants regarding certain requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that the interest on the Bonds be and continue to be excluded from gross income for federal income tax purposes.

Failure to comply with such covenants could cause interest on the Bonds to be included in federal gross income retroactive to the date of issuance of the Bonds.

8. Under existing statutes, the interest on the Bonds is exempt from all present State of Georgia income taxation.

The rights of the holders of the Bonds and the enforceability of the Bonds, the Agreement, the Indenture and the Purchase Contract may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting the enforcement of creditors' rights generally and principles of equity applicable to the availability of specific performance or other equitable relief. We have not undertaken to notify the Authority, the Trustee, the Company, the Underwriter or any other person or entity of any change in law or fact after the date of this opinion which might affect any of the opinions expressed herein.

Very truly yours,

KING & SPALDING

By: Lloyd C. Newton II

VAUGHN, WRIGHT & STEARNS LLP
ATTORNEYS AT LAW
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September 26, 2002

SunTrust Capital Markets, Inc.
Atlanta, Georgia

Gulf Power Company
Pensacola, Florida

King & Spalding
Atlanta, Georgia

The Bank of New York Trust Company of Florida, N.A., as trustee
Atlanta, Georgia

Re: $42,000,000 Development Authority of Monroe County Pollution Control Revenue Bonds (Gulf Power Company Plant Scherer Project), First Series 2002

To the Addressees:

As counsel for the Development Authority of Monroe County, a public body corporate and politic of the State of Georgia (the "Authority"), we have considered the validity of the issuance of $42,000,000 Development Authority of Monroe County Pollution Control Revenue Bonds (Gulf Power Company Plant Scherer Project), First Series 2002 (the "Bonds"), and in this connection we have examined:

(a) the Purchase Contract, dated September 25, 2002 (the "Purchase Contract"), between the Authority and SunTrust Capital Markets, Inc., as underwriter (the "Underwriter");

(b) the Letter of Representation, dated September 25, 2002 (the "Letter of Representation"), from Gulf Power Company (the "Company") to the Authority and the Underwriter;

(c) the Loan Agreement, dated as of September 1, 2002 (the "Agreement"), between the Authority and the Company, relating to the Bonds;

(d) the Promissory Note, dated the date of this opinion (the "Note"), issued by the Company pursuant to the Agreement;

(e) the Trust Indenture, dated as of September 1, 2002 (the "Indenture"), between the Authority and The Bank of New York Trust Company of Florida, N.A., as trustee (the "Trustee");

(f) the Constitution and laws of the State of Georgia, including specifically the Development Authorities Law (O.C.G.A. Section 36-62-1, et seq.), as amended (the "Act"), and an activating resolution of the Board of Commissioners of Monroe County, adopted on December 21, 1976;

(g) the resolutions of the Authority adopted on September 11, 2001 and September 10, 2002 (collectively, the "Resolution"), relating to the Bonds;

(h) a certified copy of the transcript of the validation proceeding concluded in the Superior Court of Monroe County, Georgia, with respect to the Bonds and certain other obligations;

(i) the real property records and Uniform Commercial Code records in the Office of the Clerk of the Superior Court of Monroe County, Georgia;

(j) the Official Statement, dated September 23, 2002 (the "Official Statement"), relating to the Bonds;

and such other documents, instruments and proceedings of the Authority as we have deemed relevant. All capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in the Purchase Contract.

Based on the foregoing, we are of the opinion that as of this date:

(1) The Authority is validly existing as a body corporate and politic under the Constitution and laws of the State of Georgia, and is an instrumentality of a political subdivision of such State with power and authority to refinance the Project, to issue and sell the Bonds, and to execute and deliver, and to carry out and perform its obligations under, the Indenture, the Agreement and the Purchase Contract and to accept the Letter of Representation.

(2) The Bonds have been duly authorized and executed and legally issued by the Authority and constitute valid and legally binding limited special obligations of the Authority in accordance with their terms.

(3) The Indenture, the Agreement, the Letter of Representation and the Purchase Contract have been duly authorized, executed and delivered by the Authority, and, assuming the due authorization, execution and delivery by the other respective

parties thereto, the Indenture, the Agreement and the Purchase Contract constitute valid and legally binding and enforceable obligations of the Authority, except to the extent that their enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting the enforcement of creditors' rights generally and principles of equity affecting the availability of specific performance or other equitable relief. The Note has been duly assigned to the Trustee.

(4) No action, proceeding or investigation is pending, or to our 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 Purchase Contract, the Letter of Representation or the Agreement, or the existence or powers of the Authority or the right of the Authority to loan the proceeds of the Bonds to the Company.

(5) Neither the execution, delivery, receipt or the due performance of the Indenture, the Agreement, the Purchase Contract, the Letter of Representation or the other agreements contemplated by the Purchase Contract or by the Official Statement under the circumstances contemplated thereby, nor the compliance by the Authority with the provisions thereof, nor the acceptance of the Letter of Representation, will conflict with, or constitute on the part of the Authority 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 Authority is subject or by which it is or may be bound.

(6) A financing statement relating to the Bonds has been filed pursuant to the Uniform Commercial Code of Georgia covering the granting of a security interest under the Indenture in all rights, title and interest of the Authority in the Agreement (except for certain amounts payable with respect to indemnification and expenses), and the Note, and there are no other properly indexed financing statements or liens of record affecting the property in which such security interests have been granted.

(7) The statements in the Official Statement under the caption "THE AUTHORITY", insofar as they purport to constitute summaries of the matters referred to therein, fairly and accurately summarize the matters summarized therein.

Very truly yours,

VAUGHN, WRIGHT & STEARNS, LLP

By: _____
James A. Vaughn

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. To the 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 any 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. 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 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 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, 1997

GULF POWER COMPANY

By: _____
Wayne Boston
Assistant Secretary

Exhibit G

THE SOUTHERN COMPANY AND SUBSIDIARY COMPANIES

Capitalization Ratios at March 31, 1997

	Consolidated per 10-Q	Pro Forma Amounts (C)	Equity	Debt
Capitalization (in thousands of dollars):				
Common stock	$3,405,594	$0	$3,405,594	
Paid-in capital	2,125,534	0	2,125,534	
Retained earnings	3,730,782	0	3,730,782	
Preferred stock	833,372	200,000 (A)	1,033,372	
Capital & preferred securities	1,353,500	189,250 (A)	1,542,750	
Long-term debt	9,699,757	400,000 (A)		$10,099,757
Preferred due within one year	116,155	0	116,155	
Long-term debt due within one year	466,515	0		466,515
Notes payable & commercial paper	2,024,235	0		2,024,235
Total (Incl Amts Due in 1 Year)	$23,755,444	$789,250	$11,954,187	$12,590,507
Actual Amounts in Millions of Dollars	**$23,756**		**$11,565**	**$12,191**
Actual Capitalization Ratios	**100.0%**		**48.7%**	**51.3%**
Pro Forma Amounts in Millions of Dollars	**$24,545**		**$11,954**	**$12,591**
Pro Forma Capitalization Ratios	**100.0%**		**48.7%**	**51.3%**

Pro Forma Consolidated Statements of Income (Unaudited)

(Stated in Thousands of Dollars)

	For the Twelve Months Ended March 31, 1997	Pro Forma (C)	As Adjusted
OPERATING REVENUES	$ 10,512,948	-	10,512,948
OPERATING EXPENSES:			
Operation--			
Fuel	2,228,043	-	2,228,043
Purchased power	1,289,336	-	1,289,336
Other	1,834,924	-	1,834,924
Maintenance	786,664	-	786,664
Depreciation and amortization	1,041,171	-	1,041,171
Amortization of deferred Plant Vogtle costs	140,518	-	140,518
Taxes other than income taxes	617,085	-	617,085
Income taxes	732,834	(16,281) (B)	716,553
Total operating expenses	8,670,575	(16,281)	8,654,294
OPERATING INCOME	1,842,373	16,281	1,858,654
OTHER INCOME:			
Allowance for equity funds used during construction	3,862	-	3,862
Interest income	66,245	-	66,245
Other, net	34,269	-	34,269
Income taxes applicable to other income	(2,764)	-	(2,764)
INCOME BEFORE INTEREST CHARGES	1,943,985	16,281	1,960,266
INTEREST CHARGES AND OTHER:			
Interest on long-term debt	542,498	27,500 (B)	569,998
Allowance for debt funds used during construction	(18,357)	-	(18,357)
Interest on notes payable	113,778	-	113,778
Amortization of debt discount, premium and expense, net	27,733	-	27,733
Other interest charges	48,100	-	48,100
Minority interest in subsidiaries	29,258	-	29,258
Distributions on capital and preferred securities of subsidiary companies	39,597	14,667 (B)	54,264
Preferred dividends of subsidiary companies	80,178	14,000 (B)	94,178
Interest charges and other, net	862,785	56,167	918,952
CONSOLIDATED NET INCOME	$ 1,081,200	(39,886)	1,041,314

(See Notes on Following Page)

NOTES

(A) To give effect to (i) the issuance by Georgia Power Capital Trust III of $189,250,000 of preferred securities, and (ii) the proposed issuance by Gulf Power Company of $200,000,000 of first mortgage bonds, $200,000,000 of preferred stock and $200,000,000 of pollution control obligations.

(B) To give effect to (i) the issuance by Georgia Power Capital Trust III of $189,250,000 of preferred securities at an annual rate of 7.75% and (ii) the proposed issuance by Gulf Power Company of $200,000,000 of first mortgage bonds at an assumed rate of 7.75%, $200,000,000 of preferred stock at an assumed rate of 7%, and $200,000,000 of pollution control obligations at an assumed rate of 6%.

(C) 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 effec upon Southern Company consolidated capitalization and earnings. In addition, no assumptions are made in connection with possible refundings.

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 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%.

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 B.14.

Description of Holder

$42,000,000 Auction Rate Development Authority of Monroe County, Georgia Pollution Control Revenue Bonds

Name of Underwriters	Principal Amount of Notes
SunTrust Capital Markets, Inc. 3333 Peachtree Road, N.E. Atlanta, Georgia 30326	$ 42,000,000

Underwriters Fees: $147,000

EXHIBIT B.15.

GULF POWER COMPANY
Schedule of Debt Discount and Expense
The Issuance and Sale of $42,000,000 Principal Amount Monroe County Pollution Control Revenue Refunding Bonds, Variable Rate Series Due 2037

Item Number	Issuance Expense For:	Amount $
1	Charges of Trustee (Including Counsel)	6,199.99
2	Fees & Expenses of Counsel	172,591.89
3	Fees of Accountants	22,677.50
4	Expenses of Southern Company Services, Inc.	4,084.22
5	Rating Agency	40,372.00
6	Miscellaneous Expenses	10,733.73
	Total Expenses of Issue	$256,659.33
	Underwriter's Fee	147,000.00
	Total	$403,659.33

EXHIBIT C.1.

MISSISSIPPI BUSINESS FINANCE CORPORATION

to

HANCOCK BANK

as Trustee

TRUST INDENTURE

Dated as of September 1, 2002

Relating to

$13,000,000
Mississippi Business Finance Corporation
Solid Waste Disposal Facilities Revenue Refunding Bonds
Series 2002
(Gulf Power Company Project)

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TRUST INDENTURE

THIS INDENTURE made and entered into as of September 1, 2002, by and between the MISSISSIPPI BUSINESS FINANCE CORPORATION, a public corporation duly created and validly existing pursuant to the Constitution and laws of the State of Mississippi (the "Issuer"), and Hancock Bank, Baton Rouge, Louisiana, a bank 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 State of Mississippi, as trustee (the "Trustee").

RECITALS

A. The Issuer is authorized by the provisions of Sections 57-10-201 *et seq.*, Mississippi Code of 1972, as amended and supplemented (the "Act"), including particularly Section 57-10-213, among other things, to provide financial assistance to businesses in the State of Mississippi by providing loans and to issue refunding bonds for the purpose of financing and refinancing the projects of "eligible businesses" under the Act.

B. In furtherance of its statutory purposes, the Issuer has entered into a Loan Agreement dated as of September 1, 2002 (the "Agreement") with Gulf Power Company (the "Company") providing for the undertaking by the Issuer to loan amounts to the Company in order to currently refund the Prior Bonds (as defined hereinafter) heretofore issued to refinance the Project (as hereinafter defined).

C. The Agreement provides that, for the purposes therein set forth, the Issuer will issue and sell its Solid Waste Disposal Facilities Revenue Refunding Bonds, Series 2002 (Gulf Power Company Project), in the aggregate principal amount of $13,000,000 (the "Bonds"); that the Issuer will loan the proceeds of the Bonds to the Company; that the Company will cause the Prior Bonds to be currently redeemed; 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.

D. 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 the Resolution duly adopted by the Issuer.

E. All acts, conditions and things required by the Constitution and laws of the State of Mississippi to happen, exist and be performed precedent to and in connection with the execution and delivery of this Indenture and the Agreement have happened, exist and have been performed as so required, in order to make this Indenture a valid and binding trust indenture for the security of the Bonds in accordance with its terms and in order to make the Agreement a valid and binding agreement in accordance with its terms.

F. 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 provided.

G. 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 mandatory tender 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 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 interest of the Issuer in, to and under 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 interest 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 and tender 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 or the Company; 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, words or terms defined in the preamble and recitals of this Indenture shall have the meanings specified therein, and the following terms shall have the following meanings; provided, however, that any terms used herein relating to Bonds in the Auction Mode Rate Determination Method or Auction Procedures that are not expressly defined below shall be deemed to have the meanings provided in the auction procedures set forth in *Exhibit B, Auction Procedures,* attached hereto:

"*Act*" means the provisions of Sections 57-10-201 et seq., Mississippi Code of 1972, as amended and supplemented.

"*Agreement*" means the Loan Agreement dated as of September 1, 2002, between the Issuer and the Company, as amended and supplemented from time to time.

"*Arbitrage Rebate Agreement*" means that certain agreement dated as of September 1, 2002, among the Issuer, the Company and the Trustee, as amended and supplemented from time to time.

"*Auction Rate Period*" means each period of time when the Bonds bear interest at Auction Mode Rates.

"*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.

"*BMA Index*" means, as of any date, the rate calculated according to the Bond Market Association Municipal Swap Index as of the most recent date for which such index was published or such other weekly, high-grade index composed of weekly, tax-exempt variable rate demand notes produced by Municipal Market Data, Inc. or any successor thereto, or as otherwise designated by the Bond Market Association.

"*BMA Margin*" is defined in Section 2.02(a)(6)(i).

"*Bond Fund*" means the trust fund created by Section 4.04 of this Indenture.

"*Bondholder*" or "*holder*" means the registered owner of any Bond.

"*Bonds*" means the Solid Waste Disposal Facilities Revenue Refunding Bonds, Series 2002 (Gulf Power Company Project), issued by the Issuer hereunder in the aggregate principal amount of $13,000,000.

"*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, Gulfport, Mississippi, or the city in which the principal 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; provided, however, that during an Auction Rate Period the definition of "Business Day" shall be supplemented as provided in *Exhibit B*.

"*Code*" means the Internal Revenue Code of 1986, as amended, and the applicable Treasury Regulations promulgated thereunder as the same may be applicable to the Bonds.

"*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 4.4 of the Agreement.

"*Conversion Notice*" is defined in Section 2.02(b)(1).

"*corporation*" includes corporations, partnerships, limited partnership, limited liability partnerships, limited liability companies, associations, companies and business trusts.

"*Daily Rate*" means an interest rate on the Bonds set under Section 2.02(a)(1).

"*Determination Method*" is defined in Section 2.02(a) hereof.

"*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.

"*Index*" means the BMA Index or LIBOR Index, as applicable.

"*Index Adjustment Date*" is defined in Section 2.02(a)(6)(i).

"*Index Period*" means any period of time established by the Company pursuant to Section 2.02(b)(1) during which the Bonds bear interest at the Index Rate.

"*Index Rate*" means an interest rate on the Bonds set under 2.02(a)(6).

"*Index Rate Determination Date*" means (i) if the applicable Index is the LIBOR Index, the second London Business Day immediately preceding the first day of the relevant Index Period or, if the applicable Index is the BMA Index, the Business Day immediately preceding the first day of the relevant Index Period; and (ii) the second London Business Day or Business Day, as the case may be, preceding each Thursday during the relevant Index Period thereafter.

"*Initial Interest Period*" is defined in the form of the Bond appearing in *Exhibit A* hereto.

"*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.

"*Insurer*" means Ambac Assurance Corporation, a Wisconsin domiciled stock insurance company, or any successor issuer of the Policy with respect to the Bonds.

"*LIBOR Index*" for any Index Rate Determination Date or for any Index Adjustment Date, as applicable, will be the Reported Rate for deposits in U.S. dollars having an index maturity of one month for a period commencing on the second London Business Day immediately following the Index Rate Determination Date or any Index Adjustment, as applicable, in amounts of not less than $1,000,000, at approximately 11:00 a.m., London time on the Index Rate Determination Date.

"*LIBOR Percentage*" is defined in Section 2.02(a)(6)(i).

"*London Business Day*" means a day that is a Business Day and a day on which dealings in deposits in U.S. dollars are transacted, or with respect to any future date are expected to be transacted, in the London interbank market.

"*Long-Term Interest Rate*" means the interest rate on the Bonds for the Initial Interest Period or an interest rate on the Bonds set under Section 2.02(a)(4).

"*Long-Term Interest Rate Period*" means the Initial Interest Period or any period as defined in Section 2.02(a)(4).

"*Maturity Date*" means the stated maturity for the Bonds as set forth in Section 2.01.

"*Note*" means the promissory note executed and delivered by the Company in the form attached to the Agreement concurrently with the issuance of the Bonds in a like principal amount bearing interest at the rate or rates to be borne by the Bonds.

"*Opinion of Counsel*" means a written opinion of counsel selected by the Company 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.

"*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 cancelled 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 2.06 (relating to registration and exchange of Bonds) or Section 2.07 (relating to mutilated, lost, stolen, destroyed or undelivered Bonds).

Bonds purchased pursuant to tenders 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 2.07.

"*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.

"*Policy*" means the Financial Guaranty Policy issued by the Insurer with respect to the Bonds, or a replacement bond policy or similar agreement.

"*Principal*," when used with reference to any Bonds, includes any premium payable on those Bonds.

"Prior Bonds" shall have the meaning assigned to it in the Resolution.

"*Prior Bonds Trustee*" means Hancock Bank, in its capacity as trustee for the Prior Bonds.

"*Prior Indenture*" means the trust indenture, as supplemented and amended, under which the Prior Bonds were issued.

"*Project*" shall have the meaning assigned to it in the Resolution.

"*Rebate Requirement*" shall have the meaning set forth in the Arbitrage Rebate Agreement.

"*Record Date*" is defined in the form of the Bonds appearing as *Exhibit A* hereto except when the Bonds bear interest at an Auction Mode Rate, the Record Date will be the second Business Day immediately preceding an Interest Payment Date.

"*Remarketing Agent*" means the Remarketing Agent appointed by the Company pursuant to Section 9.15 of this Indenture and its successors under this Indenture.

"*Reported Rate*" means the rate that appears on Telerate Page 3750 or a successor reporter of such rates selected by the Remarketing Agent and acceptable to the Company.

"Resolution" means the resolution of the Issuer adopted on September 18, 2002 in connection with the sale and issuance of the Bonds and the current refunding of the Prior Bonds attached hereto as *Exhibit C*.

"*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.

"Spread" is defined in Section 2.02(a)(6)(i).

"*State*" means the State of Mississippi.

"*Telerate Page 3750*" means the display designated on page 3750 on Moneyline Telerate, Inc. (or such other page as may replace the 3750 page on that services or such other service as may be nominated by the British Bankers' Association for the purpose of displaying London interbank offered rates for U.S. dollar deposits).

"*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 the second paragraph of Section 3.2 and under Section 4.2 and Section 5.3 of the Agreement.

"*Weekly Index Period*" means, while the Bonds bear interest at an Index Rate, each weekly period beginning on a Thursday and ending on a Wednesday.

"*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 "Mississippi Business Finance Corporation Solid Waste Disposal Facilities Revenue Refunding Bonds, Series 2002 (Gulf Power Company Project)." The total principal amount of Bonds that may be outstanding shall not exceed $13,000,000. The Bonds shall be substantially in the form of *Exhibit A* hereto, 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, will bear interest from that date and shall mature, subject to prior redemption or mandatory tender, on September 1, 2028. 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 2.02. The 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 paragraph (a) below.

(a) *Interest Rate Determination Methods.* In accordance with the notification requirements described herein, the Company shall determine the applicable method for determining interest on the Bonds (each a "Determination Method"). The interest rate on the Bonds shall be determined by one of the following Determination Methods; provided, however, that 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 270 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 270 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.* Except with respect to the Initial Interest Period, the Remarketing Agent will set a Long-Term Interest Rate on a date not less than three Business 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 with respect to any Long-Term Interest Rate Period 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 for delivery on the effective date of the Long-Term Interest Rate at their principal amount (without regard to accrued interest).

(5) *Auction Mode Rate.* During an Auction Rate Period, the Auction Mode Rate will be determined by the Auction Agent in accordance with the provisions set forth in *Exhibit B* hereto which is part of this Indenture.

(6) *Index Rate.* During an Index Period, the Bonds will bear interest at the Index Rate to be determined as follows:

(i) On the first day of the applicable Index Period and on the first Index Rate Determination Date following each six month anniversary of such date until the end of the Index Period (each, an "Index Adjustment Date"), the Remarketing Agent shall (A) depending on the Index, determine the minimum percentage of the LIBOR Index (the "LIBOR Percentage") or the minimum number of basis points above or below the BMA Index (the "BMA Margin," the BMA Margin and the LIBOR Percentage are hereinafter sometimes referred to as the "Spread"), as applicable, that would be 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) to allow the Remarketing Agent to sell the Bonds on the date and at the time of such determination at their principal amount (without regard to accrued interest) if such Bonds were being

sold on such date, and (B) notify the Trustee and the Company of the applicable Spread for such six month period.

(ii) On each Index Rate Determination Date, (A) the Remarketing Agent shall, no later than 11:00 a.m. on such date, notify the Trustee, depending on the applicable Index, of the LIBOR Index or the BMA Index to apply for the next succeeding Weekly Index Period. The applicable Index as determined by the Remarketing Agent adjusted by the applicable Spread will be the interest rate borne by the Bonds from the first Thursday after such date through the following Wednesday; provided, that, if the applicable Index Rate Determination Date is a day following the Thursday in any week, the Index Rate so determined will be in effect from the next preceding Thursday through the following Wednesday.

(iii) Promptly upon the determination of the Index Rate by the Remarketing Agent, the Remarketing Agent will notify the Company and the Trustee of the Index Rate for the applicable period. The Index Rate determined by the Remarketing Agent, absent manifest error, shall be binding and conclusive upon the Beneficial Owners, Bondholders, the Company and the Trustee.

(iv) If the following circumstances exist on any Index Rate Determination Date, the Index Rate shall be determined as follows:

(A) In the event that the applicable Index on such Index Rate Determination Date is the BMA Index and the BMA Index has not been published or set, the Index Rate for the succeeding Weekly Index Period shall be the minimum percentage of LIBOR Index that would be 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) to allow the Remarketing Agent to sell the Bonds on the date and at the time of such determination at its principal amount (without regard to accrued interest) if the Bonds were being sold on such date.

(B) In the event that the applicable Index on such Index Rate Determination Date is LIBOR Index and no Reported Rate appears on Telerate Page 3750 as of approximately 11:00 a.m., London time, on an Index Rate Determination Date, the Index Rate for the succeeding Weekly Index Period shall be based on the Reported Rate for the preceding week; provided, however, that if no Reported Rate appears in Telerate Page 3750 for two consecutive weeks, the Index Rate shall be determined by the Remarketing Agent and shall be the minimum percentage of four week Treasury Bills that would be 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) to allow the Remarketing Agent

to sell the Bonds on such date and at the time of such determination at its principal amount (without regard to accrued interest) if the Bonds were being sold on such date.

(C) In the event that neither Index is available, the Index Rate for the succeeding Weekly Index Period shall be the minimum percentage of a referenced Treasury security selected by the Remarketing Agent that would be 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) to allow the Remarketing Agent to sell the Bonds on such date and at the time of such determination at its principal amount (without regard to accrued interest) if the Bonds were being sold on such date.

(v) The foregoing notwithstanding, if the commencement of an Index Period does not coincide with the commencement of the first succeeding Weekly Index Period, the interest rate to be borne by the Bonds from the date of the commencement of the Index Period until the commencement of the first succeeding Weekly Index Period shall be a rate determined by the Remarketing Agent prior to the commencement of such Index Period, and such rate shall be the rate that would be 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) to allow the Remarketing Agent to sell the Bonds on such date and at the time of such determination at their principal amount (without regard to accrued interest) if the Bonds were being sold on such date.

(7) *Failure of Remarketing Agent to Announce Interest Rates or Spread on the Bonds*. Except as set forth in *Exhibit B*, if the appropriate interest rate, Spread or Commercial Paper Period is not or cannot be determined for any 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 BMA Index plus the BMA Margin or, if the BMA Index is unavailable, the LIBOR Index multiplied by the LIBOR Percentage, or if the LIBOR Percentage is unavailable, 90% of the 30-day Treasury rate, until such time as the Determination Method for the Bonds can be changed in accordance with Section 2.02(b); provided, however, during an Index Period, if the applicable Index is not available, clause (iv)(A), (iv)(B) or (iv)(C), as applicable, of Section 2.02(a)(6) shall be effective instead of this clause (7); provided further, 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 3.07(b).

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 (7), 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) *Initial Interest Rate Determination Method; Change in Interest Rate Determination Method.* The Bonds shall bear interest as of the effective date of this Indenture at a Long-Term Interest Rate. Interest on the Bonds will initially be payable at a Long-Term Interest Rate of 4.80% per annum for the Initial Interest Period. The Company may change the Determination Method from time to time by notifying, as applicable, the Auction Agent, the Issuer, the Trustee, the Remarketing Agent and the Broker Dealer(s) in writing. Such notice (a "Conversion Notice") shall contain (a) the effective date of such change, (b) the proposed 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 next precedes a Business Day and is at least 365 days after the effective date); provided, however, that if the change is (x) to or from an Auction Rate Period, the notice shall be given in accordance with Sections 2.03(a) or 2.03(b), as applicable, and (y) if such change is to an Index Period, such notice shall also specify the applicable Index for such Index Period and the length of such Index Period. 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. If the Company's notice complies with this paragraph, and if the Company shall deliver a confirming Favorable Opinion of Tax Counsel addressed to the Trustee and the Issuer on the effective date as specified in the notice, the interest rate on the Bonds will be determined on the basis of the new rate on the effective date specified in the notice until there is another change as provided in this Section.

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 Determination Method as provided in the foregoing paragraph.

If the Company wishes to change the Determination Method to or from an Auction Mode Rate, the Company must comply with Section 2.03 as well as this Section 2.02(b)(1).

If, 30 days before the end of a Long-Term Interest Rate Period (including the Initial Interest 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 Determination Method will apply, except:

(A) the mandatory tender described under "Mandatory Tender Upon a Change in the Determination Method" 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 (i) 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, (ii) 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, and (iii) no other change in the security for the Bonds or in this Indenture or the terms of the Bonds is made which is effective as of, or agreed to in connection with, the effective date of such subsequent Long-Term Interest Rate Period.

(2) *Limitations*. Any change in the Determination Method 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 receipt by the Trustee of the Company's Conversion Notice;

(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 as described under "Optional Redemption During Long-Term Interest Rate Period" in Section 9 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;

(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 Conversion Notice, the day after the last day of each Commercial Paper Period shall be, with respect to such Bond, not later than 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;

(viii) if an Auction Mode Rate is then in effect, the effective date of any change must be the day after the last day of the Auction Period then in effect;

(ix) if an Index Rate is then in effect, the effective date of any change must be the day after the last day of the Index Period then in effect;

(x) any change in the Auction Period with respect to a Bond in an Auction Rate Determination Method or in the Index applicable to Bonds in an Index Rate Determination Method shall be deemed to be a change in the Determination Method for purposes of this Indenture; and

(xi) in the event of a conversion to an Auction Rate Determination Method from Commercial Paper Mode, the effective date of such conversion may not be earlier than the day following the last day of the longest Commercial Paper Period then in effect.

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, Long-Term Interest Rate, Auction Mode Rate or Index Rate, as applicable, shall be governed by the provisions of this Indenture applicable to such Determination Methods.

(c) *Calculation of Interest.* The Remarketing Agent or the Auction Agent, as applicable, shall provide the Trustee and the Company with notice in writing or by other electronic means 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 (other than the Initial Interest Period), of the Long-Term Interest Rate or Long-Term Interest Rates set for that period,

(5) on the first Business Day of each Auction Period, of the Auction Mode Rate set for that period,

(6) on each Index Rate Adjustment Date, the Spread,

(7) on each Index Rate Determination Date during an Index Period, depending on the applicable Index, the LIBOR Index or BMA Index for such date, and

(8) 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 or the Auction Agent, as the case may be, will inform the Trustee and the Company orally at the oral request of either of them of any interest rate so set. 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 or the Auction Agent, as applicable, 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 Determination Method at the direction of the Company pursuant to Section 2.02(b)(1) of this Indenture if the Company shall fail to deliver a Favorable Opinion of Tax Counsel and confirmation thereof if required under Section 2.02(b)(1). If the Trustee shall have sent any notice to the Bondholders regarding a change in rate pursuant to Section 3.07(b), 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 Changes to and from Auction Mode Rate Determination Method.

(a) *Changes to Auction Mode Rate.* At the option of the Company, all of the Bonds may be converted from another Determination Method to the Auction Mode Rate Determination Method. Any such conversion shall be made as follows:

(1) In any such conversion from another Determination Method, the effective date for the Auction Rate Period shall be a regularly scheduled Interest Payment Date on which interest is payable for the Interest Period from which the conversion is to be made.

(2) The Company shall give written notice of any such conversion to the Remarketing Agent, the Issuer, the Trustee, the Auction Agent, and the Broker-Dealer not less than 15 days prior to the proposed effective date for the change. Such notice shall specify the information required pursuant to Section 2.02(b)(1) and the length of the Auction Period for such Auction Rate Period. Together with such notice, the Company shall file with the Issuer and the Trustee an Opinion of Tax Counsel to the effect that the conversion of the Bonds to an Auction Mode Rate Determination Method shall not adversely affect the validity of the Bonds or any exclusion from gross income for federal income tax purposes to which interest on the Bonds would otherwise be entitled. No such change to an Auction Mode Rate Determination Method shall become effective unless the Company shall also file, with the Issuer and the Trustee, an Opinion of Tax Counsel to the same effect dated the effective date for the Auction Mode Rate.

(3) At least 15 days prior to the effective date for the Auction Mode Rate, the Trustee shall mail a written notice of the conversion to the owners of all Bonds to be converted.

(4) The initial Auction Mode Rate for the Auction Period commencing on the effective date for the Auction Mode Rate shall be the lowest rate which, in the judgment of the Broker-Dealer, is necessary to enable the Bonds to be remarketed at a price equal to the principal amount thereof, plus accrued interest, if any, on the effective date for the Auction Mode Rate. Such determination shall be conclusive and binding upon the Issuer, the Company, the Trustee, the Auction Agent and the owners of the Bonds to which such rate will be applicable.

(5) Not later than 5:00 p.m., New York City time, on the date of determination of the Auction Mode Rate, the Broker-Dealer shall notify the Trustee and the Company of the Auction Mode Rate by telephone, promptly confirmed in writing.

(6) Interest on the Bonds in an Auction Period of 180 days or less will be computed on the basis of actual days over 360 and in an Auction Period greater than 180 days on the basis of a 360-day year of twelve 30-day months.

(7) The Company may revoke its election to effect a conversion of the interest rate on any Bonds to an Auction Mode Rate by giving written notice of such revocation to the Trustee, the Remarketing Agent, the Auction Agent and the Broker-Dealer at any time prior to the setting of the Auction Mode Rate by the Broker-Dealer.

(8) No Bonds may be converted to the Auction Mode Rate Determination Method when the Bonds are not held by a Securities Depository.

(b) *Conversions from Auction Mode Rate Determination Method.* At the option of the Company, all of the Bonds may be converted from an Auction Rate Period to another Determination Method. Any such conversion shall be made as follows:

(1) The effective date for the new Determination Method shall be the second regularly scheduled Interest Payment Date following the final Auction Date.

(2) The Company shall give written notice of any such conversion to the Issuer, the Trustee, the Remarketing Agent, the Auction Agent and the Broker-Dealer(s) not less than 15 days prior to the proposed effective date for the change. Such notice shall specify the effective date for the new Determination Method, the Determination Method to which the conversion will be made and any additional information required pursuant to Section 2.02(b)(1). Together with such notice, the Company shall file with the Issuer and the Trustee an Opinion of Tax Counsel to the effect that the conversion of the Bonds to be converted will not adversely affect the validity of the Bonds or any exclusion from gross income for federal income tax purposes to which interest on the Bonds would otherwise be entitled. No change to the new Determination Method shall become effective unless the Company shall also file, with the Issuer and the Trustee, an Opinion of Tax Counsel to the same effect dated the effective date for the new Determination Method.

(3) At least 15 days prior to the effective date for the new Determination Method, the Trustee shall mail a written notice of the conversion to the owners of all Bonds to be converted, specifying the effective date for the new Determination Method.

(4) If on the effective date for the new Determination Method any condition precedent to such conversion required under the Indenture is not satisfied, the Trustee will give written notice by first class mail postage prepaid as soon as practicable, and in any event not later than the next succeeding Business Day, to the Bondholders to have been converted, that such conversion has not occurred, that Bonds will not be purchased on the failed effective date for the new Determination Method, that the Auction Agent will continue to implement the Auction Procedures on the Auction Dates with respect to such Bonds which otherwise would have been converted excluding however, the Auction Date falling on the Business Day next preceding the failed effective date for the new Determination Method, and that the interest rate will continue to be the Auction Mode Rate; *provided, however*, that the interest rate borne by such Bonds during the Auction Period commencing on such failed effective date for the new Determination Method will be the Maximum Auction Rate, and the Auction Period will be the seven-day Auction Period.

(5) On the conversion date applicable to the Bonds to be converted, the Bonds to be converted shall be subject to mandatory tender at a purchase price equal to 100% of the principal amount thereof, plus accrued interest. The purchase price of such Bonds so tendered shall be payable solely from the proceeds of the remarketing of such Bonds. In the event that the conditions of a conversion are not satisfied, including the failure to remarket all applicable Bonds on a mandatory tender date, the Bonds to have been

converted will not be subject to mandatory tender, will be returned to their owners, will automatically convert to a seven-day Auction Period and will bear interest at the Maximum Auction Rate.

Section 2.04 Execution and Authentication. The Bonds shall be signed on behalf of the Issuer with the manual or facsimile signature of its Executive Director and attested by the manual or facsimile signature of its Secretary or Assistant Secretary, 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 Executive Director of the Issuer, to authenticate and deliver the Bonds to the persons and in the manner therein described.

Section 2.05 Bond Register. Bonds must be presented at the principal corporate trust office of the Trustee for registration of transfer, exchange and, except as otherwise provided herein, and payment. 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 2.06 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, 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, premium, if any, or purchase price shall be made only to or upon the written order of the Bondholder or the Bondholder'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 2.07 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 indemnity satisfactory to the Trustee. If the Bond has matured or become subject to redemption or tender, instead of issuing a replacement Bond, the Trustee may with the consent of the Company pay the Bond or the Company may purchase 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 and the Trustee may charge the Bondholder their reasonable fees and expenses in this connection.

If a Bond is tendered for purchase 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 is ever delivered, and the undelivered Bonds shall be cancelled 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 2.08 Cancellation of Bonds. Whenever a Bond is delivered to the Trustee for cancellation (upon payment, redemption, tender or otherwise), or for registration of transfer, exchange or replacement pursuant to Section 2.06 or Section 2.07, the Trustee will promptly cancel and dispose of the Bond in accordance with the Trustee's policy of disposal. The Trustee may but, shall not be required to, destroy cancelled Bonds.

Section 2.09 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, MANDATORY TENDER 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 4.8 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 4.8 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, the Auction Agent and the Broker-Dealer. 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 During Long-Term Interest Rate Period," "Extraordinary Optional Redemption," "Optional Redemption During Daily or Weekly Rate Period" or "Optional Redemption During Auction Rate Period" in Section 9 of the form of the Bonds, unless moneys sufficient to pay the principal of, 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, further notice (the "*Additional Redemption Notice*") shall be given by the Trustee as set out below. No defect in the Additional Redemption Notice nor any failure to give all or any portion of the Additional Redemption 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 Redemption Notice 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 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 Redemption Notice 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 any 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 The Depository Trust Company of New York, New York and Midwest Securities Trust Company of Chicago, Illinois) 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 Redemption Notice) pursuant to this Section and the information required in any notice of tender (including an Additional Tender Notice) 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 9 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 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 in part, the Trustee will authenticate for the holder a new Bond or Bonds in authorized denominations equal in principal amount to the unredeemed portion of the Bond surrendered.

Section 3.07 Mandatory Tender.

(a) *Mandatory Tender of Bonds Upon Change in Interest Rate Determination Method or Expiration of Index Period.*

(i) Subject to the provisions of Section 2.03(b) hereof, upon the effective date of any change in Determination Method, the Outstanding Bonds will be subject o mandatory tender for a purchase price equal to 100% of the principal amount thereof, plus accrued interest to the purchase date or such other amount as specified in the Bond.

(ii) When a new Index Period immediately follows the expiration of a prior Index Period, the Outstanding Bonds will be subject to mandatory tender for a purchase price equal to 100% of the principal amount thereof, plus accrued interest to the purchase date or such other amount as specified in the Bond on the commencement date of the new Index Period.

(iii) The Company must give the Bondholders notice as provided below. The Trustee will purchase the Bonds pursuant to this Section only as provided in Section 4.02.

(b) *Notice to Bondholders of Change in Interest Rate Determination Method.* When a change in the Determination Method is to be made, or upon commencement of a new Long-Term Interest Rate Period or a new Index Period immediately after a prior Index Period, the Trustee will, upon notice from the Company pursuant to Section 2.02(b), notify the affected Bondholders by first class mail at least 15 days before the effective date of the change or the commencement of a new Long-Term Interest Rate Period or Index Period, except that (i) such notice shall be given at least 30 days prior to the effective date if a Long-Term Interest Rate Period is in effect and the effective date is on or before the end of the Long-Term Interest Rate Period and (ii) no notice shall be given with respect to a tender under "Mandatory Tender on Each Interest Payment Date During Commercial Paper Mode" in Section 7 of the form of the Bonds. The notice shall be effective when sent and shall state:

(1) the purchase date (and, if the Bonds provide that accrued interest will not be paid on the purchase date, the date it will be paid);

(2) the purchase price;

(3) that the Bonds to be tendered must be surrendered to collect the purchase price;

(4) the address at which or the manner in which the Bonds must be surrendered;

(5) that interest on the Bonds to be tendered ceases to accrue on the purchase date;

(6) that the interest rate determination method will be changed and what the new method will be;

(7) the proposed effective date of the new rate; and

(8) that a mandatory tender will result on the effective date of the change as provided in the Bonds.

Failure to give any required notice of tender as to any particular Bonds or any defect therein will not affect the validity of the tender 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.

(c) *Additional Notice of Tender.* In addition to the tender notice required above, further notice (the "Additional Tender Notice") shall be given by the Trustee as set out below. No defect in the Additional Tender Notice nor any failure to give all or any portion of the Additional Tender Notice shall in any manner defeat the effectiveness of a tender notice if notice is given as prescribed in paragraph (b) above.

(1) Each Additional Tender Notice shall contain the information required in paragraph (c) above for an official notice of tender plus (i) the CUSIP numbers of all Bonds being tendered; (ii) the date of the Bonds as originally issued; (iii) the maturity date of each Bond being purchased; and (iv) any other descriptive information needed to identify accurately the Bonds being purchased.

(2) Each Additional Tender Notice shall be sent at least 30 days before the purchase 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 any 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 The Depository Trust Company of New York, New York and Midwest Securities Trust Company of Chicago, Illinois) and to one or more national information services that disseminate notices of purchase of obligations such as the Bonds.

The information required in any tender notice (including an Additional Tender Notice) pursuant to this Section and the information required in any redemption notice (including an Additional Redemption Notice) may be combined in a single notice if it is sent to Bondholders in

the manner and at the time specified under "Notice of Tender" in Section 7 of the form of the Bonds.

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 as provided in Section 3.07 will be offered for sale by the Remarketing Agent as provided in this Section 3.08 except as follows:

(1) Bonds required to be tendered as described under "Mandatory Tender Upon a Change in the Determination Method" in Section 7 of the form of Bond, which are tendered between the date notice of mandatory tender is given and the mandatory tender date, may be remarketed before the mandatory tender date only if the buyer receives a copy of the mandatory tender notice from the Remarketing Agent; and

(2) 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 3.08 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 3.08.

(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) that Bonds are being tendered, 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 11:15 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 3.08 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 or, in the case of Bonds bearing an Auction Mode Rate, the Auction 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
Auction Rate Period	12:15 p.m. on the date of auction
Index 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 Prior Bonds Trustee for deposit in the bond fund created under the Prior Indenture, to be applied, along with any other necessary

moneys of the Company, to pay the redemption price of the Prior Bonds upon call for redemption.

The Trustee shall keep and maintain adequate records pertaining to the trust accounts and any disbursements therefrom.

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 sale of Bonds under Section 3.08 and *second* from other moneys available to the Trustee for that purpose; provided, however, that during an Auction Rate Period, payment of purchase price shall occur pursuant to the auction procedures set forth in *Exhibit B* hereto.

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 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 to the extent permitted by law, 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. Investments will be made so as to mature or be subject to redemption at the option of the holder on or before the date or dates that the Trustee anticipates that moneys from the

investments will be required. 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 and to the extent such directions have been complied with by the Trustee.

Section 4.04 Creation of Bond Fund. In addition to the trusts created under Section 4.01, there is hereby created and established with the Trustee a trust fund to be designated "Mississippi Business Finance Corporation Solid Waste Disposal Facilities Revenue Refunding Bonds, Series 2002 (Gulf Power Company Project) Bond Fund". Moneys deposited therein shall be used to pay the principal of, purchase price and premium, if any, and interest on the Bonds as provided in this Indenture.

Section 4.05 Payments into the Bond Fund. There shall be deposited into the Bond Fund that portion, if any, of the proceeds from the sale of the Bonds consisting of accrued interest on the Bonds up to the date of their delivery. In addition, there shall be deposited into the Bond Fund, as and when received, (i) all payments of the amounts owed by the Company under the first paragraph of Section 3.2 of the Agreement; and (ii) all other moneys received by the Trustee under and pursuant to any of the provisions of the Agreement which are required, or which are accompanied by directions from the Company that such moneys are, to be paid into the Bond Fund. The Issuer hereby covenants and agrees that, so long as any of the Bonds are outstanding, it will deposit, or cause to be paid to the Trustee for deposit in the Bond Fund for its account, sufficient sums from revenues derived pursuant to the Agreement and the Note promptly to meet and pay the principal of, purchase price and premium, if any, and interest on the Bonds as the same become due and payable; provided, however, that nothing herein shall be construed as requiring the Issuer to use any funds or revenues from any source other than revenues derived pursuant to the Agreement or the Note. The Trustee is authorized to receive at any time payments or prepayments from the Company pursuant to the Agreement and the Note for deposit in the Bond Fund.

Section 4.06 Use of Moneys in the Bond Fund. All interest accruing on the Bonds up to the date of their delivery, if any, will be paid from the amounts, if any, deposited in the Bond Fund pursuant to the first sentence of Section 4.05. Except as provided in this Indenture, moneys in the Bond Fund shall be used solely for the payment of the principal of, purchase price and premium, if any, and interest on the Bonds. Upon receipt of a written notice from the Company pursuant to Section 4.8 of the Agreement and, in the case of a purchase of Bonds, upon the deposit of cash or Government Obligations in the Bond Fund sufficient, together with other amounts available therefor in the Bond Fund, to make the purchase of Bonds, the Issuer and the Trustee covenant and agree to take and cause to be taken the necessary steps to redeem or purchase such principal amount of Bonds as specified by the Company in such written notice; provided, however, that any available moneys in the Bond Fund may be used on direction of the Company to redeem a part of the Bonds outstanding and then redeemable or to purchase Bonds for cancellation so long as the Company is not in default with respect to any payments required pursuant to Section 3.2 of the Agreement and to the extent said moneys are in excess of the

amount required for payment of the Bonds theretofore matured or called for redemption and interest accrued and payable in respect of outstanding Bonds.

Section 4.07 Custody of the Bond Fund. The Bond Fund shall be in the custody of the Trustee but in the name of the Issuer, and the Issuer hereby authorizes and directs the Trustee to withdraw sufficient funds from the Bond Fund to pay the principal of, purchase price and premium, if any, and interest on the Bonds as the same become due and payable and to make said funds so withdrawn available to the paying agents hereunder at their principal office, for the purpose of paying said principal, purchase price and premium, if any, and interest, which authorization and direction the Trustee hereby accepts.

Section 4.08 Non-presentment of Bonds. In the event any Bond shall not be presented for payment when the principal thereof becomes due, either at maturity or at the date fixed for redemption thereof, if funds sufficient to pay such Bond shall have been deposited in the Bond Fund or otherwise made available to the Trustee through deposit therein as provided in Section 4.05, all liability of the Issuer to the holder thereof for the payment of such Bond shall forthwith cease, terminate and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such funds within a separate account in the Bond Fund, subject to the provisions of Section 4.11, without liability for interest thereon, for the benefit of the holder of such Bond, which shall thereafter (subject to the provisions of Section 4.11) be restricted exclusively to such funds for any claim of whatever nature on his part under this Indenture or on, or with respect to, said Bond.

Section 4.09 Moneys to Be Held in Trust. All moneys required to be deposited with or paid to the Trustee for the account of the Bond Fund under any provision of this Indenture shall be held by the Trustee in trust, and except for moneys deposited with or paid to the Trustee for the redemption of Bonds or the payment of Bonds, including Bonds which are deemed to be paid within the meaning of Section 7.01, shall, while held by the Trustee, constitute part of the trust estate and be subject to the security interest created hereby.

Section 4.10 Repayment to the Company from the Bond Fund. Any amounts remaining in the Bond Fund (other than moneys, if any, set aside as provided herein), after payment in full of the Bonds (or provision for payment thereof having been made in accordance with this Indenture), the fees and expenses of the Trustee and any additional paying agent and tender agent and all other amounts required to be paid hereunder shall be repaid to the Company as provided in Section 6.10 of the Agreement.

Section 4.11 Moneys Held in Trust; Unclaimed Funds. 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, or if not directed herein, as directed 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.

Section 4.12 Rebate Fund. There is hereby created and established a Rebate Fund which shall be administered by the Trustee in accordance with the provisions of this Indenture and the Arbitrage Rebate Agreement and which Rebate Fund shall not be part of the trust established under this Indenture. The Trustee shall be permitted to transfer moneys from the Bond Fund to the Rebate Fund to satisfy the requirements of the Arbitrage Rebate Agreement.

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 Issuer's Blanket Letter of Representations.

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, any Broker-Dealer 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, the Remarketing Agent 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 whether the Book-Entry System is 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 12.03.

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. The Bonds and the interest thereon shall not be deemed to constitute a debt, liability or obligation of the Issuer or the State or any political subdivision thereof, or a pledge of the faith and credit of the Issuer or the State or any political subdivision thereof, but the Bonds shall be payable solely from the revenues provided therefor as herein described and the Issuer is not obligated to pay the Bonds or the interest thereon except from the revenues and proceeds pledged therefor and neither the faith and credit of the Issuer or the State nor the taxing power of the State or any political subdivision thereof is pledged to the payment of the principal of or the premium, if any, or interest on this Bond.

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, including particularly and without limitation the Act, to issue the Bonds authorized hereby and to execute this Indenture, to accept, 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 and the Agreement 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 or the Agreement, if any, except the lien of this Indenture.

Section 6.04 Tax Covenants.

(a) The Issuer covenants that it shall take no action nor make 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 Code to the extent that the same may be applicable or proposed to be applicable to the Bonds at the time of such action, investment or use or which would cause any Bond to be treated as an obligation not described in Section 103(a) of the Code by reason of its failure to meet any of the requirements contained in Section 148 of the Code.

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 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 in each case pursuant to the instructions received by the Trustee in accordance with Section 4.03.

(b) The Issuer and the Company covenant and agree that they shall take all necessary or desirable steps to comply with the requirements of the Arbitrage Rebate Agreement and this Section in order to ensure that interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103(a) of the Code; provided, however, the Issuer and the Company shall not be required to comply with any such requirement in the event the Issuer or the Company, as the case may be, receives a Favorable Opinion of Tax Counsel that compliance with such requirement is not required to maintain the federal income tax exclusion of interest on the Bonds, or in the event the Issuer or the Company, as the case may be, receives a Favorable Opinion of Tax Counsel that compliance with some other requirement in lieu of such requirement will meet the requirements of Section 148(f) of the Code, in which case compliance with such other requirement specified in the Favorable Opinion of Tax Counsel shall constitute compliance with such requirement. To that end, the Issuer and the Company will comply with all requirements of the Code to the extent applicable to the Bonds.

(c) The Company covenants and agrees that it shall calculate or cause to be calculated the Rebate Requirement with respect to the Bonds as required by the Arbitrage Rebate Agreement.

(d) The obligations imposed upon the Company by this Section 6.04 have been acknowledged and accepted by the Company in Section 4.9 of the Agreement.

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 corporate trust office of the Trustee, or its successor in trust hereunder, or at the 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 corporate 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 Bonds.

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 (which, except for Bonds which bear interest at a Long-Term Interest Rate, shall be calculated at the Maximum Interest Rate) 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 7.01, 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 cancelled.

Notwithstanding the foregoing, no deposit under clause (a)(2) of the first paragraph of this Section 7.01 shall be deemed a payment of a Bond until (1) the 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, the obligations under Section 6.04 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 this 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. The Trustee shall promptly pay to the Company upon request any excess money or securities held by the Trustee at any time under this Article VII.

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 receipt of the written request of the holders of not less than 25% in aggregate principal amount of the 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, the Insurer 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 receipt of the written request of the holders of not less than 25% in aggregate principal amount of the Bonds then outstanding and shall, by notice in writing delivered to the Issuer and the Company, pursue any available remedy by proceeding at law or in equity available to the Trustee under the Agreement and 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 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), 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 may and upon receipt of the written request of the holders of not less than 25% in aggregate principal amount of the Bonds then outstanding shall, by notice in writing delivered to the Issuer and the Company, 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 Issuer to enforce any rights under the Agreement and the Note 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 under the Note and the Agreement.

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 be deposited into the Bond Fund and paid out in the following order:

FIRST: To the Rebate Fund, any amounts necessary to meet the Rebate Requirement.

SECOND: To the Trustee for amounts to which it is entitled under Section 9.02.

THIRD: 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.

FOURTH: To the Company.

The Trustee may fix a payment date for any such payment to the Bondholders under this Section 8.12.

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 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 or the Issuer, 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 such 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 Secretary or Assistant Secretary 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 Insurer, 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, 8.08, 8.09 or 9.04, 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 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 other than moneys paid pursuant to the Policy.

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) 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 and to the Insurer.

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 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 (a) the Trustee, the Issuer and the Company, and signed by the owners of a majority in aggregate principal amount of Bonds then

outstanding, or (b) the Trustee and the owners of all Bonds then outstanding and signed by the Issuer and the Company.

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. 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 with the written consent of the Insurer (if a Policy is in effect and the Insurer is not in default thereunder). 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, Custodian of the Bond Fund 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, custodian of the Bond Fund 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, custodian 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 as agent of the Issuer 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 as agent of the Issuer 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, as agent of the Issuer, 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 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 its rights under any Policy 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. Except as otherwise described herein, 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. Unless a notice of redemption with respect to the Bonds has theretofore been issued by the Trustee pursuant to Section 3.04, upon any change in the Determination Method, the Company shall appoint a Remarketing Agent in sufficient time for such Remarketing Agent to establish the interest rate for such succeeding Interest Rate Period. The Company will give prompt notice of such appointment to the Issuer and the Trustee. 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, the Trustee and the Company. Such resignation will take effect on the day a successor Remarketing Agent appointed in accordance with this Section 9.16 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 or the Trustee or to 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.

Section 9.19 Inapplicability of Remarketing Agent. The provisions of this Indenture relating to the Remarketing Agent, including, but not limited to, Sections 9.14, 9.15, 9.16, 9.17 and 9.18, shall not apply when the Bonds are in an Auction Rate Period.

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 3.07 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; or

(j) to make any other changes to this Indenture that take effect as to any or all remarketed Bonds following a mandatory tender.

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 Section 11.01, 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, 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 XI if, in the opinion of the Trustee, 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. No such amendment or supplement shall be effective until the Trustee shall sign a consent thereto. 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

SPECIAL INSURANCE PROVISIONS

Section 12.01 Supplemental Indentures and Amendments to Agreement or Notes. The consent of the Insurer shall be required with respect to any indenture or indentures supplemental hereto or any amendment, change or modification of the Agreement or the Note requiring the consent of the Bondholders pursuant to Section 10.02 or Section 11.02 hereof or that materially adversely affects the rights of the Insurer.

Section 12.02 Events of Default and Remedies. If an Event of Default occurs and is continuing, the Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the Bondholders or the Trustee for the benefit of the Bondholders under this Indenture, including, without limitation, (i) the right to accelerate the principal of the Bonds as provided in Section 8.02 hereof, and (ii) the right to annul any such declaration of acceleration, and the Insurer shall also be entitled to approve any waiver of an Event of Default.

Section 12.03 Policy Payment Procedures.

(a) The Insurer will make payments of principal or interest due on the Bonds in accordance with the Policy on or before the first (1st) Business Day next following the

date on which the Insurer shall have received notice of Nonpayment (as defined in the Policy) from the Trustee.

(b) In the event of Nonpayment and notification thereof to the Insurer, the bond registrar shall make available to the Insurer and, at the Insurer's direction, to The Bank of New York, as insurance trustee for the Insurer or any successor insurance trustee (the "Insurance Trustee"), the books kept by the bond registrar for the registration and for the registration of transfer of Bonds as provided in this Indenture.

(c) The Trustee shall, at the time it provides notice to the Insurer pursuant to (a) above, notify registered owners of Bonds entitled to receive the payment of principal or interest thereon from the Insurer (i) as to the fact of such entitlement, (ii) that the Insurer will remit to them all or a part of the interest payments next coming due upon proof of Bondholder entitlement to interest payments and delivery to the Insurance Trustee, in form satisfactory to the Insurance Trustee, of an appropriate assignment of the registered owner's right to payment, (iii) that should they be entitled to receive full payment of principal from the Insurer, they must surrender their Bonds (along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee to permit ownership of such Bonds to be registered in the name of the Insurer) for payment to the Insurance Trustee, and not the Trustee or any paying agent, and (iv) that should they be entitled to receive partial payment of principal from the Insurer, they must surrender their Bonds for payment thereon first to the Trustee, who shall note on such Bonds the portion of the principal paid by the Trustee, and then, along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee, to the Insurance Trustee, which will then pay the unpaid portion of principal.

(d) In the event that the Trustee has notice that any payment of principal of or interest on a Bond which has become Due for Payment (as defined in the Policy) and which is made to a Bondholder by or on behalf of the Issuer has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction, the Trustee shall, at the time the Insurer is notified pursuant to (a) above, notify all registered owners of the Bonds that in the event that any registered owner's payment is so recovered, such registered owner will be entitled to payment from the Insurer to the extent of such recovery if sufficient funds are not otherwise available, and the Trustee shall furnish to the Insurer its records evidencing the payments of principal of and interest on the Bonds which have been made by the Trustee and subsequently recovered from registered owners and the dates on which such payments were made.

(e) In addition to those rights granted the Insurer under this Indenture, the Insurer shall, to the extent it makes payment of principal of or interest on Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Policy, and to evidence such subrogation (i) in the case of subrogation as to claims for past due interest, the Trustee shall note the Insurer's rights as subrogee on the registration books of the Issuer maintained by the Trustee upon receipt from the Insurer

of proof of the payment of interest thereon to the registered owners of the Bonds, and (ii) in the case of subrogation as to claims for past due principal, the Trustee shall note the Insurer's rights as subrogee on the registration books of the Issuer maintained by the Trustee upon surrender of the Bonds by the registered owners thereof together with proof of the payment of principal thereof.

Section 12.04. Application of Term "Outstanding". In the event that the principal and/or interest due on the Bonds shall be paid by the Insurer pursuant to the Policy, the Bonds shall remain outstanding for all purposes of this Indenture, not be considered defeased or otherwise satisfied and not be considered paid by the Issuer, and the assignment and pledge of this Indenture and all covenants, agreements and other obligations of the Issuer to the registered owners of the Bonds shall continue to exist and shall run to the benefit of the Insurer, and the Insurer shall be subrogated to the rights of such registered owners to the extent of each such payment.

Section 12.05. Insurer as Third Party Beneficiary. To the extent that this Indenture confers upon or gives or grants to the Insurer any right, remedy or claim under or by reason of this Indenture, the Insurer is hereby explicitly recognized as being a third-party beneficiary hereunder and may enforce such right, remedy or claim conferred, given or granted hereunder.

Section 12.06. Liquidity Facility. In the event of the adjustment of the interest rate determination method on the Bonds to a Daily Rate Period, a Weekly Rate Period, a Commercial Paper Rate Period, an Index Period, an Auction Rate Period or a Long-Term Interest Rate Period that ends prior to the Maturity Date, the Company shall provide, and so long as the Bonds are in a Daily Rate Period, a Weekly Rate Period, a Commercial Rate Period, an Index Period, an Auction Rate Period or a Long-Term Interest Rate Period that ends prior to the Maturity Date, the Company shall maintain, a liquidity facility reasonably acceptable to the Insurer.

Section 12.07. Concerning the Special Insurance Provisions. The provisions of this Article XII shall apply notwithstanding anything in this Indenture to the contrary, but only so long as the Policy shall be in full force and effect and the Insurer is not in default thereunder.

ARTICLE XIII

MISCELLANEOUS

Section 13.01 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, at 735 Riverside Drive, Suite 300, Jackson, Mississippi 39202, Attention: Executive Director; if to the Trustee, to Hancock Bank, 2600 Citiplace Drive, Suite 200, Baton

Rouge, Louisiana 70808, Attention: Corporate Trust; if to the Company and via United States mail or facsimile, at One Energy Place, Pensacola, Florida 32520-0102, Attention: Treasurer, Facsimile No. (850) 444-6026, with copies to Southern Company Services, Inc., 270 Peachtree Street, N.W., Atlanta, Georgia 30303, Attention: Corporate Finance Department; if to the Company and via hand delivery, 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; if to the Remarketing Agent, to the address specified at the time of its acceptance of its duties; if to the Auction Agent, to the address specified at the time of its acceptance of its duties; and if to the Insurer, to Ambac Assurance Corporation, One State Street Plaza, New York, New York 10004, Attention: General Counsel. Any addressee may designate additional or different addresses for purposes of this Section.

Section 13.02 Bondholders' Consent. 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 by the Trustee 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 unless all of the Bonds are so owned. 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 13.03 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 13.04 Limitation of Rights. Nothing expressed or implied in this Indenture or the Bonds shall give any person other than the Trustee, the Issuer, the Company, the Insurer, the Remarketing Agent and the Bondholders any right, remedy or claim under or with respect to this Indenture.

Section 13.05 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 13.06 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 13.07 Governing Law. This Indenture shall be governed exclusively by and construed in accordance with the applicable laws of the State.

Section 13.08 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 13.09 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 director, 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 and delivery of this Indenture.

Section 13.10 Counterparts. This Indenture may be signed in several counterparts. Each will be an original, but all of them together constitute the same instrument.

Section 13.11 Regarding Insurer Provisions. Prior to the time that a Policy is issued with respect to the Bonds, all references in this Indenture to the Insurer or the Policy shall be null and void and have no force or effect.

IN WITNESS WHEREOF, the Mississippi Business Finance Corporation has caused these presents to be signed in its name and behalf by its Executive Director, and its official seal to be hereunto affixed and attested by its Secretary and to evidence its acceptance of the trusts hereby created Hancock Bank, as Trustee, has caused these presents to be signed in its name and behalf and its official seal to be hereunto affixed, all as of the day and year first above written.

[SEAL]

MISSISSIPPI BUSINESS FINANCE CORPORATION

By: _____
William T. Barry, Executive Director

Attest:

_____
Secretary

HANCOCK BANK, as Trustee

[SEAL]

By: _____
Elizabeth H. Zeigler, Vice President and Trust Officer

EXHIBIT A

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Issuer 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 is 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 hereof, Cede & Co. has an interest herein.

UNITED STATES OF AMERICA

STATE OF MISSISSIPPI

No. R-__ $13,000,000

MISSISSIPPI BUSINESS FINANCE CORPORATION
SOLID WASTE DISPOSAL FACILITIES REVENUE REFUNDING BOND
SERIES 2002
(GULF POWER COMPANY PROJECT)

MATURITY DATE	DATED DATE	CUSIP
September 1, 2028	September 26, 2002	60527MAN9

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: $13,000,000

Mississippi Business Finance Corporation (the "*Issuer*"), a public corporation duly created and validly existing under the Constitution and laws of the State of Mississippi, for value received, hereby promises to pay, solely from the sources described in this Bond, to the Registered Owner identified above, or registered assigns, on the Maturity Date stated above (or if this Bond is called for earlier redemption as described herein, on the redemption date) the principal amount identified above and to pay interest as provided in this Bond.

1. *Indenture; Agreement; Insurance Policy.* This Bond is one of the bonds (the *"Bonds"*), limited to $13,000,000 in aggregate principal amount, issued under the Trust Indenture dated as of September 1, 2002 (the *"Indenture"*), between the Issuer and Hancock Bank, as trustee (the *"Trustee"*). The terms of the Bonds include those in the Indenture and

those contained herein. Bondholders are referred to the Indenture for a statement of certain of those terms. When used with reference to the Bonds, the term "principal" includes any premium payable on those Bonds. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Indenture.

The Issuer has entered into a Loan Agreement dated as of September 1, 2002 (the "*Agreement*") with Gulf Power Company, a Maine corporation (the "*Company*"). Under the provisions of the Agreement the Issuer has loaned the proceeds of the Bonds of this series to the Company (the "*Loan*"). In order to evidence the Loan and the Company's obligation to repay the same, the Company has executed and delivered its non-negotiable promissory note (the "*Note*"). The Note provides for the repayment by the Company of the Loan, including interest thereon, in installments sufficient to pay (i) the principal of, and premium, if any, and interest on the Bonds as the same shall become due and payable and (ii) the purchase price of certain tendered Bonds as required under the Indenture. The Note provides that the payments thereunder shall be paid directly to the Trustee as assignee of the Issuer. The Issuer has assigned its rights to such payments under the Agreement and the Note to the Trustee as security for the Bonds. The proceeds of the Bonds will be used to refund certain outstanding revenue bonds issued by Jackson County, Mississippi (the "*County*") which provided funds to finance the cost of the acquisition and construction of certain solid waste disposal facilities (the "*Project*") located at the Victor J. Daniel, Jr. steam electric generating plant (the "*Plant*") in the County.

The Financial Guaranty Insurance Policy No. 19972BE (the "*Policy*") with respect to payments due for principal of and interest on this Bond has been issued by Ambac Assurance Corporation ("*Ambac Assurance*"). The Policy has been delivered to The Bank of New York, New York, New York, as the Insurance Trustee under said Policy and will be held by such Insurance Trustee or any successor insurance trustee. The Policy is on file and available for inspection at the principal office of the Insurance Trustee and a copy thereof may be secured from Ambac Assurance or the Insurance Trustee. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. The owner of this Bond acknowledges and consents to the subrogation rights of Ambac Assurance as more fully set forth in the Policy.

The Indenture, the Agreement and the Note may be amended or supplemented as provided by their terms, and references to them include any amendments or supplements.

The Issuer has established a book-entry only system of registration for the Bonds (the "*Book-Entry System*"). Except as specifically provided otherwise in the Indenture, a Securities Depository (or its nominee) will be the registered owner of this Bond. By acceptance of a confirmation of purchase, delivery or transfer, the Beneficial Owner (if any) of this Bond shall be deemed to have agreed to this arrangement. If the Securities Depository (or its nominee) is the registered owner of this Bond, it shall be treated as the owner of it for all purposes.

2. *Source of Payments.* The principal of, premium, if any, and interest on, and any other amounts due with respect to, the Bonds are limited special obligations of the Issuer and, as provided in the Indenture, are payable solely and only from payments derived from the Agreement, the Note and from any other moneys held by the Trustee under the Indenture for

such purpose. The Bonds are issued pursuant to and in full compliance with the Constitution and laws of the State of Mississippi, particularly the provisions of Sections 57-10-201 *et seq.*, Mississippi Code of 1972, as amended and supplemented, including particularly Section 57-10-213, and pursuant to resolutions adopted by the Issuer on August 21, 2002 and September 18, 2002, which resolutions authorize the execution and delivery of the Bonds, the Agreement and the Indenture. The Bonds and premium, if any, and interest thereon are limited special obligations of the Issuer and are payable solely from the revenues and other amounts derived from the Agreement and the Note and are secured as set forth in the Indenture. The Bonds and the interest thereon shall not be deemed to constitute a debt, liability or obligation of the Issuer or the State of Mississippi or any political subdivision thereof, or a pledge of the faith and credit of the Issuer or the State of Mississippi or any political subdivision thereof, but the Bonds shall be payable solely from the revenues provided therefor as herein described and the Issuer is not obligated to pay principal of the Bonds or premium, if any, or the interest thereon or other costs incident thereto except from the revenues and proceeds pledged therefor and neither the faith and credit of the Issuer or the State of Mississippi nor the taxing power of the State of Mississippi or any political subdivision thereof is pledged to the payment of the principal of or the premium, if any, or interest on this Bond. No covenant or agreement contained in the Indenture shall be deemed to be a covenant or agreement of any member, officer, agent or employee of the Issuer in his individual capacity and no member of the Board of Directors of the Issuer nor any officer of the Issuer executing this Bond shall be liable personally on the Bonds or be subject to any personal liability in connection with the issuance of this Bond.

Payments under the Note sufficient for the prompt payment when due of the principal of and premium, if any, and interest on the Bonds are to be paid to the Trustee by the Company for the account of the Issuer and deposited in the Bond Fund as defined in and created under the Indenture which special fund is pledged to and charged with the payment of the principal of and premium, if any, and interest on the Bonds and such amounts to be paid thereunder have been duly pledged and assigned for that purpose. In addition, substantially all other rights of the Issuer under the Agreement have also been assigned to the Trustee to secure payment of the principal of and premium, if any, and interest on the Bonds issued under the Indenture.

3. *Interest Rate.* Interest on this Bond will be paid at the lesser of (a) a Daily Rate, a Weekly Rate, a Commercial Paper Rate, a Long-Term Interest Rate, an Auction Mode Rate or an Index Rate as selected by the Company and as determined in accordance with the Indenture and (b) 13% per annum. Interest will initially be payable at a Long-Term Interest Rate of 4.80% per annum for a Long-Term Interest Rate Period beginning on the Dated Date stated above and ending on September 1, 2028 (the "*Initial Interest Period*"). The Company may change the Determination Method from time to time. A change in the Determination Method will result in mandatory tender of the Bonds (see *"Mandatory Tender for Purchase"* below). 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.

When interest is payable at a Daily Rate, Weekly Rate, Commercial Paper Rate or Index Rate, it will be computed on the basis of the actual number of days elapsed over a year of 365 days (366 days in leap years), when payable at an Auction Mode Rate, on the basis of actual days over 360 (during Auction Periods of 180 days or less) and on the basis of a 360 day year of twelve 30 day months (during Auction Periods greater than 180 days) 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.

4. *Interest Payment and Record Dates.* Interest will accrue on the unpaid portion of the principal of this Bond from the Dated Date stated above and thereafter from the Interest Payment Date (as hereinafter defined) next preceding the date of authentication hereof to which interest has been paid or duly provided for, unless the date of authentication hereof is an Interest Payment Date to which interest has been paid or duly provided for, in which case from the date of authentication hereof, or unless no interest has been paid or duly provided for on the Bonds of this series, in which case from the Dated Date; provided, however, that if the date of authentication is between the Record Date (as hereinafter defined) for any Interest Payment Date and such Interest Payment Date, then interest will accrue from such Interest Payment Date or, if the Company shall default in payment of the interest due on such Interest Payment Date, then from the next preceding Interest Payment Date to which interest has been paid or duly provided for, or if no interest has been paid or duly provided for, then from the Dated Date. When interest is payable at the rate in the first column below, interest accrued during the period (an *"Interest Period"*) shown in the second column will be paid on the date (an *"Interest Payment Date"*) in the third column to holders of record on the date (a *"Record Date"*) in the fourth column:

RATE	INTEREST PERIOD	INTEREST PAYMENT DATE	RECORD DATE
Daily*	Calendar month	Fifth Business Day of the next month	Last Business Day of the month
Weekly*	Calendar month	First Business Day of the next month	Last Business Day before Interest Payment Date
Commercial Paper	From 1 to 270 days as determined for each Bond pursuant to Section 2.02(a)(3) of the Indenture (*"Commercial Paper Period"*)	Day after the last day of Commercial Paper Period	Last Business Day before Interest Payment Date
Long-Term**	Six-month period or portion thereof	Next day (September 1	Fifteenth of the month before the

* If there shall be a change from a Daily Rate or a Weekly Rate on a day other than the first day of a calendar month, the then current Interest Period relating to such Daily Rate or Weekly Rate shall end on the day immediately preceding the date on which the new interest rate on the Bonds shall become effective, which date in the case of a change from a Weekly Rate, shall be the Interest Payment Date for such Interest Period, for which the Record Date shall be the immediately preceding Business Day; but in the case of a change from a Daily Rate, the Interest Payment Date for such Interest Period shall be the fifth Business Day after the last day of such Interest Period, for which the Record Date shall be the last Business Day of such Interest Period. If such new interest rate shall be a Daily Rate or a Weekly Rate, the first Interest Period relating thereto shall begin on the effective date of such new interest rate and end on the last day of the then current calendar month, for which the Interest Payment Date and the Record Date shall be as prescribed in this Table.

** If there shall be a change from a Long-Term Interest Rate on a day other than a regularly scheduled Interest Payment Date for a Long-Term Interest Rate Period, or if there shall be an early termination of such Long-Term Interest Rate Period and a new Long-Term Interest Rate shall be set, such Long-Term Interest Rate Period shall end on the day immediately preceding the date on which the new interest rate shall become effective, which date shall be the Interest Payment Date for such Long-Term Interest Rate Period, for which the Record Date shall be the last day of such Long-Term Interest Rate Period or, if sooner, the

RATE	INTEREST PERIOD	INTEREST PAYMENT DATE	RECORD DATE
	ending the last day of August or February	or March 1)	Interest Payment Date (August 15 or February 15)***
Auction Mode	From 1 to 365 days as determined for each Bond pursuant to the Indenture	The Business Day immediately following each Auction Period, and, in addition, for an Auction Period of more than 91 days, each 13th Thursday after the first day of such Auction Period****	The second Business Day preceding an Interest Payment Date therefore
Index	Calendar Month	First Business Day of the next month	Last Business Day before Interest Payment Date

"Business Day" is defined in the Indenture. Payment of defaulted interest will be made to holders of record as of the fifth-to-last Business Day before payment.

5. *Method of Payment.* Holders must surrender Bonds to the Trustee to collect principal at maturity or upon redemption. (See *"Optional Tenders"* and *"Mandatory Tender for Purchase"* below for the payment of purchase price of tendered Bonds.) Interest on Bonds bearing interest at a Commercial Paper Rate other than Bonds in the Book-Entry System is payable only upon presentation of such Bonds to the Trustee. Interest on Bonds bearing interest at a Daily Rate, Weekly Rate, Auction Mode Rate, Index Rate or Long-Term Interest Rate other than Bonds in the Book-Entry System will be paid to the registered holder hereof as of the Record Date by check mailed by first-class mail on the Interest Payment Date to such holder's registered address. A holder of $1,000,000 or more in principal amount of Bonds may be paid interest at a Daily Rate, Weekly Rate, Auction Mode Rate, Index Rate or Commercial Paper Rate by wire transfer in immediately available funds to an account in the continental United States if the holder makes a written request of the Trustee (in form satisfactory to the Trustee) at least two Business Days before the Record Date specifying the account address. The notice may provide that it will remain in effect for later interest payments until changed or revoked by another written notice. Principal and interest will be paid in money of the United States that at the time of payment is legal tender for payment of public and private debts or by checks or wire transfers payable in such money. If any payment on the Bonds is due on a non-Business Day, it will be made on the next Business Day, and no interest will accrue as a result.

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first day of such Long-Term Interest Rate Period. If such new interest rate shall be a Daily Rate or a Weekly Rate, the first Interest Period relating thereto shall begin on the effective date of such new interest rate and end on the last day of the then current calendar month, for which the Interest Payment Date and the Record Date shall be as prescribed in this Table.

*** If an Interest Payment Date occurs less than 15 days after the first day of a Long-Term Interest Rate Period, the first day of such Long-Term Interest Rate Period is the Record Date for such Interest Payment Date.

**** The Interest Payment Date with respect to (i) a daily Auction Period shall be the first Business Day of the month immediately succeeding such Auction Period and (ii) a Special Rate Period of (A) seven or more but fewer than 92 days, shall be the Business Day immediately following such Special Rate Period or (B) 92 days or more, shall be each thirteenth Thursday after the first day of such Special Rate Period or the next Business Day if such Thursday is not a Business Day and on the Business Day immediately following such Special Rate Period.

6. *Optional Tenders.* *"Tender"* means to require, or the act of requiring, the Trustee to purchase a Bond at the holder's option under the provisions of this Section 6 at 100% of the principal amount plus interest accrued to (but excluding) 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 (but only from funds available therefor as provided in the Indenture) a purchase price of principal plus interest accruing after the last day of that Interest Period. While the Bonds bear interest at a Long-Term Interest Rate, a Commercial Paper Rate, an Auction Mode Rate or an Index Rate, the owner of a Bond does not have the option to require the Trustee to purchase its Bond.

Daily Rate Tender. When interest on the Bonds is payable at a Daily Rate and a Book-Entry System is in effect, a Beneficial Owner (through its direct Participant in the Securities Depository) may tender his 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 (any such telephone notice to be delivered to a Responsible Officer of the Trustee) and an irrevocable notice by telephone, telegraph or facsimile transmission to the Remarketing Agent, in each case prior to 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 Bonds by causing such direct Participant to transfer its interest in the Bonds equal to such Beneficial Owner's interest on the records of the Securities Depository to the participant account of the Trustee or its agent with the Securities Depository. Any notice received by the Trustee after 11:00 a.m., New York City time, shall be deemed to have been given on the next Business Day.

When interest on the Bonds 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 the notices as described above (which shall include the certificate number of the Bond), and shall also deliver the Bond to the Trustee by 1:00 p.m., New York City time, on the date of purchase (see additional requirements below).

Weekly Rate Tender. When interest on the Bonds is payable at a Weekly Rate and a Book-Entry System is in effect, a Beneficial Owner (through its direct Participant in the Securities Depository) may tender his 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 (any such telephone notice to be delivered to a Responsible Officer of the Trustee) and an irrevocable notice by telephone, telegraph or facsimile transmission to the Remarketing Agent, 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 Bonds by causing such direct Participant to transfer its interest in the Bonds equal to such Beneficial Owner's interest on the records of the Securities Depository to the participant account of the Trustee or its agent with the Securities Depository.

When interest on the Bonds 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 the notices as described above (which shall include the certificate number of the Bond), and shall also deliver the Bond to the Trustee by 1:00 p.m., New York City time, on the date of purchase (see additional requirements below).

Payment of Purchase Price. The purchase price for a tendered Bond will be paid in immediately available funds to the registered owner of the Bond by the close of business on the date of purchase. No purchase of Bonds by the Trustee shall 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.

7. *Mandatory Tender for Purchase.* As provided below, the Bonds are subject to mandatory tender for purchase under certain circumstances. BY ACCEPTANCE OF THIS BOND, THE OWNER AGREES TO SELL AND SURRENDER THIS BOND, PROPERLY ENDORSED, UNDER THE CONDITIONS DESCRIBED BELOW. All purchases will be made in funds immediately available on the purchase date and will be at a purchase price of 100% of the principal amount of the Bonds being purchased (unless a premium is required as otherwise specified) plus interest accrued to (but excluding) the purchase date, except that interest accruing at a Daily Rate will be paid on the fifth Business Day following the purchase date. Bonds tendered for purchase on a date after a call for redemption but before the redemption date will be purchased pursuant to the tender. No purchase of Bonds shall 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.

Mandatory Tender 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 subject to mandatory tender for purchase 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 purchased at the percentage of their principal amount which would be payable upon the applicable redemption described under "Optional Redemption During Long-Term Interest Rate Period" below.

Mandatory Tender on Each Interest Payment Date During Commercial Paper Mode. When Bonds bear interest at a Commercial Paper Rate, each Bond must be tendered for purchase on the Interest Payment Date for such Bond.

Mandatory Tender Upon a Change in the Determination Method. Subject to the provisions of Section 2.03(b) of the Indenture, on the effective date of the change in the Determination Method (the methods being Daily, Weekly, Commercial Paper, Long-Term, Auction Mode or Index Interest Rates), the Bonds will be subject to mandatory tender for purchase on the effective date of such change. Any such purchase shall be at a price equal to 100% of the principal amount of the Bonds except that in the case of change prior to the day originally established as the date after the last day of a Long-Term Interest Rate Period, the Bonds will be purchased at the percentage of their principal amount which would be payable

upon the applicable redemption described under "Optional Redemption During Long-Term Interest Rate Period" below.

Mandatory Tender Upon Expiration of Index Period. When a new Index Period immediately follows the expiration of a prior Index Period, the Bonds will be subject to mandatory tender for purchase on the commencement date of the new Index Period.

Notice of Tender. At least 15 days before each mandatory tender (except for tenders described under "*Mandatory Tender on Each Interest Payment Date During Commercial Paper Mode*", for which no notice will be given and except that such notice shall be given at least 30 days prior to the effective date if a Long-Term Interest Rate Period is in effect and the effective date is on or before the end of the Long-Term Interest Rate Period), the Trustee will mail a notice of tender by first-class mail to each Bondholder at the holder's registered address. Failure to give any required notice of tender as to any particular Bonds, or any defect therein, will not affect the validity of the tender of any Bonds in respect of which no failure or defect occurs. Any notice mailed as provided in this paragraph 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. When notice of tender is required and given, and when Bonds are to be tendered without notice, Bonds tendered become due and payable on the purchase date; in such case when funds are deposited with the Trustee sufficient for purchase, interest on the Bonds to be purchased ceases to accrue as of the date of purchase.

8. *Delivery Address; Additional Delivery Requirements.* Notices in respect of tenders and Bonds tendered must be delivered to the Trustee, and notices in respect of tenders must be delivered to the Remarketing Agent, as provided in the Indenture.

All tendered Bonds must be accompanied by an instrument of transfer satisfactory to the Trustee, executed in blank by the registered owner or his duly authorized attorney, with the signature guaranteed by an eligible guarantor institution.

Limitation on Tenders. Except as provided under "*Mandatory Tender Upon a Change in the Determination Method,*" "*Mandatory Tender at Beginning of a New Long-Term Interest Rate Period,*" "*Mandatory Tender Upon Expiration of Index Period*" and "*Mandatory Tender on Each Interest Payment Date During Commercial Paper Mode,*" no Bonds may be tendered while they bear interest at a Commercial Paper Rate, Auction Mode Rate, Index Rate or a Long-Term Interest Rate.

Irrevocable Notice Deemed to be Tender of Bond; Undelivered Bonds. The giving of notice by the registered owner of a Bond as provided in Section 6 or the occurrence of a mandatory tender for purchase as described in Section 7 constitutes the irrevocable tender for purchase of each Bond (or portion of Bond) with respect to which such notice was given, irrespective of whether such Bond was delivered as provided in Section 6 or Section 7. The determination of the Trustee as to whether a notice of tender has been properly sent shall 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 of optional tender or which is subject to mandatory tender fails to deliver his Bond to the Trustee at the place and on the applicable date and time specified, or fails to deliver his Bond properly endorsed, and moneys for the payment of such Bond are on deposit with the Trustee, his Bond shall constitute an undelivered Bond as described in the Indenture and interest shall cease to accrue on his Bonds as of the tender date and such owner shall have no right under the Indenture other than the right to receive payment of the tender price thereof. BY ACCEPTANCE OF THIS BOND, THE OWNER AGREES TO SELL AND SURRENDER THIS BOND, PROPERLY ENDORSED, TO THE TRUSTEE AFTER THE GIVING OF IRREVOCABLE NOTICE OF TENDER FOR PURCHASE AS DESCRIBED ABOVE.

9. *Redemptions.* All redemptions will be made in funds immediately available on the redemption date and will be at a redemption price of 100% of the principal amount of the Bonds being redeemed (unless a premium is required as provided below) plus interest accrued to the redemption date, except that interest accruing at a Daily Rate will be paid on the fifth Business Day following the redemption date.

Optional Redemption During Long-Term Interest Rate Period. During the Initial Interest Period, the Bonds will be redeemable on or after September 1, 2007. During any Long-Term Interest Rate Period (other than the Initial Interest Period), if the Long-Term Interest Rate Period is less than or equal to five years, the Bonds will not be redeemable pursuant to this provision during the Long-Term Interest Rate Period.

If the Long-Term Interest Rate Period (including the Initial Interest Period) is greater than five years, the Bonds will not be 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 no-call period, the Bonds may be redeemed at any time in whole or in part at 100% of their principal amount plus accrued interest, if any.

As an alternative to and in lieu of the foregoing redemption provisions, if, with respect to any Long-Term Interest Rate Period (other than the Initial Interest 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 during such Long-Term Interest Rate Period at the option of the Company in whole or in part at any time after a no-call period, if any, established by the Remarketing Agent, at the percentages of their principal amount, plus accrued interest, as follows: the Remarketing Agent shall, given the duration of the Long-Term Interest Rate Period, determine and inform the Trustee and the Company, on a date which is no later than the establishment of the Long-Term Interest Rate, the periods during which the Bonds shall not be subject to redemption (the *"Call Protection Period"*), the premium or premiums payable upon redemption (the *"Call Premiums"*), if any, applicable to the redemption by the Company in lieu of redemption of Bonds after the Call Protection Period, and the period or periods during which the Call Premiums shall be effective (the *"Call Premium Periods"*) necessary to establish the Long-Term Interest Rate. Such Call Protection Period, Call Premiums and Call Premium Periods shall be established in accordance with optional call redemption provisions which, in the judgment of the Remarketing Agent, are generally accepted at the time

of determination as the standard features for obligations such as the Bonds, given the length of the Long-Term Interest Rate Period.

Extraordinary Optional Redemption. The Bonds are subject to redemption in whole without premium at any time upon receipt by the Trustee and the Issuer of a written notice from the Company stating that the Company has determined that:

(i) 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 the Plant, rendering impracticable or uneconomical the operation of either, including, without limitation, the condemnation or taking by eminent domain of all or substantially all of the Project or the Plant; or

(ii) Changes in the economic availability of raw materials, operating supplies or facilities or technological or other changes have made the continued operation of the Plant as an efficient generating facility uneconomical; or

(iii) The Project or the Plant has been damaged or destroyed to such an extent that it is not practicable or desirable to rebuild, repair or restore the Project or the Plant.

If the Issuer shall have received such notice by the Company, the Issuer, upon request of the Company, shall give written notice to the Trustee directing the Trustee to take all action necessary to redeem the outstanding Bonds in whole and on a date specified in such notice, which date shall be not less than 45 nor more than 90 days from the date the notice is received by the Trustee.

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 Auction Rate Periods. When interest on the Bonds is payable at an Auction Mode Rate, the Bonds may be redeemed in whole or in part at the option of the Company, on the first day after the last day of the Auction Period then in effect.

Optional Redemption During Index Rate Periods. During any Index Rate Period, the Bonds are not subject to optional redemption.

Notice of Redemption. At least 30 days before each redemption, the Trustee will mail a notice of redemption by first-class mail to each Bondholder at the holder's registered address. 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 failure or defect occurs. Any notice mailed as provided in this paragraph 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, in such case when funds are deposited with the Trustee sufficient for redemption, interest on the Bonds to be redeemed ceases to accrue as of the date of redemption.

10. *Denominations; Transfer; Exchange.* The Bonds may be issued in registered form without coupons in denominations as follows: (1) when interest is payable at a Daily, Weekly or Commercial Paper Rate, $100,000 or any integral multiple thereof; (2) when interest is payable at a Long-Term Interest Rate, $5,000 and integral multiples of $5,000 thereafter; (3) when interest is payable at an Auction Mode Rate, $1,000 and integral multiples thereof; and (4) when interest is payable at an Index Rate, $100,000 and integral multiples of $5,000 thereafter. A holder may register the transfer of or exchange Bonds in accordance with the Indenture. The Trustee may 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, the Trustee will not be required to register the transfer of or exchange any Bond which has been 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.

11. *Persons Deemed Owners.* The registered holder of this Bond shall be treated as the owner of it for all purposes.

12. *Funds in Trust; Unclaimed Funds.* All moneys which the Trustee shall have withdrawn from the Bond Fund or shall have received from any other source and set aside, or deposited with the paying agents, for the purpose of paying any of the Bonds hereby secured, either at the maturity thereof or upon call for redemption or tender, shall be held in trust for the respective holders of such Bonds. But any moneys which shall be so set aside or deposited by the Trustee 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.

13. *Discharge Before Redemption, Tender or Maturity.* If the Company at any time deposits with the Trustee money or Government Obligations as described in the Indenture sufficient to pay at redemption, tender or maturity principal of and interest on the outstanding Bonds, and if the Company also pays or provides for the payment of all other sums then payable by the Company under the Agreement or the Indenture, the lien of the Indenture will be discharged. After discharge, Bondholders must look only to the deposited money and securities for payment except as otherwise specifically provided in the Indenture.

14. *Amendment, Supplement, Waiver.* Subject to certain exceptions, the Indenture, the Agreement or the Bonds may be amended or supplemented, and any past default or

compliance with any provision may be waived, with the consent of the holders of a majority in principal amount of the Bonds then outstanding. Any such consent shall be irrevocable and shall bind any subsequent owner of this Bond or any Bond delivered in substitution for this Bond. Without the consent of any Bondholder, the Issuer may amend or supplement the Indenture, the Agreement or the Bonds as described in the Indenture, among other things, to cure any ambiguity, omission, defect or inconsistency, to provide for uncertificated Bonds in addition to or in place of certificated Bonds, to provide for a Book-Entry System for the Bonds or to make any change that does not materially adversely affect the rights of any Bondholder.

15. *Defaults and Remedies.* The Indenture provides that the occurrences of certain events constitute Events of Default. If an Event of Default occurs and is continuing, the Bonds may become or may be declared immediately due and payable, as provided in the Indenture. An Event of Default and its consequences may be waived as provided in the Indenture. Bondholders may not enforce the Indenture or the Bonds except as provided in the Indenture. Except as specifically provided in the Indenture, the Trustee may refuse to enforce the Indenture or the Bonds unless it receives indemnity satisfactory to it. Subject to certain limitations, holders of a majority in principal amount of the Bonds then outstanding may direct the Trustee in its exercise of any trust or power.

16. *No Recourse Against Others.* A member, director, officer or employee, as such, of the Issuer shall not have any liability for any obligations of the Issuer or the Company under the Bonds or the Indenture or for any claim based on such obligations or their creation. Each Bondholder by accepting a Bond waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Bond.

17. *Authentication.* This Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Indenture until the certificate of authentication hereon shall have been duly executed by the Trustee.

A copy of the Indenture may be inspected at the corporate trust office of the Trustee located at 2600 Citiplace Drive, Suite 200, Baton Rouge, Louisiana 70808.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the execution and delivery of the Indenture and the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law.

IN WITNESS WHEREOF the Mississippi Business Finance Corporation has caused this Bond to be executed in its name by its Executive Director by his manual or facsimile signature and attested by the manual or facsimile signature of its Secretary and its corporate seal to be hereunto affixed or printed hereon.

MISSISSIPPI BUSINESS FINANCE CORPORATION

By: _____
Executive Director

Attest:

_____
Secretary

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds of the series designated therein and issued under the provisions of the within-mentioned Indenture.

HANCOCK BANK,
as Trustee

Date:_____ By: _____
Authorized Signature

STATE OF MISSISSIPPI
COUNTY OF HINDS

The undersigned, Secretary of the Issuer, hereby certifies that the within Mississippi Business Finance Corporation Solid Waste Disposal Facilities Revenue Refunding Bond, Series 2002 (Gulf Power Company Project) was validated and confirmed by decree of the Chancery Court of the First Judicial District of Hinds County, Mississippi rendered on the 17th day of September, 2002.

(SEAL)

_____
Secretary of Mississippi
Business Finance Corporation

The following abbreviations, when used in the inscription on the face of the within Bond, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM-	as tenants common	UNIF GIFT MIN ACT-	_____ Custodian _____ (Cust) (Minor)
TEN ENT-	as tenants by the entireties		under Uniform Gifts to
JT TEN-	as joint tenants with right of survivorship and not as tenants in common	Minors Act	_____ (State)

Additional abbreviations may also be used though not in list above.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto

_____

PLEASE INSERT SOCIAL SECURITY OR
OTHER IDENTIFYING NUMBER OF ASSIGNEE

_____

(Name and Address of Assignee)

_____

the within Bond and does hereby irrevocably constitute and appoint _____ attorney to transfer the said Bond on the books kept for registration thereof with full power of substitution in the premises.

Dated:_____

Signature guaranteed:

_____

Medallion Number:_____

*Signature(s) must be guaranteed by an eligible guarantor institution which is a member of a recognized signature guarantee program, i.e. Securities Transfer Agents Medallion Program (STAMP), or New York Stock Exchange Medallion Signature Program (MSP) acceptable to Trustee.

_____

NOTICE: The signature to this assignment must correspond with the name of the registered owner as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever.

EXHIBIT B

TO

TRUST INDENTURE

Auction Procedures

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ARTICLE I

Definitions

In addition to the words and terms elsewhere defined in this Indenture, the following words and terms as used in this *Exhibit B* and elsewhere is this Indenture have the following meanings with respect to Bonds in an Auction Rate Period unless the context or use indicates another or different meaning or intent.

"Agent Member" means a member of, or participant in, the Securities Depository who shall act on behalf of a Bidder.

"All Hold Rate" means, as of any Auction Date, 45% of the Reference Rate in effect on such Auction Date.

"Applicable Percentage" means, as of any Auction Date, the Percentage of Reference Rate (in effect on such Auction Date) determined as set forth below, based on the Prevailing Rating of the Bonds in effect at the close of business on the Business Day immediately preceding such Auction Date:

Prevailing Rating	Percentage of Reference Rate
AAA/Aaa	175%
AA/Aa	200
A/A	250
BBB/Baa	275
Below BBB/Baa	300

"Auction" means each periodic implementation of the Auction Procedures.

"Auction Agent" means the auctioneer appointed in accordance with Section 3.01 or 3.02 of this Exhibit B.

"Auction Agreement" means an agreement among the Company, the Auction Agent and the Trustee pursuant to which the Auction Agent agrees to follow the procedures specified in this Exhibit B with respect to the Bonds while bearing interest at an Auction Mode Rate, as such agreement may from time to time be amended or supplemented.

"Auction Date" means during any period in which the Auction Procedures are not suspended in accordance with the provisions hereof, (i) if the Bonds are in a daily Auction Period, each Business Day, and (ii) if the Bonds are in a Special Rate Period, the last Business Day of the Special Rate Period, and (iii) if the Bonds are in any other Auction Period, the Business Day next preceding each Interest Payment Date for such Bonds (whether or not an Auction shall be conducted on such date); *provided, however*, that the last Auction Date with respect to the Bonds in an Auction Period other than a daily Auction Period or a Special Rate Period shall be the earlier of (a) the Business Day next preceding the Interest Payment Date next

preceding the Conversion Date for the Bonds and (b) the Business Day next preceding the Interest Payment Date next preceding the final maturity date for the Bonds; and *provided, further*, that if the Bonds are in a daily Auction Period, the last Auction Date shall be the earlier of (x) the Business Day next preceding the Conversion Date for the Bonds and (y) the Business Day next preceding the final maturity date for the Bonds. The last Business Day of a Special Rate Period shall be the Auction Date for the Auction Period which begins on the next succeeding Business Day, if any. On the Business Day preceding the conversion from a daily Auction Period to another Auction Period, there shall be two Auctions, one for the last daily Auction Period and one for the first Auction Period following the conversion. The first Auction Date for the Bonds is October 30, 2002.

"Auction LIBOR," on any date of determination for any Auction Period, means: (i) for any Auction Period of fewer than 49 days, the offered rate for deposits in U.S. dollars for a one-month period which appears on the MoneyLine Telerate Page 3750 at approximately 11:00 A.M., London time, on such date, or if such date is not a date on which dealings in U.S. dollars are transacted in the London interbank market, then on the next preceding day on which such dealings were transacted in such market (the "calculation date") and (ii) for any Auction Period of (A) 49 or more but fewer than 70 days, such rates for deposits in U.S. dollars for a two-month period, (B) 70 or more but fewer than 85 days, the arithmetic average of such rates for deposits in U.S. dollars for two and three-month periods, (C) 85 or more but fewer than 120 days, such rate for deposits in U.S. dollars for a three-month period, (D) 120 or more but fewer than 148 days, the arithmetic average of such rates for deposits in U.S. dollars for three and six-month periods, (E) 148 or more but fewer than 180 days, such rate for deposits in U.S. dollars for a six-month period, (F) 180 or more but fewer than 225 days, the arithmetic average of such rates for deposits in U.S. dollars for six and nine-month periods, (G) 225 or more but fewer than 290 days, such rate for deposits in U.S. dollars for a nine-month period, (H) 290 or more but fewer than 325 days, the arithmetic average of such rates for deposits in U.S. dollars for nine-month and one-year periods and (I) 325 or more but fewer than 365 days, such rate for deposits in U.S. dollars for a one-year period.

"Auction Mode Rate" means the rate of interest to be borne by the Bonds during each Auction Period determined in accordance with Section 2.03(a) of this Indenture or Section 2.04 of this Exhibit B; provided, however, in no event may the Auction Mode Rate exceed the Maximum Auction Rate.

"Auction Period" means any period of less than 365 days during which the Bonds bear interest at a single Auction Mode Rate, as established pursuant to the Indenture.

"Auction Procedures" means the procedures for conducting Auctions for Bonds during an Auction Rate Period set forth in this Exhibit B.

"Auction Rate" means for each Auction Period, (i) if Sufficient Clearing Bids exist, the Winning Bid Rate, provided, however, if all of the Bonds are the subject of Submitted Hold Orders, the All Hold Rate and (ii) if Sufficient Clearing Bids do not exist, the Maximum Auction Rate.

"Auction Rate Conversion Date" means with respect to Bonds, the date on which the Bonds convert from an interest rate period other than an Auction Rate Period and begin to bear interest at an Auction Mode Rate.

"Authorized Denominations" means $1,000 and integral multiples thereof, notwithstanding anything else in this Indenture to the contrary, so long as the Bonds bear interest at a Auction Mode Rate.

"Available Bonds" means on each Auction Date, the aggregate principal amount of Bonds that are not the subject of Submitted Hold Orders.

"Bid" has the meaning specified in subsection (a) of Section 2.02 of this Exhibit B.

"Bidder" means each Existing Owner and Potential Owner who places an Order.

"Broker-Dealer" means any entity that is permitted by law to perform the function required of a Broker-Dealer described in this Exhibit B, that is a member of, or a direct participant in, the Securities Depository, that has been selected by the Company and the Insurer, and that is a party to a Broker-Dealer Agreement with the Company and the Auction Agent.

"Broker-Dealer Agreement" means an agreement among the Auction Agent, the Company and a Broker-Dealer pursuant to which such Broker-Dealer agrees to follow the procedures described in this Exhibit B, as such agreement may from to time be amended or supplemented.

"Business Day" in addition to any other definition of "Business Day" included in this Indenture while Bonds bear interest at an Auction Mode Rate, the term Business Day shall not include April 14 or 15 or December 30 or 31 or days on which the Auction Agent or any Broker-Dealer are not open for business.

"Conversion Date" means the date on which the Bonds begin to bear interest at a Daily Rate, a Weekly Rate, a Commercial Paper Rate, a Long-Term Interest Rate or an Index Rate.

"Default Rate" means, in respect of any Auction Period other than a daily Auction Period, a per annum rate equal to three hundred percent (300%) of the Reference Rate determined on the Auction Date next preceding the first day of such Auction Period or in the case of Bonds in a daily Auction Period, three hundred percent (300%) of the Reference Rate determined on the Auction Date which was the first day of such Auction Period, provided, however, the Default Rate shall not exceed the Maximum Interest Rate.

"Existing Owner" means a Person who is listed from time to time as the beneficial owner of Bonds in the records of the Auction Agent.

"Hold Order" has the meaning specified in subsection (a) of Section 2.02 of this Exhibit B.

"Interest Payment Date" with respect to Bonds bearing interest at Auction Mode Rates, means (a) when used with respect to any Auction Period other than a daily Auction Period or a

Special Rate Period, the Business Day immediately following such Auction Period, (b) when used with respect to a daily Auction Period, the first Business Day of the month immediately succeeding such Auction Period, (c) when used with respect to a Special Rate Period of (i) seven or more but fewer than 92 days, the Business Day immediately following such Special Rate Period, or (ii) 92 or more days, each 13th Thursday after the first day of such Special Rate Period or the next Business Day if such Thursday is not a Business Day and on the Business Day immediately following such Special Rate Period, (d) each Conversion Date, and (e) the Maturity Date.

"Maximum Auction Rate" means, as of any Auction Date, the product of the Reference Rate multiplied by the Applicable Percentage, provided, however, the Maximum Auction Rate shall not exceed the Maximum Interest Rate.

"Maximum Interest Rate" means (i) 15% on the date hereof, and (ii) to the extent the maximum rate permitted by applicable law shall become less than 15%, then the maximum rate permitted by law.

"Moody's" means Moody's Investors Service, Inc and its successors and assigns.

"Order" means a Hold Order, Bid or Sell Order.

"Payment Default" means any Event of Default resulting from a failure to pay principal, premium, purchase price or interest on any Bond when due.

"Potential Owner" means any Person, including any Existing Owner, who may be interested in acquiring a beneficial interest in the Bonds in addition to the Bonds currently owned by such Person, if any.

"Prevailing Rating" means (a) AAA/Aaa, if the Bonds shall have a rating of AAA or better by S&P and a rating of Aaa or better by Moody's, (b) if not AAA/Aaa, AA/Aa if the Bonds shall have a rating of AA- or better by S&P and a rating of Aa3 or better by Moody's, (c) if not AAA/Aaa or AA/Aa, A/A if the Bonds shall have a rating of A- or better by S&P and a rating of A3 or better by Moody's, (d) if not AAA/Aaa, AA/Aa or A/A, BBB/Baa, if the Bonds shall have a rating of BBB- or better by S&P and a rating of Baa3 or better by Moody's, and (e) if not AAA/Aaa, AA/Aa, A/A or BBB/Baa, then below BBB/Baa, whether or not the Bonds are rated by any securities rating agency. For purposes of this definition, S&P's rating categories of "AAA," "AA," "A" and "BBB" and Moody's rating categories of "Aaa," "Aa3," "A3" and "Baa" shall be deemed to refer to and include the respective rating categories correlative thereto in the event that any such Rating Agencies shall have changed or modified their generic rating categories or if any successor thereto appointed in accordance with the definitions thereof shall use different rating categories. If the Bonds are not rated by a Rating Agency, the requirement of a rating by such Rating Agency shall be disregarded. If the ratings for the Bonds are split between two of the foregoing categories, the lower rating shall determine the Prevailing Rating. If there is no rating, then the Auction Mode Rate shall be the Maximum Auction Rate.

"Principal Office" means, with respect to the Auction Agent, the office thereof designated in writing to the Company, the Trustee, the Insurer and each Broker-Dealer.

"Rating Agencies" means Moody's and S&P.

"Reference Rate" shall have the meaning specified in Section 2.07 of this Exhibit B.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. and its successors and assigns.

"Securities Depository" means The Depository Trust Company and its successors and assigns or any other securities depository selected by the Company which agrees to follow the procedures required to be followed by such securities depository in connection with the Bonds.

"Sell Order" has the meaning specified in subsection (a) of Section 2.02 of Exhibit B.

"Special Rate Period" means any period of not less than seven nor more than 365 days which begins on an Interest Payment Date and ends on a Wednesday unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day.

"Submission Deadline" means 1:00 p.m., New York City time, on each Auction Date not in a daily Auction Period and 11:00 a.m., New York City time, on each Auction Date in a daily Auction Period, or such other time on such date as shall be specified from time to time by the Auction Agent pursuant to the Auction Agreement as the time by which Broker-Dealers are required to submit Orders to the Auction Agent.

"Submitted Bid" has the meaning specified in subsection (b) of Section 2.04 of this Exhibit B.

"Submitted Hold Order" has the meaning specified in subsection (b) of Section 2.04 of this Exhibit B.

"Submitted Order" has the meaning specified in subsection (b) of Section 2.04 of this Exhibit B.

"Submitted Sell Order" has the meaning specified in subsection (b) of Section 2.04 of this Exhibit B.

"Sufficient Clearing Bids" means an Auction for which the aggregate principal amount of Bonds that are the subject of Submitted Bids by Potential Owners specifying one or more rates not higher than the Maximum Auction Rate is not less than the aggregate principal amount of Bonds that are the subject of Submitted Sell Orders and of Submitted Bids by Existing Owners specifying rates higher than the Maximum Auction Rate.

"Winning Bid Rate" means the lowest rate specified in any Submitted Bid which if selected by the Auction Agent as the Auction Rate, subject to the All Hold Rate, would cause the aggregate principal amount of Bonds that are the subject of Submitted Bids specifying a rate not greater than such rate to be not less than the aggregate principal amount of Available Bonds.

ARTICLE II

Auction Procedures

Section 2.01. General Procedures. While the Bonds bear interest at the Auction Mode Rate, Auctions shall be conducted on each Auction Date (other than the Auction Date immediately preceding (i) each Auction Rate Period commencing after the ownership of the Bonds is no longer maintained in the Book-Entry System pursuant to this Indenture; (ii) each Auction Rate Period commencing after the occurrence and during the continuance of a Payment Default; or (iii) any Auction Rate Period commencing less than two Business Days after the cure of a Payment Default). If there is an Auction Agent on such Auction Date, Auctions shall be conducted in the manner set forth in this Exhibit B.

Section 2.02. Orders by Existing Owners and Potential Owners.

(a) Prior to the Submission Deadline on each Auction Date:

(i) each Existing Owner may submit to a Broker-Dealer, in writing or by such other method as shall be reasonably acceptable to such Broker-Dealer, information as to:

(A) the principal amount of Bonds, if any, held by such Existing Owner which such Existing Owner irrevocably commits to continue to hold for the next succeeding Auction Period without regard to the rate determined by the Auction Procedures for such Auction Period,

(B) the principal amount of Bonds, if any, held by such Existing Owner which such Existing Owner irrevocably commits to continue to hold for the next succeeding Auction Period if the rate determined by the Auction Procedures for such Auction Period shall not be less than the rate per annum then specified by such Existing Owner (and which such Existing Owner irrevocably offers to sell on the next succeeding Auction Date (or the same day in the case of a daily Auction Period) if the rate determined by the Auction Procedures for the next succeeding Auction Period shall be less than the rate per annum then specified by such Existing Owner), and/or

(C) the principal amount of Bonds, if any, held by such Existing Owner which such Existing Owner irrevocably offers to sell on the next succeeding Auction Date (or on the same day in the case of a daily Auction Period) without regard to the rate determined by the Auction Procedures for the next succeeding Auction Period; and

(ii) for the purpose of implementing the Auctions and thereby to achieve the lowest possible interest rate on the Bonds, the Broker-Dealers shall contact Potential Owners, including Persons that are Existing Owners, to determine the principal amount of Bonds, if any, which each such Potential Owner irrevocably offers to purchase if the rate determined by the Auction Procedures for the next succeeding Auction Period is not less than the rate per annum then specified by such Potential Owner.

For the purposes hereof an Order containing the information referred to in clause (i)(A) above is herein referred to as a "Hold Order", an Order containing the information referred to in clause (i)(B) or (ii) above is herein referred to as a "Bid", and an Order containing the information referred to in clause (i)(C) above is herein referred to as a "Sell Order."

(b) (i) Subject to the provisions of Section 2.03 of this Exhibit B, a Bid by an Existing Owner shall constitute an irrevocable offer to sell:

(A) the principal amount of Bonds specified in such Bid if the rate determined by the Auction Procedures on such Auction Date shall be less than the rate specified therein; or

(B) such principal amount or a lesser principal amount of Bonds to be determined as set forth in subsection (a)(v) of Section 2.05 hereof if the rate determined by the Auction Procedures on such Auction Date shall be equal to such specified rate; or

(C) a lesser principal amount of Bonds to be determined as set forth in subsection (b)(iv) of Section 2.05 hereof if such specified rate shall be higher than the Maximum Auction Rate and Sufficient Clearing Bids do not exist.

(ii) Subject to the provisions of Section 2.03 of this Exhibit B, a Sell Order by an Existing Owner shall constitute an irrevocable offer to sell:

(A) the principal amount of Bonds specified in such Sell Order; or

(B) such principal amount or a lesser principal amount of Bonds as set forth in subsection (b)(iv) of Section 2.05 hereof if Sufficient Clearing Bids do not exist.

(iii) Subject to the provisions of Section 2.03 of this Exhibit B, a Bid by a Potential Owner shall constitute an irrevocable offer to purchase:

(A) the principal amount of Bonds specified in such Bid if the rate determined by the Auction Procedures on such Auction Date shall be higher than the rate specified therein; or

(B) such principal amount or a lesser principal amount of Bonds as set forth in subsection (a)(vi) of Section 2.05 hereof if the rate determined by the Auction Procedures on such Auction Date shall be equal to such specified rate.

(c) Anything herein to the contrary notwithstanding:

(i) for purposes of any Auction, any Order which specifies Bonds to be held, purchased or sold in a principal amount which is not $1,000 or an integral multiple thereof shall be rounded down to the nearest $1,000, and the Auction Agent shall conduct the Auction Procedures as if such Order had been submitted in such lower amount;

(ii) for purposes of any Auction other than during a daily Auction Period, any portion of an Order of an Existing Owner which relates to a Bond which has been called for redemption on or prior to the Interest Payment Date next succeeding such Auction shall be invalid with respect to such portion and the Auction Agent shall conduct the Auction Procedures as if such portion of such Order had not been submitted;

(iii) for purposes of any Auction other than during a daily Auction Period, no portion of a Bond which has been called for redemption on or prior to the Interest Payment Date next succeeding such Auction shall be included in the calculation of Available Bonds for such Auction; and

(iv) the Auction Procedures shall be suspended during the period commencing on the date of the Auction Agent's receipt of notice from the Trustee or the Issuer of the occurrence of a Payment Default but shall resume two Business Days after the date on which the Auction Agent receives notice from the Trustee that such Payment Default has been waived or cured, with the next Auction to occur on the next regularly scheduled Auction Date occurring thereafter.

Section 2.03. Submission of Orders by Broker-Dealers to Auction Agent.

(a) Each Broker-Dealer shall submit to the Auction Agent in writing or by such other method as shall be reasonably acceptable to the Auction Agent, prior to the Submission Deadline on each Auction Date, all Orders obtained by such Broker-Dealer and specifying, with respect to each Order:

(i) the name of the Bidder placing such Order;

(ii) the aggregate principal amount of Bonds, if any, that are the subject of such Order;

(iii) to the extent that such Bidder is an Existing Owner:

(A) the principal amount of Bonds, if any, subject to any Hold Order placed by such Existing Owner;

(B) the principal amount of Bonds, if any, subject to any Bid placed by such Existing Owner and the rate specified in such Bid; and

(C) the principal amount of Bonds, if any, subject to any Sell Order placed by such Existing Owner; and

(iv) to the extent such Bidder is a Potential Owner, the rate and amount specified in such Potential Owner's Bid.

(b) If any rate specified in any Bid contains more than three figures to the right of the decimal point, the Auction Agent shall round such rate up to the next highest one thousandth of one percent (0.001%).

(c) If an Order or Orders covering all of the Bonds held by an Existing Owner is not submitted to the Auction Agent prior to the Submission Deadline, the Auction Agent shall deem a Hold Order to have been submitted on behalf of such Existing Owner covering the principal amount of Bonds held by such Existing Owner and not subject to Orders submitted to the Auction Agent; *provided, however*, that if there is a conversion from one Auction Period to another Auction Period and Orders have not been submitted to the Auction Agent prior to the Submission Deadline covering the aggregate principal amount of Bonds to be converted held by such Existing Owner, the Auction Agent shall deem a Sell Order to have been submitted on behalf of such Existing Owner covering the principal amount of Bonds to be converted held by such Existing Owner not subject to Orders submitted to the Auction Agent.

(d) If one or more Orders covering in the aggregate more than the principal amount of Outstanding Bonds held by any Existing Owner are submitted to the Auction Agent, such Orders shall be considered valid as follows and in the following order of priority:

(i) all Hold Orders shall be considered valid Hold Orders, but only up to and including in the aggregate the principal amount of Bonds held by such Existing Owner, and if the aggregate principal amount of Bonds subject to such Hold Orders exceeds the aggregate principal amount of Bonds held by such Existing Owner, the aggregate principal amount of Bonds subject to each such Hold Order shall be reduced pro rata to cover the aggregate principal amount of Outstanding Bonds held by such Existing Owner;

(ii) (A) any Bid of an Existing Owner shall be considered valid as a Bid of an Existing Owner up to and including the excess of the principal amount of Bonds held by such Existing Owner over the aggregate principal amount of the Bonds subject to Hold Orders referred to in paragraph (i) above;

(B) subject to sub-clause (A) of this paragraph (ii), all Bids of an Existing Owner with the same rate shall be aggregated and considered a single Bid of an Existing Owner up to and including the excess of the principal amount of Bonds held by such Existing Owner over the principal amount of Bonds held by such Existing Owner subject to Hold Orders referred to in sub-paragraph (i) of this paragraph (d);

(C) subject to sub-clause (A) of this paragraph (ii), if more than one Bid with different rates is submitted on behalf of such Existing Owner, such Bids shall be considered valid Bids of an Existing Owner in the ascending order of their respective rates up to the amount of the excess of the principal amount of Bonds held by such Existing Owner over the principal amount of Bonds held by such Existing Owner subject to Hold Orders referred to in sub-paragraph (i) of this paragraph (d); and

(D) the principal amount, if any, of such Bonds subject to Bids not considered to be Bids of an Existing Owner under this paragraph (ii) shall be treated as the subject of a Bid by a Potential Owner at the rate specified therein; and

(iii) all Sell Orders shall be considered valid Sell Orders, but only up to and including a principal amount of Bonds equal to the excess of the principal amount of Bonds held by such Existing Owner over the sum of the principal amount of the Bonds considered to be subject to Hold Orders pursuant to sub-paragraph (i) of this paragraph (d) and the principal amount of Bonds considered to be subject to Bids of such Existing Owner pursuant to sub-paragraph (ii) of this paragraph (d).

(e) If more than one Bid is submitted on behalf of any Potential Owner, each Bid submitted with the same rate shall be aggregated and considered a single Bid and each Bid submitted with a different rate shall be considered a separate Bid with the rate and the principal amount of Bonds specified therein.

(f) Any Bid submitted by an Existing Owner or a Potential Owner specifying a rate lower than the All Hold Rate shall be treated as a Bid specifying the All Hold Rate, and any such Bid shall be considered as valid and shall be selected in ascending order of the respective rates in the Submitted Bids (as defined in Section 2.04).

(g) Neither the Issuer, the Insurer, the Company, the Trustee, the Remarketing Agent nor the Auction Agent shall be responsible for the failure of any Broker-Dealer to submit an Order to the Auction Agent on behalf of any Existing Owner or Potential Owner.

Section 2.04. Determination of Auction Mode Rate.

(a) Not later than 9:30 a.m., New York City time, on each Auction Date, the Auction Agent shall advise the Broker-Dealers and the Trustee by telephone of the All Hold Rate, the Maximum Auction Rate and the Reference Rate.

(b) Promptly after the Submission Deadline on each Auction Date, the Auction Agent shall assemble all Orders submitted or deemed submitted to it by the Broker-Dealers (each such Order as submitted or deemed submitted by a Broker-Dealer being hereinafter referred to as a "Submitted Hold Order," a "Submitted Bid" or a "Submitted Sell Order," as the case may be, and collectively as a "Submitted Order") and shall determine (i) the Available Bonds, (ii) whether there are Sufficient Clearing Bids, and (iii) the Auction Rate.

(c) Promptly after the Auction Agent has made the determinations pursuant to subsection (b) of this Section 2.04, the Auction Agent shall advise the Trustee and the Company by telex, facsimile or other electronic transmission of the Auction Rate for the next succeeding Auction Period and the Trustee shall promptly notify DTC of such Auction Rate.

(d) In the event the Auction Agent fails to calculate or, for any reason, fails to timely provide the Auction Rate for any Auction Period, (i) if the preceding Auction Period was a period of 35 days or less, the new Auction Period shall be the same as the preceding Auction Period and the Auction Mode Rate for the New Auction Period shall be the same as the Auction Mode Rate for the preceding Auction Period, and (ii) if the preceding Auction Period was a period of greater than 35 days, the preceding Auction Period shall be extended to the seventh day following the day that would have been the last day of such Auction Period had it not been extended (or if such seventh day is not followed by a Business Day then to the next succeeding

day which is followed by a Business Day) and the Auction Mode Rate in effect for the preceding Auction Period will continue in effect for the Auction Period as so extended. In the event an Auction Period is extended as set forth in clause (ii) of the preceding sentence, an Auction shall be held on the last Business Day of the Auction Period as so extended to take effect for an Auction Period beginning on the Business Day immediately following the last day of the Auction Period as extended which Auction Period will end on the date it would otherwise have ended on had the prior Auction Period not been extended.

(e) In the event the Auction Procedures are suspended due to the failure to pay principal of, premium or interest on any Bond, the Auction Mode Rate for the next succeeding Auction Period shall be the Default Rate.

(f) In the event of a failed conversion from a Auction Mode Rate Determination Method to another Determination Method or in the event of a failure to change the length of the current Auction Period due to the lack of Sufficient Clearing Bids at the Auction on the Auction Date for the first new Auction Period, the Auction Mode Rate for the next Auction Period shall be the Maximum Auction Rate and the Auction Period shall be a seven-day Auction Period.

(g) If the Bonds are not rated or if the Bonds are no longer maintained in book-entry-only form by the Securities Depository then the Auction Mode Rate shall be the Maximum Rate.

Section 2.05. Allocation of Bonds.

(a) In the event of Sufficient Clearing Bids, subject to the further provisions of subsections (c) and (d) below, Submitted Orders shall be accepted or rejected as follows in the following order of priority:

(i) the Submitted Hold Order of each Existing Owner shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Hold Order;

(ii) the Submitted Sell Order of each Existing Owner shall be accepted, and the Submitted Bid of each Existing Owner specifying any rate that is higher than the Winning Bid Rate shall be rejected, thus requiring each such Existing Owner to sell the Bonds that are the subject of such Submitted Sell Order or Submitted Bid;

(iii) the Submitted Bid of each Existing Owner specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Bid;

(iv) the Submitted Bid of each Potential Owner specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring each such Potential Owner to purchase the Bonds that are the subject of such Submitted Bid;

(v) the Submitted Bid of each Existing Owner specifying a rate that is equal to the Winning Bid Rate shall be accepted, thus requiring each such Existing Owner to

continue to hold the Bonds that are the subject of such Submitted Bid, but only up to and including the principal amount of Bonds obtained by multiplying (A) the aggregate principal amount of Bonds outstanding which are not the subject of Submitted Hold Orders described in sub-paragraph (i) of this paragraph (a) or of Submitted Bids described in sub-paragraphs (iii) and (iv) of this paragraph (a) by (B) a fraction the numerator of which shall be the principal amount of Bonds outstanding held by such Existing Owner subject to such Submitted Bid and the denominator of which shall be the aggregate principal amount of Bonds outstanding subject to such Submitted Bids made by all such Existing Owners that specified a rate equal to the Winning Bid Rate, and the remainder, if any, of such Submitted Bid shall be rejected, thus requiring each such Existing Owner to sell any excess amount of Bonds;

(vi) the Submitted Bid of each Potential Owner specifying a rate that is equal to the Winning Bid Rate shall be accepted, thus requiring each such Potential Owner to purchase the Bonds that are the subject of such Submitted Bid, but only in an amount equal to the principal amount of Bonds obtained by multiplying (A) the aggregate principal amount of Bonds outstanding which are not the subject of Submitted Hold Orders described in sub-paragraph (i) of this paragraph (a) or of Submitted Bids described in sub-paragraphs (iii), (iv) or (v) of this paragraph (a) by (B) a fraction the numerator of which shall be the principal amount of Bonds outstanding subject to such Submitted Bid and the denominator of which shall be the sum of the aggregate principal amount of Bonds outstanding subject to such Submitted Bids made by all such Potential Owners that specified a rate equal to the Winning Bid Rate, and the remainder of such Submitted Bid shall be rejected; and

(vii) the Submitted Bid of each Potential Owner specifying any rate that is higher than the Winning Bid Rate shall be rejected.

(b) In the event there are not Sufficient Clearing Bids, subject to the further provisions of subsections (c) and (d) below, Submitted Orders shall be accepted or rejected as follows in the following order of priority:

(i) the Submitted Hold Order of each Existing Owner shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Hold Order;

(ii) the Submitted Bid of each Existing Owner specifying any rate that is not higher than the Maximum Auction Rate shall be accepted, thus requiring each such Existing Owner to continue to hold the Bonds that are the subject of such Submitted Bid;

(iii) the Submitted Bid of each Potential Owner specifying any rate that is not higher than the Maximum Auction Rate shall be accepted, thus requiring each such Potential Owner to purchase the Bonds that are the subject of such Submitted Bid;

(iv) the Submitted Sell Orders of each Existing Owner shall be accepted as Submitted Sell Orders and the Submitted Bids of each Existing Owner specifying any rate that is higher than the Maximum Auction Rate shall be deemed to be and shall be

accepted as Submitted Sell Orders, in both cases only up to and including the principal amount of Bonds obtained by multiplying (A) the aggregate principal amount of Bonds subject to Submitted Bids described in paragraph (iii) of this subsection (b) by (B) a fraction the numerator of which shall be the principal amount of Bonds outstanding held by such Existing Owner subject to such Submitted Sell Order or such Submitted Bid deemed to be a Submitted Sell Order and the denominator of which shall be the principal amount of Bonds outstanding subject to all such Submitted Sell Orders and such Submitted Bids deemed to be Submitted Sell Orders, and the remainder of each such Submitted Sell Order or Submitted Bid shall be deemed to be and shall be accepted as a Hold Order and each such Existing Owner shall be required to continue to hold such excess amount of Bonds; and

(v) the Submitted Bid of each Potential Owner specifying any rate that is higher than the Maximum Auction Rate shall be rejected.

(c) If, as a result of the procedures described in subsection (a) or (b) of this Section 2.05, any Existing Owner or Potential Owner would be required to purchase or sell an aggregate principal amount of Bonds which is not an integral multiple of $1,000 on any Auction Date, the Auction Agent shall by lot, in such manner as it shall determine in its sole discretion, round up or down the principal amount of Bonds to be purchased or sold by any Existing Owner or Potential Owner on such Auction Date so that the aggregate principal amount of Bonds purchased or sold by each Existing Owner or Potential Owner on such Auction Date shall be an integral multiple of $1,000, even if such allocation results in one or more of such Existing Owners or Potential Owners not purchasing or selling any Bonds on such Auction Date.

(d) If, as a result of the procedures described in subsection (a) of this Section 2.05, any Potential Owner would be required to purchase less than $1,000 in principal amount of Bonds on any Auction Date, the Auction Agent shall by lot, in such manner as it shall determine in its sole discretion, allocate Bonds for purchase among Potential Owners so that the principal amount of Bonds purchased on such Auction Date by any Potential Owner shall be an integral multiple of $1,000, even if such allocation results in one or more of such Potential Owners not purchasing Bonds on such Auction Date.

Section 2.06. Notice of Auction Rate.

(a) On each Auction Date, the Auction Agent shall notify by telephone or other electronic means or in writing each Broker-Dealer that participated in the Auction held on such Auction Date and submitted an Order on behalf of any Existing Owner or Potential Owner of the following:

(i) the Auction Mode Rate determined on such Auction Date for the succeeding Auction Period;

(ii) whether Sufficient Clearing Bids existed for the determination of the Winning Bid Rate;

(iii) if such Broker-Dealer submitted a Bid or a Sell Order on behalf of an Existing Owner, whether such Bid or Sell Order was accepted or rejected, in whole or in part, and the principal amount of Bonds, if any, to be sold by such Existing Owner;

(iv) if such Broker-Dealer submitted a Bid on behalf of a Potential Owner, whether such Bid was accepted or rejected, in whole or in part, and the principal amount of Bonds, if any, to be purchased by such Potential Owner;

(v) if the aggregate principal amount of the Bonds to be sold by all Existing Owners on whose behalf such Broker-Dealer submitted Bids or Sell Orders is different from the aggregate principal amount of Bonds to be purchased by all Potential Owners on whose behalf such Broker-Dealer submitted a Bid, the name or names of one or more Broker-Dealers (and the Agent Member, if any, of each such other Broker-Dealer) and the principal amount of Bonds to be (A) purchased from one or more Existing Owners on whose behalf such other Broker-Dealers submitted Bids or Sell Orders or (B) sold to one or more Potential Owners on whose behalf such Broker-Dealer submitted Bids; and

(vi) the immediately succeeding Auction Date.

(b) On each Auction Date, each Broker-Dealer that submitted an Order on behalf of any Existing Owner or Potential Owner shall:

(i) advise each Existing Owner and Potential Owner on whose behalf such Broker-Dealer submitted an Order as to (A) the Auction Mode Rate determined on such Auction Date, (B) whether any Bid or Sell Order submitted on behalf of each such Owner was accepted or rejected and (C) the immediately succeeding Auction Date;

(ii) instruct each Potential Owner on whose behalf such Broker-Dealer submitted a Bid that was accepted, in whole or in part, to instruct such Potential Owner's Agent Member to pay to such Broker-Dealer (or its Agent Member) through the Securities Depository the amount necessary to purchase the principal amount of Bonds to be purchased pursuant to such Bid (including, with respect to the Bonds in a daily Auction Period, accrued interest if the purchase date is not an Interest Payment Date for such Bond) against receipt of such Bonds; and

(iii) instruct each Existing Owner on whose behalf such Broker-Dealer submitted a Sell Order that was accepted or a Bid that was rejected in whole or in part, to instruct such Existing Owner's Agent Member to deliver to such Broker-Dealer (or its Agent Member) through the Securities Depository the principal amount of Bonds to be sold pursuant to such Bid or Sell Order against payment therefor.

Section 2.07. Reference Rate.

(a) The Reference Rate on any Auction Date with respect to Bonds in any Auction Period of less than 180 days shall be the greater of Auction LIBOR or the Thirty-Day "AA" Composite Commercial Paper Rate (non-financial) on such date. The Reference Rate with respect to Bonds in any Auction Period of 180 days or more shall be the greater of Auction LIBOR or the rate on Treasury securities having a maturity which most closely approximates the

length of the Auction Period, as last published in *The Wall Street Journal.* If either rate is unavailable, the Reference Rate shall be an index or rate agreed to by all Broker-Dealers and consented to by the Company.

"Thirty-Day 'AA' Composite Commercial Paper Rate" (non-financial) on any date of determination, means the interest equivalent of the Thirty-Day rate on commercial paper placed on behalf of non financial issuers whose corporate bonds are rated AA by S&P, or the equivalent of such rating by S&P, as made available on a discount basis or otherwise by the Federal Reserve Bank of New York for the Business Day immediately preceding such date of determination, or if the Federal Reserve Bank of New York does not make available any such rate, then the arithmetic average of such rates, as quoted on a discount basis or otherwise, by Lehman Commercial Paper Inc., Goldman, Sachs & Co. and Merrill Lynch, Pierce, Fenner & Smith Incorporated or, in lieu of any thereof, their respective affiliates or successors which are commercial paper dealers (the "Commercial Paper Dealers"), to the Auction Agent before the close of business on the Business Day immediately preceding such date of determination.

For purposes of the definitions of Thirty-Day "AA" Composite Commercial Paper Rate, the "interest equivalent" means the equivalent yield on a 360-day basis of a discount-basis security to an interest-bearing security. If any Commercial Paper Dealer does not quote a commercial paper rate required to determine the Thirty-Day "AA" Composite Commercial Paper Rate, the Thirty-Day "AA" Composite Commercial Paper Rate shall be determined on the basis of the quotation or quotations furnished by the remaining Commercial Paper Dealer or Commercial Paper Dealers and any substitute commercial paper dealer not included within the definition of Commercial Paper Dealer above, which may be CS First Boston Corporation or Morgan Stanley Dean Witter or their respective affiliates or successors which are commercial paper dealers (a "Substitute Commercial Paper Dealer") selected by the Auction Agent (who shall be under no liability for such selection) to provide such commercial paper rate or rates not being supplied by any Commercial Paper Dealer or Commercial Paper Dealers, as the case may be, or if the Auction Agent does not select any such Substitute Commercial Paper Dealer or Substitute Commercial Paper Dealers, by the remaining Commercial Paper Dealer or Commercial Paper Dealers.

(b) If for any reason on any Auction Date the Reference Rate shall not be determined as hereinabove provided in this Section, the Reference Rate shall be the Reference Rate for the Auction Period ending on such Auction Date.

(c) The determination of the Reference Rate as provided herein shall be conclusive and binding upon the Issuer, the Company, the Trustee, the Remarketing Agent, the Broker-Dealers, the Auction Agent and the Owners and Beneficial Owners of the Bonds.

Section 2.08. Miscellaneous Provisions Regarding Auctions.

(a) In this Exhibit B, each reference to the purchase, sale or holding of Bonds shall refer to beneficial interests in Bonds, unless the context clearly requires otherwise.

(b) During an Auction Rate Period, the provisions of the Indenture and the definitions contained therein and described in this Exhibit B, including without limitation the definitions of

All Hold Rate, Default Rate, Interest Payment Date, Maximum Auction Rate, Reference Rate, Applicable Percentage and Auction Mode Rate, may be amended pursuant to the Indenture by obtaining the consent of (i) the owners of all Bonds bearing interest at a Auction Mode Rate, and (ii) the Insurer, as follows. If, on the first Auction Date occurring at least 20 days after the date on which the Trustee mailed notice of such proposed amendment to the registered owners of the Bonds as required by the Indenture, (i) the Auction Mode Rate which is determined on such date is the Winning Bid Rate and (ii) there is delivered to the Company and the Trustee an Opinion of Tax Counsel to the effect that such amendment shall not adversely affect the validity of the Bonds or any exemption from federal income tax to which the interest on the Bonds would otherwise be entitled, the proposed amendment shall be deemed to have been consented to by the owners of all affected Bonds affected by such amendment.

(c) During an Auction Rate Period, so long as the ownership of the Bonds is maintained in book-entry form by the Securities Depository, an Existing Owner or a beneficial owner may sell, transfer or otherwise dispose of a Bond only pursuant to a Bid or Sell Order in accordance with the Auction Procedures or to or through a Broker-Dealer, *provided that* (i) in the case of all transfers other than pursuant to Auctions, such Existing Owner or its Broker-Dealer or its Agent Member advises the Auction Agent of such transfer and (ii) a sale, transfer or other disposition of Bonds from a customer of a Broker-Dealer who is listed on the records of that Broker-Dealer as the Existing Owner of such Bonds to that Broker-Dealer or another customer of that Broker-Dealer shall not be deemed to be a sale, transfer or other disposition for purposes of this Section 2.08 if such Broker-Dealer remains the Existing Owner of the Bonds so sold, transferred or disposed of immediately after such sale, transfer or disposition.

Section 2.09. Changes in Auction Period or Auction Date.

(a) Changes in Auction Period.

(i) During any Auction Rate Period, the Company, may, from time to time on any Interest Payment Date, change the length of the Auction Period with respect to all of the Bonds in order to accommodate economic and financial factors that may affect or be relevant to the length of the Auction Period and the interest rate borne by such Bonds. Any such change in the Auction Period shall be deemed to be a change in Determination Method. The Company shall initiate the change in the length of the Auction Period by giving a Conversion Notice pursuant to Section 2.02(b)(1) of the Indenture.

(ii) The change in the length of the Auction Period shall not be effective unless Sufficient Clearing Bids existed at both the Auction before the date on which the notice of the proposed change was given as provided in this subsection (a) and the Auction immediately preceding the proposed change.

(iii) The change in length of the Auction Period shall take effect only if (i) Sufficient Clearing Bids exist at the Auction on the Auction Date for such first Auction Period, and (ii) on the proposed effective date, the Company provides the Trustee with a Favorable Opinion of Tax Counsel as to such change in the Auction Period. For purposes of the Auction for such first Auction Period only, each Existing Owner shall be deemed to have submitted Sell Orders with respect to all of its Bonds except to the extent such

Existing Owner submits an Order with respect to such Bonds. If the conditions referred to in the first sentence of this sub-paragraph (iii) are not met, the Trustee shall notify the Auction Agent and then the Auction Mode Rate for the next Auction Period shall be the Maximum Auction Rate, and the Auction Period shall be a seven-day Auction Period.

(iv) On the conversion date of the Bonds selected for conversion from one Auction Period to another, any Bonds which are not the subject of a specific Hold Order or Bid will be deemed to be subject to a Sell Order.

(b) Changes in Auction Date. During any Auction Rate Period, the Auction Agent, with the written consent of the Company, may specify an earlier Auction Date (but in no event more than five Business Days earlier) than the Auction Date that would otherwise be determined in accordance with the definition of "Auction Date" in order to conform with then current market practice with respect to similar securities or to accommodate economic and financial factors that may affect or be relevant to the day of the week constituting an Auction Date and the interest rate borne on the Bonds. The Auction Agent shall provide notice of its determination to specify an earlier Auction Date for an Auction Period by means of a written notice delivered at least 45 days prior to the proposed changed Auction Date to the Trustee, the Issuer, the Insurer, the Company, the Broker-Dealers, the Remarketing Agent, and the Securities Depository.

ARTICLE III

Auction Agent

Section 3.01. Auction Agent.

(a) The Auction Agent shall be appointed by the Company with the consent of the Insurer to perform the functions specified herein. The Auction Agent shall be appointed in sufficient time to perform its functions under the Auction Procedures with respect to the initial Auction Period. The Auction Agent shall designate its Principal Office and signify its acceptance of the duties and obligations imposed upon it hereunder by a written instrument, delivered to the Company, the Trustee, the Issuer and each Broker-Dealer which shall set forth such procedural and other matters relating to the implementation of the Auction Procedures as shall be satisfactory to the Issuer, the Company and the Trustee.

(b) Subject to any applicable governmental restrictions, the Auction Agent may be or become the owner of or trade in Bonds with the same rights as if such entity were not the Auction Agent.

Section 3.02. Qualifications of Auction Agent; Resignation; Removal. The Auction Agent shall be (a) a bank or trust company organized under the laws of the United States or any state or territory thereof having a combined capital stock, surplus and undivided profits of at least $30,000,000, or (b) a member of NASD having a capitalization of at least $30,000,000 and, in either case, authorized by law to perform all the duties and obligations imposed upon it by this Indenture and a member of or a participant in, the Securities Depository. The Auction Agent may at any time resign and be discharged of the duties and obligations created by this Indenture

by giving at least 90 days notice to the Company, the Issuer, the Insurer and the Trustee. The Auction Agent may be removed at any time by the Company with the consent of the Insurer by written notice, delivered to the Auction Agent, the Issuer, the Insurer and the Trustee. Upon any such resignation or removal, the Company with the consent of the Insurer shall appoint a successor Auction Agent meeting the requirements of this section. In the event of the resignation or removal of the Auction Agent, the Auction Agent shall pay over, assign and deliver any moneys and Bonds held by it in such capacity to its successor. The Auction Agent shall continue to perform its duties hereunder until its successor has been appointed by the Company. In the event that the Auction Agent has not been compensated for its services, the Auction Agent may resign by giving forty-five (45) days notice to the Company, the Issuer, the Insurer and the Trustee even if a successor Auction Agent has not been appointed.

EXHIBIT C.2.

MISSISSIPPI BUSINESS FINANCE CORPORATION

and

GULF POWER COMPANY

LOAN AGREEMENT

Dated as of September 1, 2002

Relating to

$13,000,000
Solid Waste Disposal Facilities Revenue Refunding Bonds
Series 2002
(Gulf Power Company Project)

LOAN AGREEMENT

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LOAN AGREEMENT dated as of September 1, 2002 between the MISSISSIPPI BUSINESS FINANCE CORPORATION, a public corporation duly created and validly existing pursuant to the Constitution and laws of the State of Mississippi (the "Issuer"), and GULF POWER COMPANY, a corporation organized and existing under the laws of the State of Maine (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 Mississippi 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

"Arbitrage Rebate Agreement", "Bond Fund", "Bondholder", "Bonds", "Business Day", "Code", "Government Obligations", "Prior Indenture", "Rebate Requirement" 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.

"Event of Default" means any of the occurrences enumerated in Section 5.1 of this Agreement.

"Indenture" means the Trust Indenture dated as of September 1, 2002, relating to $13,000,000 Solid Waste Disposal Facilities Revenue Refunding Bonds, Series 2002 (Gulf Power Company Project), between the Issuer and Hancock Bank, as Trustee, pursuant to which the Bonds are authorized to be issued, and including any indenture supplemental thereto.

"Insurance Agreement" means the Insurance Agreement between the Company and Ambac Assurance Corporation dated as of September 26, 2002 relating to the Bonds.

"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.

"Prior Bonds" has the same meaning given and assigned to it in the Resolution (as hereinafter defined).

"Project" has the same meaning given and assigned to it in the Resolution.

"Resolution" means the resolution of the Issuer adopted on September 18, 2002 in connection with the sale and issuance of the Bonds and the current refunding of the Prior Bonds.

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 for the Project.

SECTION 2.2. Issuance of the Bonds. In order to provide funds for the purposes set forth in Section 3.1 hereof, the Issuer agrees that it will initially issue and deliver the Bonds to the purchasers thereof at a price to be approved in advance by the Company and apply and deposit the proceeds thereof in accordance with the terms of the Indenture and Section 3.1 hereof. The Indenture shall be satisfactory in form and substance to 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 currently refund all of the outstanding Prior Bonds. The Company hereby agrees to cause the proceeds of the Bonds to be applied exclusively to such purpose and to cause the current redemption of all of the outstanding Prior Bonds to be effected within 90 days after the date of initial issuance of the 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 on the Bonds. 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 will also pay: (i) the fees, charges and reasonable expenses of the Trustee and any paying agents and tender agents under the Indenture, such fees, charges and reasonable expenses to be paid directly to the Trustee or paying agents or tender agents, as the case may be, for their respective accounts as and when such fees, charges and reasonable expenses become due and payable, (ii) the fees, charges and reasonable expenses of the Issuer, (iii) any expenses and costs incurred or to be incurred in connection with the sale and issuance of the Bonds, (iv) all amounts owed under the Arbitrage Rebate Agreement, including but not limited to the Rebate Requirement, and (v) any expenses in connection with any redemption of the Bonds and the Prior Bonds.

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 Mississippi 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. 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 or recover damages for nonperformance 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 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 and (ii) this Agreement and all moneys receivable hereunder (except for payments to the Issuer under the second paragraph of Section 3.2 and 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. The Company will pay and discharge and will indemnify and hold harmless the Issuer and the Trustee and their respective officers, employees and agents from (a) any lien or charge upon payments by the Company to the Issuer under the Note or hereunder, (b) any taxes, assessments, impositions and other charges upon payments by the Company to the Issuer under the Note or hereunder and (c) any and all liability, damages, costs and expenses arising out of or resulting from the transactions contemplated by this Agreement and the Indenture or in connection with the Project, including the reasonable fees and expenses of counsel (in each case provided in this Section with respect to the Trustee and its officers, employees and agents, only in the absence of negligence or willful misconduct). 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 or the Trustee, as the case may be, will give prompt written 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. Inspection of the Project. The Company agrees that the Issuer and its duly authorized agents may at reasonable times enter upon the Project site and examine and inspect the Project and the books and records of the Company with respect to the Project.

SECTION 4.4. 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 the State of Mississippi, 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 4.4, 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, (i) 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 Mississippi corporation or is qualified to do business in Mississippi as a foreign corporation and (ii) such consolidation, merger or transfer of assets does not result in the loss of the exclusion from gross income for federal income tax purposes of interest on the Bonds.

SECTION 4.5. 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 timely 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 4.5 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, provided such annual report contains the information required by the preceding sentence.

SECTION 4.6. 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 4.7. 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. In any instance where the Company determines that any portion of the Project has become inadequate, obsolete, worn-out, unsuitable, undesirable or unnecessary, the Company may remove such portion of the Project and sell, trade-in, exchange or otherwise dispose of such removed portion without any notice to or responsibility or accountability to the Issuer, the Trustee or the Bondholders therefor.

SECTION 4.8. 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 of Bonds upon receipt, not less than ten days (or such shorter period as is acceptable to the Trustee and the Issuer) 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 4.9. Tax Covenants. The Company covenants and agrees that it will not use or permit the use by any person of the Project or any of the funds provided by the Issuer hereunder or any other of its funds, directly or indirectly, or direct the Trustee to invest any funds held by it under the Indenture or this Agreement, in such manner as would, or enter into, or allow any "related person" (as defined in Section 147(a) of the Code) to enter into, any arrangement, formal or informal, that would, or take or omit to take any other action that would, cause any Bond to be an "arbitrage bond" within the meaning of Section 148(a) of the Code or result in the loss of the exclusion from gross income for federal income tax purposes of the interest paid on the Bonds to the extent afforded under the Code. The Company acknowledges Section 6.04 of the Indenture and agrees to perform all duties imposed upon it by such Section including but not limited to its obligations under the Arbitrage Rebate Agreement. Insofar as said Section imposes duties and responsibilities on the Company, it is specifically incorporated herein by reference.

SECTION 4.10. Compliance with Indenture. The Company agrees to perform and comply with all provisions of the Indenture applicable to it. In addition, the Company shall have and enjoy all rights and options granted to it by the Indenture.

SECTION 4.11. Compliance with Prior Indenture. The Company certifies that it is in full compliance in all material respects with the terms and provisions applicable to it of the Prior Indenture and that no Event of Default (as defined in the Prior Indenture) has occurred thereunder.

SECTION 4.12. No Warranty of Suitability by the Issuer. The Issuer makes no warranty either express or implied as to the Project, including its suitability for the Company's purposes or needs.

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.

(c) The dissolution or liquidation of the Company, except as permitted by Section 4.4 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.

(d) The occurrence of an event of default under the Insurance Agreement.

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 4.4 and 4.9 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 Mississippi 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 declare all amounts payable pursuant to the Note to be immediately due and payable, whereupon the same shall become immediately due and payable; and

(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 any paying agents and tender 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 or the Trustee 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 or the Trustee, as the case may be, the reasonable fees of such attorneys and such other reasonable expenses so incurred by the Issuer or the Trustee.

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. 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, the Issuer and any paying agents and tender 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, at 735 Riverside Drive, Suite 300, Jackson, Mississippi 39202, Attention: Executive Director; if to the Company and via United States mail or facsimile at One Energy Place, Pensacola, Florida 32520-0100, Attention: Treasurer, Facsimile No. (850) 444-6026, with copies to Southern Company Services, Inc., 270 Peachtree Street, N.W., Atlanta, Georgia 30303, Attention: Corporate Finance Department; if to the Company and via hand delivery 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 2600 Citiplace Drive, Suite 200, Baton Rouge, Louisiana 70808, Attention: Corporate Trust. 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 4.4 hereof, and shall inure to the benefit of the Trustee to the extent stated herein.

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 Mississippi.

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.

SECTION 6.10. Amounts Remaining in the Bond Fund. Any amounts remaining in the Bond Fund upon termination of this Agreement shall, to the extent provided in Section 4.10 of the Indenture, belong to and be paid to the Company by the Trustee.

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.

[SEAL]

MISSISSIPPI BUSINESS FINANCE CORPORATION

By: _____
Executive Director

ATTEST:

_____
Secretary

GULF POWER COMPANY

[SEAL]

By: _____
Vice President & Chief Financial Officer

ATTEST:

_____
Assistant Secretary

STATE OF NEW YORK)
) ss:
COUNTY OF NEW YORK)

Personally appeared before me, the undersigned authority in and for the said county and state, on this 26th day of September, 2002, within my jurisdiction, the within named William T. Barry and James Vernon Smith, Sr., who acknowledged that they are the Executive Director and Secretary, respectively, of the Mississippi Business Finance Corporation, and that in said representative capacities they executed the above and foregoing instrument, after first having been duly authorized so to do.

[SEAL]

Alice Greenwald
Notary Public

My Commission Expires:

ALICE GREENWALD
NOTARY PUBLIC, State of New York
No. 31-4506277
Qualified in New York County
Commission Expires December 31, 2005

STATE OF NEW YORK)
) ss
COUNTY OF NEW YORK)

Personally appeared before me, the undersigned authority in and for the said county and state, on this 26th day of September, 2002, within my jurisdiction, the within named Ronnie R. Labrato and Wayne Boston who acknowledged that they are the Vice President and Chief Financial Officer 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.

[SEAL]

Notary Public

My Commission Expires:

ANNA K. WEISZ
Notary Public, State Of New York
No. 01WE4211565
Qualified In Bronx County
Commission Expires November 30, 2005

EXHIBIT A

GULF POWER COMPANY
PROMISSORY NOTE

$13,000,000 September 26, 2002

GULF POWER COMPANY (the "Company"), 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 the Mississippi Business Finance Corporation (the "Issuer"), and its successors and assigns, the principal sum of THIRTEEN MILLION DOLLARS ($13,000,000) together with interest on the unpaid principal balance thereof from the date hereof until the Company'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 the Company promises to pay when due, amounts which shall equal the premium, if any, due on such Bonds in connection with the redemption thereof. The Company 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 Issuer to the Company and the obligation of the Company 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 Issuer and the Company dated as of September 1, 2002, pursuant to which the Issuer has loaned to the Company the proceeds of the sale of the Issuer's $13,000,000 of Solid Waste Disposal Facilities Revenue Refunding Bonds, Series 2002 (Gulf Power Company Project) (the "Bonds"). This Note (together with the Agreement) has been assigned to Hancock Bank (the "Trustee"), acting pursuant to a trust indenture dated as of September 1, 2002 (the "Indenture") between the Issuer 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 September 1, 2028. The Bonds are subject to redemption 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 Issuer, 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 the Company 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.

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: _____
Vice President & Chief Financial Officer

Attest: _____
Assistant Secretary

ASSIGNMENT

For value received, pay this promissory note to the order of Hancock Bank, as Trustee under the Trust Indenture, dated as of September 1, 2002, between the Mississippi Business Finance Corporation and Hancock Bank, as Trustee, securing the payment of Mississippi Business Finance Corporation Solid Waste Disposal Facilities Revenue Refunding Bonds, Series 2002 (Gulf Power Company Project), in the original principal amount of $13,000,000 without recourse.

MISSISSIPPI BUSINESS FINANCE CORPORATION

By: _____
Executive Director

$13,000,000

MISSISSIPPI BUSINESS FINANCE CORPORATION

Solid Waste Disposal Facilities Revenue Refunding Bonds,
Series 2002
(Gulf Power Company Project)

PURCHASE CONTRACT

Ladies and Gentlemen:

Edward D. Jones & Co., L.P. and A.G. Edwards & Sons, Inc., as underwriters of the above-mentioned issuance (collectively, the "Underwriters"), hereby offers to enter into this Purchase Contract with you (the "Issuer") for the purchase by the Underwriters and sale by the Issuer of $13,000,000 aggregate principal amount of its Solid Waste Disposal Facilities Revenue Refunding Bonds, Series 2002 (Gulf Power Company Project) (the "Bonds"). Edward D. Jones & Co., L.P. is acting as representative (the "Representative") of the Underwriters.

Upon the effectiveness of this Purchase Contract, 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 H hereto, wherein the Company will undertake certain obligations with respect to this Purchase Contract. Defined terms used herein and not otherwise defined herein shall have the meanings ascribed to such terms in the Official Statement (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, (i) the Underwriters hereby agree to purchase the Bonds from the Issuer for offering to the public, and the Issuer hereby agrees to sell the Bonds to the Underwriters for such purpose, for a purchase price of 100% of the principal amount of the Bonds and (ii) the Company agrees to pay $390,000 to the Underwriters as an underwriting fee (the "Fee"). The Underwriters agree that the initial public offering price for the Bonds shall be 100% of the principal amount thereof.

2. The Bonds shall be as described in and shall be issued under and secured by a Trust Indenture, dated as of September 1, 2002 (the "Indenture"), by and between the Issuer and Hancock Bank, as trustee (the "Trustee"), to be executed and delivered on or prior to the Closing Date (as hereinafter defined). The Issuer has previously executed and delivered a Blanket 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 September 1, 2002 (the "Agreement"), between the Issuer and the Company to be executed and delivered on or prior to the Closing Date providing, among other things, for the undertaking by the Issuer to loan amounts to the Company in order to provide funds to refinance the acquisition and construction of the Company's interest in certain solid waste disposal facilities (the "Project") located at the Victor J. Daniel, Jr. Steam Electric Generating Plant in Jackson, Mississippi. 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 Official Statement, dated the date hereof. As used in this Purchase Contract, the term "Official Statement" means the Official Statement, dated the date hereof, including the Appendices thereto (the "Appendices") and the documents incorporated by reference in the Appendix A at such date.

Payment of the principal of the Bonds on the stated maturity date, and of interest thereon on stated dates for payment, will be insured by a financial guaranty insurance policy (the "Insurance Policy") to be issued by Ambac Assurance Corporation (the "Insurer").

3. At the time of or before the acceptance by the Issuer hereof, the Issuer shall deliver to the Underwriters a copy of the Official Statement executed on behalf of the Issuer by an authorized representative of the Issuer.

The Issuer authorizes the use of the Official Statement, the Agreement and the Indenture, and the information therein contained, by the Underwriters in connection with the public offering and sale of the Bonds. The Issuer ratifies and confirms the use by the Underwriters prior to the date hereof of the Preliminary Official Statement of the Issuer, dated September 16, 2002 (the "Preliminary Official Statement"), in connection with the public offering of the Bonds.

The Issuer deemed the Preliminary Official Statement "final" as of its date, as described in Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (the "Rule"), for purposes of the Rule, 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 Issuer, at the cost of the Company, shall provide to the Underwriters sufficient quantities of the Official Statement which the Issuer deems complete as of its date, executed by an authorized representative of the Issuer, in substantially the same form as the Preliminary Official Statement, subject to minor additions, deletions and revisions, within seven business days after the effective date of this Purchase Contract and in sufficient time to accompany any confirmation that requires payment from any customer. The Issuer agrees to notify the Underwriters and the Company of any material developments impacting the Issuer or the Bonds, of which the Issuer becomes aware, within 90 days after delivery of the Bonds.

4. The Issuer represents and warrants to the Underwriters and the Company that:

(a) The Issuer is a public corporation organized and existing under the laws of the State of Mississippi. The Issuer is authorized by the provisions of Sections 57-10-201 *et seq.*, Mississippi Code of 1972, as amended and supplemented (the "Act"), to issue the Bonds for the purpose described in this Purchase Contract; 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 Underwriters as provided herein; and to carry out and consummate all other transactions

contemplated on the part of the Issuer by each of the aforesaid documents and the Official Statement.

(b) The Issuer has complied with all provisions of the Constitution of the State of Mississippi and the Act and has full power and authority to consummate all transactions contemplated on the part of the Issuer by the Official Statement, this Purchase Contract, the Bonds, the Indenture, the Agreement and any and all other agreements relating thereto.

(c) The Issuer 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 Official Statement and the Indenture; (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 Official Statement and the signing of the Official Statement by its authorized representative; (iv) the lending of the proceeds of the Bonds to the Company; (v) the execution, delivery, receipt and due performance of this Purchase Contract, 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 Issuer in order to carry out, give effect to and consummate the transactions contemplated thereby and by the Official Statement; (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 Issuer by this Purchase Contract, the Official Statement, the Indenture and the Agreement.

(d) With respect to information contained under the captions "Introductory Statement", "MBFC", "Use of Bond Proceeds; Refunding of Outstanding Bonds" and "The Bonds", the Official Statement does not, and at the Closing Date the Official Statement, as it may be amended or supplemented, will not, include 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.

(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 Issuer enforceable in accordance with their terms and entitled to the benefits and security of the Indenture and the Agreement. The Bonds and the interest thereon do not pledge the credit of the Issuer or the State of Mississippi, 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 Issuer 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 Issuer from repayment of the Note.

(f) The Issuer 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 Official Statement, this Purchase Contract, the Bonds, the Indenture, the Agreement, the DTC Letter and the other agreements contemplated on the part of the Issuer hereby and by the Official Statement and compliance on the part of the Issuer 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 Issuer 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 Issuer is subject or by which it is or may be bound, or to the knowledge of the Issuer, any order, rule or regulation applicable to the Issuer of any court or governmental agency or body having jurisdiction over the Issuer 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 Issuer of the transactions contemplated on the part of the Issuer 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 Issuer, threatened against or directly affecting the Issuer, except as disclosed in or contemplated by the Official Statement, (i) to restrain or enjoin the issuance and sale of the Bonds or the execution, delivery or performance by the Issuer 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 Official Statement (excluding the Appendices thereto and the documents incorporated in Appendix A by reference), (B) adversely affect or put in question the validity or enforceability of the Bonds, the Indenture, the Agreement, the DTC Letter, this Purchase Contract, the Letter of Representation or any other agreement, instrument or document to which the Issuer is a party or by which it is bound relating to the consummation of the transactions contemplated hereby or by the Official Statement (excluding the Appendices thereto and the documents incorporated in Appendix A by reference), or (C) adversely affect the tax-exempt status of the Bonds.

(i) The Issuer 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 Issuer delivered to the Underwriters shall be deemed to be a representation and warranty by the Issuer to the Underwriters as to the statements made therein.

(k) The Issuer 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 Issuer and is not currently in default in the payment of any such principal or interest.

(l) The Issuer has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that the Issuer is a bond issuer whose arbitrage certifications may not be relied upon.

(m) The issuance and sale of the Bonds to the Underwriters will not be subject to any State of Mississippi issuance, transfer or other documentary stamp taxes.

5. At 10:00 A.M. New York Time, on September 26, 2002, or at such other time or on such earlier or later business day as shall have been mutually agreed upon by the Issuer and the Underwriters with the consent of the Company (the "Closing Date"), the Issuer will deliver to the Underwriters the Bonds in definitive form, duly executed and authenticated, together with the other documents hereinafter mentioned, and the Underwriters 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 Issuer. The Company shall pay the Fee to the Representative for the account of the Underwriters on the Closing Date in immediately available funds. The Bonds so delivered will be in form acceptable for deposit with DTC and shall be registered in such names as the Underwriters may request no less than two business days prior to the Closing Date and will be available for checking and packaging by the Underwriters at a place suitable therefor at least 20 hours prior to the Closing Date.

6. The Underwriters' obligations hereunder to purchase and pay for the Bonds shall be subject to the performance by the Issuer of its obligations to be performed hereunder at or prior to the Closing Date; to 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 Issuer 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 Representative; provided, however, that the acceptance of delivery of the Bonds by the Underwriters 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) The Bonds shall have been validated and confirmed by the final decree of the Chancery Court of the First Judicial District of Hinds County, Mississippi.

(d) No amendment or supplement to the Official Statement 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 LLP, counsel for the Underwriters, or shall contain information (other than with respect to an amendment or supplement relating solely to the activity of the Underwriters) which, in the reasonable judgment of the Underwriters, shall materially impair the marketability of the Bonds.

(e) 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 Official Statement or the execution or performance of the Indenture, the Agreement or the Note in accordance with their respective terms.

(f) At the Closing Date, there shall be in full force and effect all legally required orders of the Securities and Exchange Commission authorizing the participation of the Company in the transactions contemplated hereby and by the Official Statement (excluding the Appendices thereto and the documents incorporated in Appendix A by reference).

(g) At or prior to the Closing Date, the Underwriters shall have received the following documents:

(1) Executed counterparts, or certified copies, of the Agreement, the DTC Letter, 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 Official Statement.

(3) Opinions, dated the Closing Date, with such changes as the Underwriters shall approve, of (i) Balch & Bingham LLP, special counsel for the Company, substantially in the form annexed hereto as Exhibit A; (ii) McGlinchey Stafford, PLLC, Bond Counsel, substantially in the forms annexed hereto as Exhibits B-1 and B-2; (iii) Beggs & Lane, a Registered Limited Liability Partnership, General Counsel for the Company, substantially in the form annexed hereto as Exhibit C; (iv) Troutman Sanders LLP, Counsel for the Company, substantially in the form annexed hereto as Exhibit D; (v) Butler Snow O'Mara Stevens & Cannada, PLLC, Counsel to the Issuer, substantially in the form annexed hereto as Exhibit E; and (vi) Dewey Ballantine LLP, Counsel for the Underwriters, substantially in the form annexed hereto as Exhibit F; 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) A letter, dated the Closing Date, of Deloitte & Touche LLP, substantially to the effect set forth in Exhibit G hereto.

(5) A certificate, satisfactory to the Representative, of a duly authorized officer of the Issuer satisfactory to the Representative, dated the Closing Date, to the effect that: (A) the Issuer 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 Issuer contained herein is true and correct as of the Closing Date; (B) the Issuer has authorized, by all necessary action, the execution, delivery, receipt and due performance of the Indenture, the Agreement, the Purchase Contract, the Letter of Representation and any and all such other agreements and documents as may be required to be executed, delivered, received and/or performed by the Issuer in order to carry out, give effect to and consummate the transactions contemplated on its part by the

Indenture, the Agreement and the Official Statement; (C) 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 or the Agreement or the existence or powers of the Issuer or the right of the Issuer 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 Purchase Contract or the other agreements contemplated hereby or by the Official Statement under the circumstances contemplated hereby or thereby, nor the compliance by the Issuer with the provisions thereof, nor acceptance of the Letter of Representation, will conflict with or constitute on the part of the Issuer 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 Issuer is subject or by which it is or may be bound.

(6) 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 Official Statement.

(7) An undertaking, dated the Closing Date, from the Issuer and the Company (in form and substance satisfactory to the Representative) as required by paragraph (b)(5) of the Rule (the "Undertaking").

(8) An opinion, dated the Closing Date, of counsel for the Insurer in form and substance reasonably satisfactory to the Representative.

(9) Evidence satisfactory to the Representative the Insurance Policy has been issued by the Insurer and that the Bonds have been rated "Aaa" by Moody's Investors Service, Inc.

(10) Such additional certificates, instruments and other documents as the Representative or its counsel may deem necessary to evidence the accuracy as of the Closing Date of the representations of the Issuer and the Company contained herein and in the Letter of Representation, respectively, and the due performance or satisfaction by the Issuer 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 Issuer and the Company in connection with the issuance of the Bonds.

If the Issuer or the Company shall be unable to satisfy the conditions of the obligations of the Underwriters contained in this Purchase Contract, or if the obligations of the Underwriters shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate and neither the Underwriters nor the Issuer shall be under further obligation hereunder except as otherwise provided in Section 8 hereof.

7. The Issuer agrees to cooperate with the Representative 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 Representative may request; provided, however, that the Issuer 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 Services, a division of The McGraw-Hill Companies, Inc.

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 Official Statement, the Official Statement, the Letter of Representation and this Purchase Contract, including, without limitation, (i) fees and disbursements of Counsel for the Underwriters in connection with the qualification of the Bonds for sale under the securities or "blue sky" laws of various jurisdictions; (ii) the preparation and printing of the "blue sky" survey; (iii) any documentary, stamp or other taxes in connection with the issuance and sale of the Bonds hereunder; (iv) all filing, registration and recording fees and expenses; (v) fees of the Trustee; (vi) the fees and disbursements of Bond Counsel, Counsel for the Underwriters and Counsel for the Issuer; (vii) the premium payable to the Insurer in respect of the Insurance Policy; and (viii) the Fee, shall be paid directly by the Company pursuant to the Letter of Representation. Nothing herein shall be construed to relieve any Underwriter of its liability for its default hereunder. The Underwriters shall pay all advertising expenses in connection with the public offering of the Bonds.

9. The Representative may terminate this Purchase Contract by written notification to the Issuer and the Company if at any time 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 Issuer, 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, (ii) trading in securities on the New York Stock Exchange shall have been generally suspended, (iii) 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, (iv) a general banking moratorium shall have been declared by federal or New York State authorities or (v) 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 (v) with the result that, in the opinion of the Representative, the marketability of the Bonds shall have been materially and adversely affected thereby.

10. This Purchase Contract shall be governed by and construed in accordance with the laws of the State of Mississippi.

11. Any notice or other communication to be given to the Issuer under this Purchase Contract may be given by delivering the same in writing to it at 735 Riverside Drive, Suite 300, Jackson, Mississippi 39202, Attention: Executive Director. Any notice or other communication to be given to the Representative under this Purchase Contract may be given by delivering the same in writing to it at 12555 Manchester Road, St. Louis, Missouri 63131, Attention: Investment Banking Department.

12. This Purchase Contract will inure to the benefit of the Issuer, the Underwriters 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 Underwriters solely by reason of such purchase.

13. The representations and warranties of the Issuer contained herein, or in the certificates of officials of the Issuer submitted to the Underwriters pursuant hereto, shall remain operative and in full force and effect regardless of any investigation made by or on behalf of any Underwriters and shall survive the delivery of the Bonds to the Underwriters.

14. This Purchase Contract 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: September 19, 2002

EDWARD D. JONES & CO., L.P.
A.G. EDWARDS & SONS, INC.

By: Edward D. Jones & Co., L.P.,
as Representative

By: _____
Name: James A. Krekeler
Title: Principal

Accepted as of the date hereof:

MISSISSIPPI BUSINESS FINANCE CORPORATION
Jackson, Mississippi

By: _____
Name: William T. Barry
Title: Executive Director

Dated: September 19, 2002

EDWARD D. JONES & CO., L.P.
A.G. EDWARDS & SONS, INC.

By: Edward D. Jones & Co., L.P.,
as Representative

By:_____
Name:
Title:

Accepted as of the date hereof:

MISSISSIPPI BUSINESS FINANCE CORPORATION
Jackson, Mississippi

By:_____
Name: William T. Barry
Title: Executive Director

EXHIBIT A
to the Purchase Contract

[LETTERHEAD OF BALCH & BINGHAM LLP]

September ____, 2002

Edward D. Jones & Co., L.P.
St. Louis, Missouri,
as Representative

Mississippi Business Finance Corporation
Jackson, Mississippi

Hancock Bank, as Trustee
Baton Rouge, Louisiana

McGlinchey Stafford, PLLC
Jackson, Mississippi

Ladies and Gentleman:

In connection with the sale by the Mississippi Business Finance Corporation (the "Issuer"), of $13,000,000 aggregate principal amount of its Solid Waste Disposal Facilities Revenue Refunding Bonds, Series 2002 (Gulf Power Company Project) (the "Bonds") to the Underwriters named in the Purchase Contract (the "Purchase Contract") and in connection with the (i) Trust Indenture, dated as of September 1, 2002 (the "Indenture") between the Issuer and Hancock Bank, as Trustee (the "Trustee"), (ii) Loan Agreement dated as of September 1, 2002 (the "Agreement") between the Company and the Issuer, (iii) promissory note dated September ___, 2002 (the "Note") in the principal amount of $13,000,000 issued by the Company pursuant to the Agreement and (iv) Letter of Representation, dated September ___, 2002, from the Company to the Issuer and the Underwriters (the "Letter of Representation"), 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 are of the opinion that:

1. The Company is duly qualified and in good standing to carry on its business as a foreign corporation in the State of Mississippi.

2. The Agreement, the Letter of Representation and the Note have been duly authorized, executed and delivered by the Company and, assuming due authorization, execution and delivery thereof by 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 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 limiting the right to enforce the indemnification provisions contained in the Letter of Representation.

Very truly yours,

BALCH & BINGHAM LLP

EXHIBIT B-1
to the Purchase Contract

[LETTERHEAD OF McGLINCHEY STAFFORD, PLLC]

_____, 2002

Edward D. Jones & Co., L.P.
St. Louis, Missouri,
as Representative

Mississippi Business Finance Corporation
Jackson, Mississippi

Gulf Power Company
Pensacola, Florida

Hancock Bank, as Trustee
Baton Rouge, Louisiana

Ladies and Gentlemen:

This is to certify that we have examined the validity of an issue of Solid Waste Disposal Facilities Revenue Refunding Bonds, Series 2002 (Gulf Power Company Project), of the Mississippi Business Finance Corporation (the "Issuer"), in the principal amount of $13,000,000 (the "Bonds"). The Bonds are dated as of their date of original issue and delivery, bear interest initially at the Long-Term Interest Rate (as defined in the Indenture) and mature on September 1, 2028 unless earlier redeemed or purchased in lieu of redemption.

The Bonds are issued to provide funds to refinance the acquisition and construction of the Company's interest in certain solid waste disposal facilities (the "Project") located at the Victor J. Daniel, Jr. Steam Electric Generating Plant in Jackson County, Mississippi.

The Bonds are issued under the authority of the Constitution and laws of the State of Mississippi, including Sections 57-10-201 *et seq.*, Mississippi Code of 1972, as amended (the "Act"), and by the further authority of the proceedings duly held by the Board of Directors of the Issuer.

The Bonds are issued pursuant to a Trust Indenture (the "Indenture"), dated as of September 1, 2002, between the Issuer and Hancock Bank, as Trustee (the "Trustee") for the benefit of the owners and holders from time to time of the Bonds.

The Bonds are subject to optional and extraordinary optional and mandatory redemption and to mandatory tender, and payment prior to their stated maturity under the circumstances and conditions set out on the face of the Bonds and in the Indenture.

On the date of issuance and delivery of the Bonds, the Development Authority of Monroe County (Georgia) (the "Authority") will issue and deliver its Pollution Control Revenue Bonds (Gulf Power Company Plant Scherer Project), First Series 2002 in the aggregate principal amount of $42,000,000 (the "Authority Bonds"). The proceeds of the sale of the Authority Bonds will be loaned to the Company and applied to the current refunding of certain obligations of the Authority which were issued to refinance the cost of the acquisition, construction, installation and equipping of certain facilities at the Scherer steam electric generating plant owned by the Company and located in Monroe County, Georgia. Under the provisions of the Code, the Bonds and the Authority Bonds may be aggregated and treated as a single issue of bonds for federal income tax purposes and the exclusion of the interest on the Bonds from gross income for federal income tax purposes may be dependent upon whether the interest on the Authority Bonds is excluded from gross income for federal income tax purposes. Contemporaneously with the issuance and delivery of the Authority Bonds, King & Spalding, Atlanta, Georgia will deliver its opinion as bond counsel in connection with the Authority Bonds substantially to the same effect as this opinion.

We have examined the appropriate provisions of the laws of the State of Mississippi, a certified transcript of the proceedings of the Board of Directors of the Issuer relative to the Bonds, executed counterparts of the Loan Agreement, dated as of September 1, 2002 (the "Agreement"), between the Issuer and the Company, executed counterparts of the Indenture, executed Bond Number One and such other documents, proceedings, and matters as we considered necessary to enable us to render this opinion, including certificates and other assurances from officers of the Issuer and officers of the Company and the Trustee. On the basis of the foregoing examination and in reliance thereon, and on all such other matters of fact and conclusions of law as we deem relevant under the circumstances, we are of the opinion that:

1. The Issuer is a public corporation duly created and validly existing pursuant to the Constitution and laws of the State of Mississippi and is in good standing under such laws, and is authorized to exercise the powers conferred by the Act.

2. The Agreement has been duly authorized, executed and delivered by, and constitutes a valid and legally binding obligation of the Issuer and is enforceable against the Issuer, in accordance with its terms.

3. The Indenture has been duly authorized, executed and delivered by, and constitutes a valid and legally binding obligation of the Issuer and is enforceable against the Issuer, in accordance with its terms.

4. The Issuer has pledged and assigned to the Trustee pursuant to the Indenture all of the Issuer's rights and interests in the Agreement (except for certain payments for indemnification and expenses). 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.

5. All approvals or consents of governmental authorities which are requisite in connection with the execution and delivery by the Issuer of the Agreement and the Indenture and the valid sale and issuance of the Bonds by the Issuer have been obtained.

6. The Bonds have been duly and validly authorized, executed, authenticated and delivered and have been duly issued under the Indenture and the Bonds are valid, legal and binding limited obligations of the Issuer, enforceable in accordance with their terms and secured by the Indenture in accordance with the terms thereof.

7. The Bonds are limited special obligations of the Issuer, do not constitute an indebtedness of the Issuer or the State of Mississippi within the meaning of any constitutional provisions or statutory limitation of the State of Mississippi, shall never constitute nor give rise to any pecuniary liability of the Issuer or the State of Mississippi or a charge against their general credit, nor shall the Issuer be obligated to pay the Bonds or the interest or premium, if any, thereon except from revenue to be derived under the Agreement and from any other sums which may be made available to the Trustee under the Indenture.

8. Under existing statutes, rulings and court decisions, the interest on the Bonds 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 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 Bonds is an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. The opinion set forth in the first sentence of this paragraph is rendered in reliance upon certain certifications and representations of the Issuer, the Trustee and the Company made at the time of issuance of the Bonds, and is subject to the condition that the Issuer, the Trustee and the Company comply with all requirements of the Code that must be satisfied subsequent to the issuance of the 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 Bonds to be included in gross income retroactively to the date of original issuance. The Issuer, 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 Bonds. We are further of the opinion that, under the Act, the Bonds and interest thereon are exempt from all income taxes imposed by the State of Mississippi and any county, municipality and other political subdivision of the State of Mississippi.

Insofar as this opinion relates to the enforceability of any instrument, it is subject to (a) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting the enforcement of creditors' rights generally from time to time in effect, (b) applicable laws which may affect the remedies provided therein (which laws, as presently in effect, do not make the remedies in such instruments inadequate for the realization of the benefits provided thereby) and (c) principles of equity applicable to the enforcement of the remedy of specific performance.

Yours very truly,

McGLINCHEY STAFFORD, PLLC

EXHIBIT B-2
to the Purchase Contract

[LETTERHEAD OF McGLINCHEY STAFFORD, PLLC]

__, 2002

Edward D. Jones & Co., L.P.
St. Louis, Missouri,
as Representative

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Mississippi Business Finance Corporation (the "Issuer"), a public corporation duly created and validly existing pursuant to the Constitution and laws of the State of Mississippi, of $13,000,000 aggregate principal amount of its Solid Waste Disposal Facilities Revenue Refunding Bonds, Series 2002 (Gulf Power Company Project) (the "Bonds"), pursuant to the Purchase Contract between the Underwriters named therein and the Issuer effective September __, 2002 (the "Purchase Contract"). Terms defined in the Purchase Contract are used herein with the meanings assigned to them in the Purchase Contract. The Bonds are issued under and pursuant to the Constitution and laws of the State of Mississippi, including Sections 57-10-201 *et seq.*, Mississippi Code of 1972, as amended and the Indenture.

We have examined the appropriate provisions of the Constitution and laws of the State of Mississippi, a certified transcript of the proceedings of the Board of Directors of the Issuer relative to the Bonds, an executed counterpart of the Agreement, an executed counterpart of the Indenture, executed Bond Number One and such other documents, proceedings, and matters as we considered necessary to enable us to render this opinion, including certificates and other assurances from officers of the Issuer and officers of the Company and the Trustee. On the basis of the foregoing examination and in reliance thereon, and on all such other matters of fact and conclusions of law as we deem relevant under the circumstances, we are of the opinion that:

1. The Issuer has full legal right, power and authority (a) to enter into the Purchase Contract, (b) to sell and deliver the Bonds to you as provided in the Purchase Contract and (c) to carry out and consummate all other transactions contemplated by the Purchase Contract.

2. The Purchase Contract has been duly authorized and accepted by the Issuer and constitutes the legal, valid and binding obligation of the Issuer enforceable in accordance with its terms.

3. The Letter of Representation attached as Exhibit H to the Purchase Contract has been duly accepted by the Issuer.

4. The Issuer has duly authorized the execution and delivery of the Official Statement by the Issuer and the distribution of the Preliminary Official Statement.

5. The statements in the Official Statement under the headings "Introductory Statement", "MBFC," "Use of Bond Proceeds; Refunding of Outstanding Bonds," "The Bonds," "The Agreement," "The Indenture" and "Tax Exemption" are, insofar as they pertain to the Issuer, the Bonds, the Agreement and the Indenture, accurate statements or summaries of the matters therein set forth and fairly present the information purported to be shown.

6. The Bonds are exempted securities within the meaning of Section 3(a)(2) of the Securities Act of 1933, as amended, and it is not necessary in connection with the sale of the Bonds to the public to register the Bonds under the Securities Act of 1933, as amended, or to qualify the Indenture under the Trust Indenture Act of 1939, as amended.

7. A Uniform Commercial Code financing statement with respect to the security interest created by the Indenture in the collateral described therein has been duly filed in proper form to perfect such security interest. No other filing, registration or recording is required in order to perfect such security interest; provided, however, that in order to continue the effectiveness of the financing statement which has been filed, continuation statements with respect to such financing statement should be filed in the manner and at the times prescribed by the Uniform Commercial Code of the State of Mississippi.

8. There are no stamp or transfer taxes in Mississippi which would be applicable to the original issue and subsequent transfers of the Bonds.

Except insofar as the heading "Legal Matters" relates to us and as set out in paragraph 5 above, we express no opinion as to the accuracy and completeness of the statements made and information included in the Official Statement; however, nothing has come to our attention during the course of the performance of our duties as bond counsel which would give us reason to believe that the statements in the Official Statement under the headings "Introductory Statement", "MBFC," "Use of Bond Proceeds; Refunding of Outstanding Bonds," "The Bonds," "The Agreement," "The Indenture" and "Tax Exemption," on the date the Official Statement was issued, contained an untrue statement of a material fact or omitted to state a material fact necessary to make such statements, in light of the circumstances under which they were made, not misleading, or on the date hereof, contain an untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

Very truly yours,

McGLINCHEY STAFFORD, PLLC

EXHIBIT C
to the
Purchase Contract

[LETTERHEAD OF BEGGS & LANE]

_____, 2002

Edward D. Jones & Co., L.P.
St. Louis, Missouri,
as Representative

Mississippi Business Finance Corporation
Jackson, Mississippi

Hancock Bank, as Trustee
Baton Rouge, Louisiana

McGlinchey Stafford, PLLC
Jackson, Mississippi

Ladies and Gentlemen:

We have acted as counsel to Gulf Power Company (the "Company") in connection with the purchase by Edward D. Jones & Co., L.P. and A.G. Edwards & Sons, Inc. (the "Underwriters") of $13,000,000 aggregate principal amount of Mississippi Business Finance Corporation Solid Waste Disposal Facilities Revenue Refunding Bonds, Series 2002 (Gulf Power Company Project) (the "Bonds"), pursuant to the Purchase Contract dated September ___, 2002 (the "Purchase Contract"), between the Mississippi Business Finance Corporation (the "Issuer") and the Underwriters.

We have examined (i) the Official Statement dated September ___, 2002 relating to the Bonds, including Appendix A thereto (the "Official Statement"), which incorporates by reference the Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 2001, the Quarterly Reports on Form 10-Q of the Company for the quarters ended March 31, 2002 and June 30, 2002 and the Current Reports on Form 8-K of the Company dated January 18, 2002, February 13, 2002 and March 28, 2002 (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 September 1, 2002 (the "Trust Indenture") between the Issuer and Hancock Bank, as Trustee; (iii) the Loan Agreement dated as of September 1, 2002 (the "Agreement") between the Issuer and the Company; (iv) the promissory note dated September ___, 2002 (the "Note") in the aggregate principal amount of $13,000,000 issued by the Company

pursuant to the Agreement; (v) the Purchase Contract; and (vi) the Letter of Representation dated September ___, 2002 (the "Letter of Representation") among the Company, the Issuer and the Underwriters. 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 Issuer and the Company, and have made such other and further investigations, as we deemed relevant and hereinafter set forth.

In rendering this opinion we have relied with respect to certain questions of conformity to the laws of the states of Georgia and Mississippi upon the opinions of Troutman Sanders LLP and Balch & Bingham LLP, respectively of even date herewith. We believe that such opinion is satisfactory and that you are justified in relying thereon, and we, on our part have relied thereon to the extent that it relates to such questions.

We are of the opinion, relying as to laws and regulations administered by the Securities and Exchange Commission 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 to own and operate the properties owned and used by it in such business.

2. All orders, consents or other authorizations or approvals of the Securities and Exchange Commission (the "Commission") and the Florida Public Service 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 Letter of Representation and the Note have been duly authorized, executed and delivered by the Company and, assuming due authorization, execution and delivery thereof by 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 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 limiting the right to enforce the indemnification provisions contained in the Letter of Representation.

4. The statements made in the Official Statement under the captions "The Bonds", "The Agreement" and "The Indenture", 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 and the Letter of Representation by the Company will not result in a breach of or constitute a default under the Charter or by-laws 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 is 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 any of its property.

We have no knowledge of any material litigation or proceedings pending or threatened which challenge the validity of the Note, the 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 Official Statement 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 Issuer and the Company of the Official Statement, we participated in conferences with certain officers and employees of the Company, with representatives of Deloitte & Touche LLP, with other counsel for the Company, with your counsel and with Bond Counsel. In addition, in the course of the preparation by the Company of the Exchange Act Documents, we participated in conference with certain officers and employees of the company with your counsel and with representatives of Deloitte & Touche LLP. Based upon our examination of the Official Statement and the Exchange Act Documents, we participated in conferences with certain officers and employees of the Company of 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 Official Statement (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 Official Statement or the Exchange Act Documents or with respect to the information in the Official Statement under the captions "MBFC", "The Bonds – Book-Entry System" "The Policy and the Insurer", "Underwriting" and "Tax Exemption" or in Appendix B thereto.

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 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 LLP 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 Maine law.

Very truly yours,

BEGGS & LANE

EXHIBIT D
to the
Purchase Contract

[LETTERHEAD OF TROUTMAN SANDERS LLP]

_____, 2002

Edward D. Jones & Co., L.P.
St. Louis, Missouri,
as Representative

Mississippi Business Finance Corporation
Jackson, Mississippi

Hancock Bank, as Trustee
Baton Rouge, Louisiana

McGlinchey Stafford PLLC
Jackson, Mississippi

Re: $13,000,000 Mississippi Business Finance Corporation Solid Waste Disposal Facilities Revenue Refunding Bonds, Series 2002
(Gulf Power Company Project)

Ladies and Gentlemen:

We have acted as counsel to Gulf Power Company (the "Company") in connection with the purchase by Edward D. Jones & Co., L.P. and A.G. Edwards & Sons, Inc. (the "Underwriters") of $13,000,000 aggregate principal amount of Mississippi Business Finance Corporation Solid Waste Disposal Facilities Revenue Refunding Bonds, Series 2002 (Gulf Power Company Project) (the "Bonds"), pursuant to the Purchase Contract dated September ___, 2002 (the "Purchase Contract"), between the Mississippi Business Finance Corporation (the "Issuer") and the Underwriters.

We have examined (i) the Official Statement dated September ___, 2002 relating to the Bonds, including Appendix A thereto (the "Official Statement"), which incorporates by reference the Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 2001, the Quarterly Reports on Form 10-Q of the Company for the quarters ended March 31, 2002 and June 30, 2002 and the Current Reports on Form 8-K of the Company dated January 18, 2002, February 13, 2002 and March 28, 2002 (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 September 1, 2002 (the "Trust Indenture") between the Issuer and Hancock Bank, as Trustee; (iii) the Loan Agreement dated as of September 1, 2002 (the "Agreement") between the Issuer and the Company; (iv) the promissory note dated September ___, 2002 (the "Note") in the aggregate principal amount of $13,000,000 issued by the Company pursuant to the Agreement; (v) the Purchase Contract; and (vi) the Letter of Representation dated September ___, 2002 (the "Letter of Representation") among the Company, the Issuer and the Underwriters. 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 Issuer 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 are of the opinion, relying as to matters of Maine and Florida law upon the opinion dated the date hereof rendered to you by Beggs & Lane, a Registered Limited Liability Partnership ("Beggs & Lane"), relying as to matters of Mississippi law upon the opinion dated the date hereof rendered by Balch & Bingham LLP and relying as to matters of New York law upon the opinion dated the date hereof rendered by Dewey Ballantine 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 Agreement, the Letter of Representation and the Note have been duly authorized, executed and delivered by the Company and, assuming due authorization, execution and delivery thereof by 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 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 limiting the right to enforce the indemnification provisions contained in the Letter of Representation.

3. The statements made in the Official Statement under the captions "The Bonds", "The Agreement" and "The Indenture", 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. All orders, consents or other authorizations or approvals of the Securities and Exchange Commission (the "Commission") and the Florida Public Service 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.

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.

In rendering the opinion expressed in paragraph 5 above, we have relied upon the legal opinion dated the date hereof, rendered by McGlinchey Stafford, PLLC, Bond Counsel, pursuant to the Purchase Contract 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 Official Statement 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 Issuer and the Company of the Official Statement, we participated in conferences with certain officers and employees of the Company, with representatives of Deloitte & Touche LLP with other counsel for the Company, with your counsel 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 your counsel and with representatives of Deloitte & Touche LLP. Based upon our examination of the Official Statement 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 Official Statement (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 Official Statement or the Exchange Act Documents or with respect to the information in the Official Statement under the captions "MBFC", "The Bonds-Book-Entry System", "The Policy and the Insurer", "Underwriting" and "Tax Exemption" or in Appendix B thereto.

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 Florida, Mississippi and Maine.

This opinion is rendered to the addressees hereto in connection with the above described transaction. This opinion may not be relied upon by the addressees hereto 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 LLP and Beggs & Lane 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 Georgia law and except that Beggs & Lane may rely on this opinion in giving their opinion pursuant to Section 6 of the Purchase Contract insofar as such opinion relates to laws and regulations administered by the Commission.

Very truly yours,

TROUTMAN SANDERS LLP

EXHIBIT E
to the Purchase Contract

[LETTERHEAD OF BUTLER SNOW O'MARA STEVENS & CANNADA, PLLC]

_____, 2002

Edward D. Jones & Co., L.P.
St. Louis, Missouri,
as Representative

Mississippi Business Finance Corporation
Jackson, Mississippi

McGlinchey Stafford PLLC
Jackson, Mississippi

Hancock Bank, as Trustee
Baton Rouge, Louisiana

Re: $13,000,000 Mississippi Business Finance Corporation Solid Waste Disposal Facilities Revenue Refunding Bonds, Series 2002 (Gulf Power Company Project)

Ladies and Gentlemen:

I am the attorney for the Mississippi Business Finance Corporation (the "Issuer") and have represented the same in connection with the sale by the Issuer of $13,000,000 aggregate principal amount of its Solid Waste Disposal Facilities Revenue Refunding Bonds, Series 2002 (Gulf Power Company Project) (the "Bonds") to the Underwriters named in the Purchase Contract dated September ___, 2002, between the Underwriters and the Issuer (the "Purchase Contract"). In connection therewith, I have examined: (i) resolutions of the Issuer adopted on August 21, 2002 and September 18, 2002 (collectively, the "Resolution"), relating to the issuance and sale of the Bonds, (ii) Trust Indenture, dated as of September 1, 2002 (the "Indenture") between the Issuer and Hancock Bank, as Trustee (the "Trustee"), relating to the issuance of the Bonds, (iii) Loan Agreement, dated as of September 1, 2002 (the "Agreement") between Gulf Power Company (the "Company") and the Issuer and (iv) promissory note dated September __, 2002 (the "Note") in the principal amount of $13,000,000 issued by the Company pursuant to the Agreement. In addition to

the above, we have examined the documents delivered to the Underwriters by the Issuer at the closing, except the Bonds.

Further, we have reviewed the authority pursuant to which the Bonds are being issued, Sections 57-10-201 *et seq.*, Mississippi Code of 1972, as amended and supplemented (the "Act") and have concluded that the proceedings, documents, and resolutions referred to herein have met the requirements of the Act.

Based upon the foregoing and our review of such other information, papers and documents as we believe necessary to enable us to render this opinion, we are of the opinion that:

1. The Issuer is a public corporation organized and existing under the laws of the State of Mississippi and is authorized to exercise the powers conferred by the Act.

2. The Issuer has full legal right, power and authority (i) to adopt the Resolution, (ii) to enter into the Purchase Contract, the Agreement and the Indenture, (iii) to issue, sell and deliver the Bonds to the Underwriters as provided in the Purchase Contract, 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 matters relating to such transactions.

3. The Issuer has duly authorized (i) the execution, delivery and due performance of the Purchase Contract, the Bonds, the Agreement, and the Indenture, (ii) the execution and delivery of the Official Statement dated September ___, 2002 relating to the Bonds by the Issuer, (iii) the lending of the proceeds of the Bonds to the Company under the terms of the Agreement, and (iv) the taking of any and all such actions 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 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.

5. The adoption of the Resolution, the execution and delivery of the Purchase Contract, the Bonds, the Agreement and the Indenture and the endorsement of the Note, 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 Issuer is a party or by which it is bound, or under any existing law, rule, regulation, ordinance judgment, order or decree to which the Issuer is subject.

6. 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 Purchase Contract

or the transactions contemplated by the Official Statement, 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 Purchase Contract.

7. The Issuer has pledged and assigned to the Trustee pursuant to the Indenture all of the Issuer's rights and interests in the Agreement (except for certain payments for indemnification and expenses). 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.

Insofar as this opinion relates to the enforceability of any instrument, it is subject to (i) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting the enforcement of creditors' rights generally from time to time in effect, (ii) applicable laws which may affect the remedies provided therein (which laws, as presently in effect, do not make the remedies in such instruments inadequate for the realization of the benefits provided thereby), and (iii) principles of equity applicable to the enforcement of the remedy of specific performance.

Very truly yours,

Butler Snow O'Mara
Stevens & Cannada, PLLC

EXHIBIT F
to the Purchase Contract

[LETTERHEAD OF DEWEY BALLANTINE LLP]

_____, 2002

Edward D. Jones & Co., L.P.
St. Louis, Missouri,
as Representative

Re: $13,000,000 Principal Amount of Mississippi Business Finance Corporation Solid Waste Disposal Facilities Revenue Refunding Bonds, Series 2002 (Gulf Power Company Project)

Ladies and Gentlemen:

We have acted as counsel to the Underwriters in connection with the purchase by the Underwriters of $13,000,000 aggregate principal amount of Mississippi Business Finance Corporation Solid Waste Disposal Facilities Revenue Refunding Bonds, Series 2002 (Gulf Power Company Project) (the "Bonds"), pursuant to the Purchase Contract dated September __, 2002 (the "Purchase Contract") between the Underwriters and the Mississippi Business Finance Corporation (the "Issuer").

We have examined (i) the Official Statement dated September __, 2002 relating to the Bonds, including the Appendices thereto (the "Official Statement"), which incorporates by reference the Annual Report on Form 10-K of Gulf Power Company (the "Company") for the fiscal year ended December 31, 2001, the Quarterly Reports on Form 10-Q of the Company for the quarters ended March 31, 2002 and June 30, 2002 and the Current Reports on Form 8-K of the Company dated January 18, 2002, February 13, 2002 and March 28, 2002 (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 September 1, 2002 (the "Indenture") between the Issuer and Hancock Bank, as Trustee (the "Trustee"); (iii) the Loan Agreement, dated as of September 1, 2002 (the "Agreement") between the Company and the Issuer; (iv) the promissory note dated September ___, 2002 (the "Note") in the aggregate principal amount of $13,000,000 issued by the Company pursuant to the Agreement; (v) the Purchase Contract; and (vi) the Letter of Representation dated September ___, 2002 (the "Letter of Representation") among the Company, the Issuer and you. 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 Issuer 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 are opinions dated the date hereof of Beggs & Lane, a Registered Limited Liability Partnership ("Beggs & Lane"), general counsel to the Company, Balch & Bingham LLP, special counsel for 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 & Lane, Balch & Bingham LLP and Troutman Sanders LLP, to the extent that they relate to matters of conformity to the laws of the States of Maine, Florida, Georgia and Mississippi. 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 McGlinchey Stafford, PLLC 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 upon 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. The 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 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 Letter of Representation.

3. The statements made in the Official Statement under the captions "The Bonds", "The Agreement" and "The Indenture", 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. All orders, consents or other authorizations or approvals of the Securities and Exchange Commission (the "Commission") and the Florida Public Service 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.

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 Official Statement 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 Issuer and the Company of the Official Statement, we participated in conferences with certain officers and employees of the Company, with representatives of Deloitte & Touche 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 Deloitte & Touche LLP and with counsel for the Company. Based upon our examination of the Official Statement 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 Official Statement (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 Official Statement or the Exchange Act Documents or with respect to the information in the Official Statement under the captions "MBFC", "The Bonds-Book-Entry System", "The Policy and the Insurer", "Underwriting" and "Tax Exemption" or in Appendix B thereto.

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, Florida, Georgia 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, firm or corporation without our prior written consent.

Very truly yours,

DEWEY BALLANTINE LLP

EXHIBIT G
to the Purchase Contract

[LETTERHEAD OF DELOITTE & TOUCHE LLP]

This letter will be to the effect that:

(A) Deloitte & Touche LLP are independent certified public accountants with respect to Gulf Power Company (the "Company") under Rule 101 of the American Institute of Certified Public Accountant's Code of Professional Conduct and its interpretations and rulings; (B) at the Underwriters' request, Deloitte & Touche 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 Appendix A to the Official Statement (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, Earnings Before Interest and Income Taxes, Net Income After Dividends on Preferred Stock and the 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 calendar quarter subsequent to that set forth in (iii) above and agreeing the amounts contained therein and the unaudited amounts of Operating Revenues, Earnings Before Interest and Income Taxes, Net Income After Dividends on Preferred Stock and the 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, to 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) and (iv) 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) and (iv) 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 draw-downs or regularly scheduled payments of capitalized lease obligations, (iv) are occasioned by the purchase or redemption of bonds or stock to satisfy mandatory or optional 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 Deloitte & Touche LLP make no representations as to the sufficiency of such procedures for the Underwriters' purposes).

EXHIBIT H
to the Purchase Contract

GULF POWER COMPANY

Letter of Representation

_____, 2002

Mississippi Business Finance Corporation
Jackson, Mississippi

Edward D. Jones & Co., L.P.
St. Louis, Missouri,
as Representative

Ladies and Gentlemen:

Gulf Power Company (the "Company") delivers this Letter of Representation in order to induce Edward D. Jones & Co., L.P., as representative (the "Representative"), and A.G. Edwards & Sons, Inc., as underwriters (collectively, the "Underwriters") and the Mississippi Business Finance Corporation (the "Issuer") to enter into a Purchase Contract, to be dated the date hereof (the "Purchase Contract"), with the Issuer relating to the purchase by the Underwriters from the Issuer of $13,000,000 aggregate principal amount of its Mississippi Business Finance Corporation Solid Waste Disposal Facilities Revenue Refunding Bonds, Series 2002 (Gulf Power Company Project) (the "Bonds"). The Bonds will be issued under and secured by a Trust Indenture, dated as of September 1, 2002 (the "Indenture"), between the Issuer and Hancock 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 September 1, 2002 (the "Agreement"), between the Issuer and the Company, to provide funds to refinance the acquisition and construction of the Company's interest in certain solid waste disposal facilities (the "Project") located at the Victor J. Daniel, Jr. Steam Electric Generating Plant in Jackson County, Mississippi. 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"). As used in this Letter of Representation the term "Official Statement" means the Official Statement of the Issuer, dated September ___, 2002 relating to the Bonds and certain other obligations described therein, including the Appendices thereto and the documents incorporated in Appendix A by reference.

1. In consideration of the execution and delivery of the Purchase Contract, the Company represents, warrants and covenants to and with the Underwriters and the Issuer that:

(a) The Official Statement does not, and at the Closing Date (as defined in the Purchase Contract) the Official Statement, 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 Official Statement under the captions "MBFC", "The Bonds-Book-Entry System", "The Policy and the Insurer", "Tax Exemption" or "Underwriting" or in Appendix B thereto or in the statements on the cover page with respect to the initial public offering price, tax exemption and terms of offering or on the Table of Contents page with respect to stabilization.

(b) The financial statements incorporated by reference in the Official Statement, together with the related schedules and notes, present fairly, in all material respects, the financial position, results of operations and cash flows of the Company as of and for the dates indicated; said financial statements have been prepared in conformity with accounting principles generally accepted in the United States ("GAAP") applied on a consistent basis (except that the unaudited financial statements may be subject to normal year-end adjustments) throughout the periods involved and necessarily include amounts that are based on the best estimates and judgments of management. The selected financial data and the summary financial information, if any, included in the Official Statement present fairly the information shown therein and have been compiled on a basis consistent with that of the audited and unaudited financial statements incorporated by reference in the Official Statement.

(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 Official Statement.

(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 Official Statement.

(e) This Letter of Representation has been, and the 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 Undertaking (as defined in the Purchase Contract), when executed and delivered by the Company, will be duly authorized, executed and delivered by the Company.

(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 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 Undertaking and the 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 (except for 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 the Purchase Contract and this Letter of Representation), 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 Official Statement, dated September 16, 2002 relating to the Bonds and certain other obligations of the Company described therein (the "Preliminary Official Statement") or the Official Statement.

(j) Except as disclosed in or contemplated by the Official Statement, 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 Purchase Contract or the Official Statement (excluding transactions contemplated solely by Appendix A thereto and the documents incorporated in Appendix A by reference), or (ii) would adversely affect the validity or enforceability of the Bonds, the Indenture, the Agreement, the Note, the Purchase Contract, the Insurance Policy (as defined in the Purchase Contract) 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 Purchase Contract or by the Official Statement (excluding transactions contemplated solely by Appendix A thereto and the documents incorporated in Appendix A 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 Representative 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 Underwriters 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 Purchase Contract 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 Purchase Contract (subject to the terms and conditions set forth therein).

(n) The Bonds, the Indenture, the Agreement, the Insurance Policy and the Note conform in all material respects to the descriptions thereof in the Official Statement.

(o) If at any time prior to the completion of the sale of the Bonds by the Underwriters when in the judgment of the Underwriters, it is necessary or desirable to deliver an Official Statement in connection with the sale of the Bonds an event occurs as a result of which, in the opinion of Dewey Ballantine LLP, counsel for the Underwriters, Appendix A to the Official Statement as then amended and supplemented (including any documents incorporated therein by reference) would include an 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, the Company promptly will prepare an amendment or supplement to said Appendix (or in its discretion, make an appropriate filing pursuant to Section 13 or 14 of the Securities Exchange Act of 1934, as amended) which will correct such statement or omission; provided that any such amendment or supplement which is requested by the Underwriters more than 90 days after the Closing Date shall be prepared at the Underwriters' expense.

(p) During such period (not to exceed nine months after the Closing Date) as the Underwriters believe delivery of the Official Statement is necessary or desirable in connection with the sales of the Bonds by the Underwriters or dealers, if any, the Company will advise the Underwriters promptly of any proposal to amend or supplement the Official Statement, insofar as it shall be known to the Company, and the Company agrees not to effect any such amendment or supplementation of the Official Statement which is unsatisfactory in form to Dewey Ballantine LLP or in substance to the Underwriters; the Company will also advise the Underwriters promptly of the institution of any proceedings by the Securities and Exchange Commission or any other action or event of which the Company is aware and which may affect the use of the Official Statement in connection with the sale and distribution of the Bonds.

2. The acceptance and confirmation of this Letter of Representation by the Issuer shall constitute a representation and warranty by the Issuer to the Company that the representations and warranties contained in Section 4 of the Purchase Contract 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 Issuer, any official or employee of the Issuer, the Underwriters, and each person, if any, who controls the Underwriters 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 Official Statement or the Official Statement, 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 Underwriters specifically for use therein; provided, however, that the indemnity agreement contained in this Section 3(a) shall not inure to the benefit of any Underwriter (or of any person so controlling any Underwriter) 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 Official Statement (exclusive of the documents incorporated in Appendix A 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 Underwriters with or prior to the written confirmation of the sale involved.

(b) Each Underwriter 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 Issuer and any official or employee of the Issuer, 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 Official Statement, 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 or the Issuer by the Underwriters 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, each Underwriter agrees with respect to any action against it or any person controlling it as aforesaid, and the Issuer 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 Purchase Contract to be delivered by it.

5. The representations and warranties of the Company and the Issuer contained herein, or in the certificates of officers of the Company or officials of the Issuer submitted to the Underwriters pursuant to the Purchase Contract, and the agreements of the Company and the Underwriters 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 Issuer or any of its officials or employees, any Underwriter 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 Underwriters. The Company's agreement contained in Section 1(m) hereof to pay expenses shall survive the termination of the Purchase Contract and this Letter of Representation.

6. This Letter of Representation is made solely for the benefit of the Issuer, the Underwriters 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 Underwriters 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 Issuer's entering into, acceptance and execution of the Purchase Contract and the Indenture and performance thereunder.

8. This Letter of Representation shall be governed by and construed in accordance with the laws of the State of Mississippi.

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 Issuer may be given by delivering the same in writing to its address set forth in the Purchase Contract. Any notice or other communication to be given to the Underwriters may be given by delivering the same in writing at the address of the Representative set forth in the Purchase Contract. The Company, the Issuer and the Underwriters 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 Purchase Contract referred to herein. It shall terminate upon termination of the Purchase Contract.

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
One Energy Place
Pensacola, Florida 32520-0102

By:_____
Name:
Title:

Accepted and confirmed as of the
date first above written

EDWARD D. JONES & CO., L.P.,
as Representative to the Underwriters

By:_____
Name:
Title:

MISSISSIPPI BUSINESS FINANCE CORPORATION
Jackson, Mississippi

By:_____
Name: William T. Barry
Title: Executive Director

The holder hereof has agreed not to transfer this Note except to a successor Trustee under the Trust Indenture dated as of September 1, 2002 of the Mississippi Business Finance Corporation relating to the Bonds (hereinafter referred to).

GULF POWER COMPANY
PROMISSORY NOTE

$13,000,000 September 26, 2002

GULF POWER COMPANY (the "Company"), 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 the Mississippi Business Finance Corporation (the "Issuer"), and its successors and assigns, the principal sum of THIRTEEN MILLION DOLLARS ($13,000,000) together with interest on the unpaid principal balance thereof from the date hereof until the Company'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 the Company promises to pay when due, amounts which shall equal the premium, if any, due on such Bonds in connection with the redemption thereof. The Company 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 Issuer to the Company and the obligation of the Company 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 Issuer and the Company dated as of September 1, 2002, pursuant to which the Issuer has loaned to the Company the proceeds of the sale of the Issuer's $13,000,000 of Solid Waste Disposal Facilities Revenue Refunding Bonds, Series 2002 (Gulf Power Company Project) (the "Bonds"). This Note (together with the Agreement) has been assigned to Hancock Bank (the "Trustee"), acting pursuant to a trust indenture dated as of September 1, 2002 (the "Indenture") between the Issuer 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 September 1, 2028. The Bonds are subject to redemption 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 Issuer, 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 the Company 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.

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: _____
Vice President & Chief Financial Officer

Attest: _____
Assistant Secretary

ASSIGNMENT

For value received, pay this promissory note to the order of Hancock Bank, as Trustee under the Trust Indenture, dated as of September 1, 2002, between the Mississippi Business Finance Corporation and Hancock Bank, as Trustee, securing the payment of Mississippi Business Finance Corporation Solid Waste Disposal Facilities Revenue Refunding Bonds, Series 2002 (Gulf Power Company Project), in the original principal amount of $13,000,000 without recourse.

MISSISSIPPI BUSINESS FINANCE CORPORATION

By: _____
Executive Director

NEW ISSUE — BOOK-ENTRY ONLY

In the opinion of McGlinchey Stafford, PLLC, Jackson, Mississippi, Bond Counsel, assuming the accuracy of certain representations and certifications and compliance with certain tax covenants by MBFC and the Company, interest on the Bonds is excluded from gross income for federal income tax purposes under existing statutes, regulations 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 the Project or a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended. See "TAX EXEMPTION" herein for a description of the alternative minimum tax imposed on individuals and corporations and certain other federal tax consequences of ownership of the Bonds. In the opinion of Bond Counsel, the Bonds and the interest thereon are exempt from all income taxes imposed by the State of Mississippi and any county, municipality and other political subdivision of the State of Mississippi.

$13,000,000

Mississippi Business Finance Corporation
Solid Waste Disposal Facilities Revenue Refunding Bonds
Series 2002
(Gulf Power Company Project)

Due: September 1, 2028

Dated: Date of Original Issuance and Delivery

Price 100%

THE BONDS ARE BEING ISSUED UNDER A TRUST INDENTURE FOR CURRENT REFUNDING PURPOSES AND ARE THE LIMITED SPECIAL OBLIGATIONS OF THE MISSISSIPPI BUSINESS FINANCE CORPORATION ("MBFC") AND ARE PAYABLE SOLELY FROM THE LOAN REPAYMENTS UNDER A NOTE ISSUED PURSUANT TO A LOAN AGREEMENT WITH

GULF POWER
A SOUTHERN COMPANY

Payment of the principal of and interest on the Bonds when due will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation (the "Insurer") simultaneously with the delivery of the Bonds.

Ambac

The Bonds will bear interest at the rate of 4.80% per annum (the "Long-Term Interest Rate") for a long-term interest rate period beginning on the date of original issuance and delivery of the Bonds and ending September 1, 2028 (the "Long-Term Interest Rate Period"). Interest on the Bonds will be paid on March 1 and September 1 of each year during the Long-Term Interest Rate Period. The first payment of interest on the Bonds will be made on March 1, 2003.

The Bonds are subject to redemption and mandatory tender prior to maturity as described herein.

During the Long-Term Interest Rate Period, the Bonds will be issued in denominations of $5,000 and integral multiples thereof.

The 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 the 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 the Bonds will be made by Hancock 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 Bonds are offered subject to prior sale, when, as and if issued and received by the Underwriters, subject to the approval of legality by McGlinchey Stafford, PLLC, Jackson, Mississippi, Bond Counsel, and certain other conditions. 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 on for the Company by its counsel, Beggs & Lane, a Registered Limited Liability Partnership, Pensacola, Florida, and Troutman Sanders LLP, Atlanta, Georgia, for the Underwriters by their counsel, Dewey Ballantine LLP, New York, New York, and for MBFC by its counsel, Butler Snow O'Mara Stevens & Cannada, PLLC, Jackson, Mississippi. The Bonds are expected to be delivered through the facilities of DTC in New York, New York on or about September 26, 2002.

Edward D. Jones & Co., L.P. **A. G. Edwards & Sons, Inc.**

September 19, 2002

The information contained in this Official Statement has been obtained from Gulf Power Company (the "Company"), the Insurer, DTC or other sources deemed reliable by MBFC. No representation or warranty is made as to the accuracy or completeness of such information, and nothing contained in this Official Statement is, or shall be relied upon as, a promise or representation by the Underwriters. This Official Statement 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 Official Statement at any time does not imply that information herein or in the Appendices hereto (including the documents incorporated by reference therein) is correct as of any time subsequent to its date.

No broker, dealer, salesman or any other person has been authorized by MBFC, by the Company, by the Insurer or by the Underwriters to give any information or to make any representation other than as contained in this Official Statement or in the Appendices hereto (including the documents incorporated by reference therein) 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 Official Statement 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 COMPANY AND THE INSURER 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 OFFICIAL STATEMENT. 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 DESCRIPTION OF THESE ACTIVITIES, SEE "UNDERWRITING" BELOW.

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OFFICIAL STATEMENT

$13,000,000

Mississippi Business Finance Corporation
Solid Waste Disposal Facilities Revenue Refunding Bonds
Series 2002
(Gulf Power Company Project)

INTRODUCTORY STATEMENT

This Official Statement of the Mississippi Business Finance Corporation ("MBFC"), including the cover page and Appendices, is provided to furnish information in connection with the sale of $13,000,000 aggregate principal amount of Mississippi Business Finance Corporation Solid Waste Disposal Facilities Revenue Refunding Bonds, Series 2002 (Gulf Power Company Project) (the "Bonds").

The Bonds are to be issued pursuant to a Trust Indenture dated as of September 1, 2002 (the "Indenture") between MBFC and Hancock Bank, as trustee (the "Trustee"), to provide funds to refinance the acquisition and construction of the Company's interest in certain solid waste disposal facilities (the "Project"). The Project is located at the Victor J. Daniel, Jr. steam electric generating plant in Jackson County, Mississippi (the "Plant"). The Plant consists of two units in which the Company owns a 50% undivided interest. The total installed (nameplate) capacity of the portion of the Plant owned by the Company is 500,000 kilowatts.

MBFC will loan to the Company the proceeds of the Bonds pursuant to a Loan Agreement dated as of September 1, 2002 (the "Agreement"). In order to evidence the loan from MBFC (the "Loan") and to provide for its repayment, the Company will issue a nonnegotiable promissory note (the "Note") to MBFC pursuant to the Agreement. Payments required under the Note will be sufficient to pay when due the principal of, premium, if any, and interest on the Bonds.

The Bonds will be limited special obligations of MBFC payable solely from and secured by revenues and proceeds to be received by MBFC pursuant to the Note. The Bonds will be secured by an assignment and pledge to the Trustee of substantially all MBFC's right, title and interest in and to the Note and the Agreement.

Payment of the principal of the Bonds on the stated maturity date, and of interest thereon on stated dates for payment, will be insured by a financial guaranty insurance policy in the form of Appendix B hereto (the "Policy") to be issued by the Insurer.

There follow brief descriptions of MBFC, the Bonds, the Agreement, the Indenture, the Policy, the Insurer and certain other matters relating to the Bonds. Information with respect to the Company, including certain financial statements, is set forth or incorporated by reference in Appendix A 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 Agreement and the Indenture, copies of which are available for inspection, during the initial offering period of the Bonds, at the offices of Southern Company Services, Inc., 241 Ralph McGill Boulevard, N.E., Atlanta, Georgia 30308-3374, Attention: Wayne Boston. The statements made herein are qualified in their entirety by reference to each such document.

MBFC

MBFC is a public corporation of the State of Mississippi organized and chartered for the purpose of furthering economic development in the State of Mississippi. MBFC is composed of 25 members from which there is elected a nine-member Board of Directors. MBFC is authorized to exercise the powers conferred by Sections 57-10-201 et seq., Mississippi Code of 1972, as amended and supplemented, including the issuance of the Bonds.

USE OF BOND PROCEEDS; REFUNDING OF OUTSTANDING BONDS

The proceeds received by MBFC from the sale of the Bonds will be applied, together with other moneys of the Company, to the current redemption in October 2002 of $13,000,000 aggregate principal amount of Jackson County, Mississippi 6.20% Solid Waste Disposal Facilities Revenue Bonds, Series 1993 (Gulf Power Company Project) (the "1993 Bonds"). The redemption price for the 1993 Bonds will be 100% of the principal amount thereof plus accrued interest to the redemption date.

It is anticipated that a total of approximately $545,000 will be expended by the Company from its own funds for the initial premium payable on the Policy and for legal, accounting, printing and other fees in connection with the issuance of the Bonds. See also "UNDERWRITING" below.

THE BONDS

The Indenture provides that the method of determining the interest rate on the Bonds may be changed from time to time. This Official Statement does not provide any information regarding the Bonds after the date, if any, on which the Bonds convert to bear interest, as permitted by the Indenture, at interest rates other than the Long-Term Interest Rate. The Bonds are subject to mandatory tender in the event of any such conversion. See "— Mandatory Tender for Purchase" below.

Description

The Bonds will be initially issued in book-entry form in the aggregate principal amount and will mature on the date set forth on the cover page of this Official Statement. During the Long-Term Interest Rate Period, the Bonds will bear interest at the Long-Term Interest Rate. Interest will be payable semiannually on each March 1 and September 1, commencing March 1, 2003, during the Long-Term Interest Rate Period. During the Long-Term Interest Rate Period, the Bonds will be issued as fully registered Bonds without coupons in denominations of $5,000 and integral multiples thereof.

The Bonds will be registered initially in the name of Cede & Co., as registered owner and nominee of 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.

Hancock Bank is the trustee under the Indenture. The principal corporate trust office of Hancock Bank is currently located in Baton Rouge, Louisiana. 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.

Interest

During the Long-Term Interest Rate Period, each Bond will bear interest at the Long-Term Interest Rate, payable semi-annually on each March 1 and September 1 of each year to the person in whose name such Bond is registered at the close of business on the February 15 or August 15, as the case may be, immediately preceding such payment date. The initial interest payment date is March 1, 2003.

Security

The Bonds will be limited special obligations of MBFC, payable by MBFC solely from and secured by an assignment and pledge by MBFC to the Trustee of its right to payments by the Company pursuant to the Note.

MBFC 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 the Note and all amounts payable thereunder (except for certain amounts payable under the Agreement in respect of 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, 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 Mississippi or any political subdivision thereof. Neither the State of Mississippi nor any political subdivision thereof nor MBFC shall be obligated to pay the principal of the Bonds, any premium, 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 Mississippi or any political subdivision thereof is pledged to the payment of the principal of the Bonds, any premium, the interest thereon or other costs incident thereto.

Regularly scheduled payments of principal and interest on the Bonds when due will be unconditionally guaranteed in accordance with the terms of the Policy. See "THE POLICY AND THE INSURER" below.

Redemption

Optional Redemption: The Bonds may be redeemed by MBFC on or after September 1, 2007, in whole at any time, or in part from time to time, as requested by the Company, but if in part, by lot or in such other random manner as the Trustee shall determine, at a price equal to 100% of the principal amount thereof plus accrued interest to the date of redemption.

Extraordinary Optional Redemption: The Bonds are subject to redemption in whole at any time prior to maturity at the redemption price equal to the principal amount thereof plus accrued interest to the redemption date, but without premium, upon receipt by the Trustee and MBFC 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 the Plant, rendering impracticable or uneconomical the operation by the Company of either the Project or the Plant, including, without limitation, the condemnation or taking by eminent domain of all or substantially all of the Project or the 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 the Plant as an efficient generating facility uneconomical; or

(c) the Project or the Plant has been damaged or destroyed to such an extent that it is not practicable or desirable to rebuild, repair or restore the Project or the Plant.

Notice of Redemption: At least 30 days before the redemption date of any Bonds, the Trustee shall cause a notice of any such redemption to be mailed by first-class mail to all registered owners of Bonds to be redeemed at their addresses as they appear on the registration books maintained by the Trustee. No further interest will accrue on the principal of any Bonds called for redemption after the redemption date if notice has been duly given and payment of the redemption price thereof and accrued interest has been duly provided for, and the owners of such Bonds will have no rights with respect to such Bonds except to receive payment of the redemption price thereof and interest accrued to the redemption date.

Mandatory Tender for Purchase

On or after September 1, 2007, the Bonds are subject to mandatory tender for purchase, upon 30 days' notice to the Bondholders, at a purchase price equal to 100% of the principal amount thereof, plus accrued interest to the purchase date, on the effective date of any conversion from the interest rate mode described herein (i.e., a long-term interest rate mode with an approximate 26 year maturity) to another interest rate mode. If Bonds are purchased by the Company, such Bonds remain outstanding and may be offered for sale in a different interest rate mode pursuant to the terms of the Indenture.

In the event that notice is given of a mandatory tender for purchase of the Bonds, each Bondholder, in order to receive payment of the tender price for Bonds owned by such owner, must deliver such Bonds in accordance with the instructions provided in such notice of mandatory tender for purchase. In the event that a Bondholder shall fail to tender any such Bond as required by such notice, such Bond shall nevertheless be deemed to have been tendered for purchase if moneys are available for the payment of the tender price thereof, and the Trustee shall hold the tender price for such Bond uninvested and without any further liability for interest thereon until such Bond is tendered as provided in such notice.

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 one fully-registered bond 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 (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 (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 (the "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 MBFC 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 MBFC, 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 MBFC, the Company and the 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 MBFC, the Company, the Trustee nor either Underwriter 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 may be designated.

THE AGREEMENT

Issuance of the Bonds

MBFC 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 PROCEEDS; REFUNDING OF OUTSTANDING BONDS" above.

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 a Note in the same principal amount as the Bonds and having the same stated maturity and interest rate. Pursuant to the Note, the Company will pay to the Trustee, as assignee of MBFC, 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. 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 pay: (i) the fees, charges and reasonable expenses of the Trustee and any paying agents and tender agents under the Indenture; (ii) the fees, charges and reasonable expenses of the Issuer; (iii) all amounts owed under the Arbitrage Rebate Agreement, including, without limitation, the Rebate Requirement; and (iv) 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, the Issuer and any paying agents and all other amounts payable by the Company under the Agreement and the Note 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 tax law or other law of the United States of America or the State of Mississippi or failure by MBFC to perform its obligations under the Agreement.

Assignment and Pledge

MBFC will assign 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) to the Trustee as security for the Bonds. 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 MBFC or the Trustee of any obligation to the Company, whether under the Agreement or otherwise, or out of any indebtedness or liability at any time owing to the Company by the Issuer or the Trustee.

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 in writing 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 Mississippi and that such consolidation, merger or transfer of assets 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": (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; (b) failure by the Company to pay within 30 days of the date due any other amounts required to be paid pursuant to the Agreement; (c) 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 MBFC or the Trustee, unless extended; (d) certain events of bankruptcy, insolvency, dissolution, liquidation, winding-up, reorganization or other similar events of the Company; and (e) the occurrence and continuance of an event of default under the Insurance Agreement (as defined under "THE POLICY AND THE INSURER" below). An event of default under the Insurance Agreement includes a default by the Company on certain payment obligations thereunder, failure by the Company in the observance of certain representations and covenants thereunder and certain bankruptcy and similar events of the Company.

Under the terms of the Agreement, certain of the Company's obligations referred to in clause (c) 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 any above 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 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.

See also "THE INDENTURE — Special Insurance Provisions" below.

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 INDENTURE — Amendment of the Agreement" herein.

THE INDENTURE

Special Insurance Provisions

Notwithstanding any other provision of the Indenture, so long as the Insurer is not in default under the Policy, the Insurer shall be entitled to control and direct the enforcement of all rights and remedies with respect to the Bonds upon the occurrence and continuation of an event of default and the consent of the Insurer shall be required for any supplemental indenture or amendment to the Agreement requiring consent of the Bondholders to be effective.

Permitted Investments

Except as otherwise provided in the Indenture, any moneys held by the Trustee shall be invested and reinvested by the Trustee, at the direction of the Company, in: (a) Government Obligations (as defined under "— Defeasance" below); (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.

Default Under the Indenture

The following shall be "events of default" under the Indenture: (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 the 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; and (d) the occurrence and continuance of an "Event of Default" under the Agreement.

Remedies Under the Indenture

Upon the occurrence of an Event of Default the Trustee may, and upon written request of the holders of not less than 25% in aggregate principal amount of the Bonds then outstanding shall, by notice in writing to MBFC 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 has been declared due and payable, all arrears of interest and principal and premium, if any, having become due other than by acceleration are paid by MBFC, and MBFC 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 and other costs, the Trustee shall annul such declaration and such annulment shall be binding upon all holders of the Bonds issued hereunder; 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 MBFC in and to the Agreement and the Note may enforce each and every right granted to MBFC 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 security and 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 MBFC to enforce any rights under the Agreement and the Note and to require MBFC to carry out any other provisions of the 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 MBFC 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 under the Indenture 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 the 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.

A Bondholder may not pursue any remedy with respect to the Indenture of 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 security and 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 security and indemnity. Nothing contained in the Indenture shall, however, affect or impair the right of any Bondholder to enforce the payment of the principal of, premium, if any, and interest on any Bond after the stated maturity thereof.

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.

See also " — Special Insurance Provisions" above.

Waivers of Events of Default

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.

See also "— Special Insurance Provisions" above.

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) Government Obligations maturing as to principal and interest in such amounts and at such times as will insure, without any further investment, the availability of sufficient moneys to make such payment, and (b) all compensation and reasonable expenses, without any further reinvestment, 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 MBFC and shall be payable solely from the moneys or 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.

Notwithstanding the foregoing, upon the deposit of funds or Government Obligations under clause (a)(2) above, the purchase price of tendered Bonds shall be paid from the sale of Bonds under the Indenture. If payment of such purchase price is not made from the sale of Bonds pursuant to the Indenture, payment shall be made from funds (or Government Obligations) on deposit pursuant to the Indenture without the need of any further instruction or direction by the Company, in which case such Bonds shall be surrendered to the Trustee and cancelled.

Notwithstanding the foregoing, no deposit under clause (a)(2) above shall be deemed a payment of a Bond until (1) the 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 Internal Revenue Code of 1986, as amended, and (2) (a) notice of redemption of the Bond is given in accordance with the Indenture 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 the Indenture, that the deposit required by (a)(2) above has been made with the Trustee and that the Bond is deemed to be paid under the Indenture 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.

"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).

Amendment of the Indenture

Any amendment of the Indenture will be effected by a supplemental indenture entered into by MBFC and the Trustee. MBFC and the Trustee may enter into supplemental indentures without notice to or the consent of any Bondholder for the following purposes: (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 the Indenture additional collateral or to add other agreements of the Issuer; (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 the Bonds of different authorized denominations, redemptions of portions of the Bonds of particular authorized denominations and similar amendments and modifications of a technical nature; (f) to increase the number of days specified for the giving of notices of mandatory tender and to make corresponding changes to the period for notice of redemption 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; (i) to make any change that does not materially adversely affect the rights of any Bondholder; or (j) to make any other changes to the Indenture that take effect as to any or all remarketed Bonds following a mandatory tender.

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 or tender of the Bonds, extend the due date for the purchase of Bonds tendered by the holders thereof or call for mandatory redemption or tender 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 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.

See also " — Special Insurance Provisions" above.

Amendment of the Agreement

The Issuer may enter into, and the Trustee may consent to, any amendment of or supplement to the Agreement, or may waive compliance by the Company of any provision of the Agreement, 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 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 in the judgment of the Trustee does not materially adversely affect the rights of any Bondholder.

Any other amendment, change of or supplement of the Agreement or the terms of the Note may be with the consent of the holders of not less than 50% in aggregate principal amount of the Bonds at the time outstanding.

See also "— Special Insurance Provisions" above.

THE TRUSTEE

Hancock Bank serves as trustee under other indentures providing for certain tax-exempt bonds for the benefit of the Company.

THE POLICY AND THE INSURER

The information set forth in this section has been provided by the Insurer for use in this Official Statement. MBFC, the Company, the Trustee and the Underwriters make no representation or warranty and assume no responsibility with respect to the information concerning the Insurer and its parent and the Policy contained or incorporated by reference herein.

The Policy

The Insurer and the Company will enter into an insurance agreement (the "Insurance Agreement") pursuant to which the Insurer will issue a financial guaranty insurance policy relating to the Bonds (the "Policy"), the form of which is attached to this Official Statement as Appendix B. The following summary of the terms of the Policy does not purport to be complete and is qualified in its entirety by reference to the Policy.

The Insurer has made a commitment to issue the Policy effective as of the date of issuance of the Bonds. Under the terms of the Policy, the Insurer will pay to The Bank of New York in New York, New York, or any successor thereto (the "Insurance Trustee") that portion of the principal of and interest on the Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment (as such terms are defined in the Policy) by MBFC. The Insurer will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which the Insurer shall have received notice of Nonpayment from the Trustee. The insurance will extend for the term of the Bonds and, once issued, cannot be canceled by the Insurer.

The Policy will insure payment only on the stated maturity date, in the case of principal, and on interest payment dates, in the case of interest. In the event of any acceleration of the principal of the Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration.

In the event the Trustee has notice that any payment of principal of or interest on a Bond which has become Due for Payment and which is made to a holder by or on behalf of MBFC has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from the Insurer to the extent of such recovery if sufficient funds are not otherwise available.

The Policy does **not** insure any risk other than Nonpayment, as defined in the Policy. Specifically, the Policy does **not** cover:

a. payment on acceleration, as a result of a call for redemption or as a result of any other advancement of maturity.

b. payment of any redemption, prepayment or acceleration premium.

c. nonpayment of principal or interest caused by the insolvency or negligence of the Trustee.

If it becomes necessary to call upon the Policy, payment of principal requires surrender of the Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Bonds to be registered in the name of the Insurer to the extent of the payment under the Policy. Payment of interest pursuant to the Policy requires proof of holder entitlement to interest payments and an appropriate assignment of the holder's right to payment to the Insurer.

Upon payment of the insurance benefits and to the extent the Insurer makes payments of principal of or interest on the Bonds, the Insurer will become the owner of the Bond or the right to payment of principal or interest on such Bond and will be fully subrogated to the surrendering holder's rights to payment.

The Insurer

The Insurer is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Territory of Guam and the Commonwealth of Puerto Rico, with admitted assets of approximately $5,587,000,000 (unaudited) and statutory capital of approximately $3,453,000,000 (unaudited) as of June 30, 2002. Statutory capital consists of the Insurer's policyholders' surplus and statutory contingency reserve. Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., Moody's Investors Service, Inc. and Fitch, Inc. have each assigned a triple-A financial strength rating to the Insurer.

The Insurer has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by the Insurer will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by the Insurer under policy provisions substantially identical to those contained in the Policy shall be treated for federal income tax purposes in the same manner as if such payments were made by MBFC.

The Insurer makes no representation regarding the Bonds or the advisability of investing in the Bonds and makes no representation regarding, nor has it participated in the preparation of, the Official Statement other than the information supplied by the Insurer and presented under the heading "THE POLICY AND THE INSURER" and in the financial statements incorporated herein by reference.

Available Information. The parent company of the Insurer, Ambac Financial Group, Inc. ("Ambac Financial"), is subject to the informational requirements of the 1934 Act and in accordance therewith files reports, proxy statements and other information with the Commission. Such reports, proxy statements and other information can be read and copied at the Commission's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the Commission at (800) SEC-0330 for further information on the public reference room. The Commission maintains an internet site at http://www.sec.gov that contains reports, proxy and information statements and other information regarding companies that file electronically with the Commission, including Ambac Financial. These reports, proxy statements and other information can also be read at the offices of the New York Stock Exchange at 20 Broad Street, New York, New York 10005.

Copies of the Insurer's financial statements prepared in accordance with statutory accounting standards are available from the Insurer. The address of the Insurer's administrative offices and its telephone number are One State Street Plaza, 19th Floor, New York, New York 10004 and (212) 668-0340.

Incorporation of Certain Documents by Reference. The following documents filed by Ambac Financial with the Commission (File No. 1-10777) are incorporated by reference in this Official Statement:

a. Ambac Financial's Current Report on Form 8-K dated January 23, 2002 and filed on January 25, 2002;

b. Ambac Financial's Annual Report on Form 10-K for the fiscal year ended December 31, 2001 and filed on March 26, 2002;

c. Ambac Financial's Current Report on Form 8-K dated April 17, 2002 and filed on April 18, 2002;

d. Ambac Financial's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 2002 and filed on May 13, 2002;

e. Ambac Financial's Current Report on Form 8-K dated July 17, 2002 and filed on July 19, 2002;

f. Ambac Financial's Current Report on Form 8-K dated August 14, 2002 and filed on August 14, 2002; and

g. Ambac Financial's Quarterly Report on Form 10-Q for the fiscal quarterly period ended June 30, 2002 and filed on August 14, 2002.

All documents subsequently filed by Ambac Financial pursuant to the requirements of the 1934 Act after the date of this Official Statement will be available for inspection in the same manner as described above in "Available Information".

UNDERWRITING

Pursuant to an agreement with MBFC, Edward D. Jones & Co., L.P. and A. G. Edwards & Sons, Inc. (the "Underwriters") have agreed, subject to certain conditions, to purchase the Bonds from MBFC at a purchase price equal to 100% of the aggregate principal amount thereof.

In consideration of such purchase, the Company will pay to the Underwriters a fee of $390,000 for underwriting compensation. The nature of the Underwriters' obligation is such that if it purchases any Bonds, it must purchase all the Bonds. After the Bonds are released for sale to the public, the offering price and other selling terms may from time to time be varied by the Underwriters and such Bonds may be offered and sold to certain dealers (including dealers depositing

such Bonds into investment accounts) and others at prices lower than the public offering price set forth on the cover page hereof. The Company has agreed to indemnify the Underwriters and MBFC against certain liabilities relating to this Official Statement, including certain liabilities under federal securities laws.

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 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 MBFC, the Company nor 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 Bonds. In addition, neither MBFC, the Company nor 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.

In the ordinary course of their respective businesses, the Underwriters have engaged, and may in the future engage, in investment banking transactions with the Company and its affiliates.

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 the Code. At the time of issuance and delivery of the Bonds, MBFC, 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, interest 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, McGlinchey Stafford, PLLC, Jackson, Mississippi, 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 the Project or the Additional Project (as defined below) or a "related person" within the meaning of Section 147(a) of the Code. However, interest on the Bonds is an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations. The opinion of Bond Counsel will state its reliance upon the accuracy of the representations and certifications of MBFC, the Company and the Trustee made at the time of issuance of the Bonds, and the continued compliance with the covenants related to the exclusion of interest on the Bonds from gross income for federal income tax purposes. The opinion of Bond Counsel will not address any other federal tax consequences relating to the Bonds or the interest thereon.

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.

On the date of issuance and delivery of the Bonds, the Development Authority of Monroe County (Georgia) (the "Authority") will issue and deliver its Pollution Control Revenue Bonds (Gulf Power Company Plant Scherer Project), First Series 2002 in the aggregate principal amount of $42,000,000 (the "Authority Bonds"). The proceeds of the sale of the Authority Bonds will be loaned to the Company and applied to the current refunding of certain obligations of the Authority which were issued to refinance the cost of the acquisition, construction, installation and equipping of certain facilities at the Scherer steam electric generating plant owned by the Company and located in Monroe County, Georgia (the "Additional Project"). Under the provisions of the Code, the Bonds and the Authority Bonds may be aggregated and treated as a single issue of bonds for federal income tax purposes and the exclusion of the interest on the Bonds from gross income for federal income tax purposes may be dependent upon whether the interest on the Authority Bonds is excluded from gross income for federal income tax purposes. Contemporaneously with the issuance and delivery of the Authority Bonds, King & Spalding, Atlanta, Georgia will deliver its opinion as bond counsel in connection with the Authority Bonds substantially to the same effect as the opinion of McGlinchey Stafford, PLLC referred to above in connection with the Bonds.

In the opinion of Bond Counsel, under Mississippi law, the Bonds and interest thereon are exempt from all income taxes imposed by the State of Mississippi and any county, municipality and other political subdivision of the State of Mississippi. Bond Counsel will be paid by the Company.

SECONDARY MARKET INFORMATION

No financial statements or operating data concerning MBFC are included in this Official Statement and MBFC has not undertaken to provide any such information in the future.

Solely for the purpose of enabling the Underwriters to comply with the requirements of Rule 15c2-12(b)(5) under the Securities Exchange Act of 1934, as in effect on the date hereof (the "Rule"), the Company has undertaken (but only to the extent required for compliance with valid and effective provisions of the Rule), for the benefit of the holders of the Bonds, to provide the persons specified below (i) not later than 100 days after the end of each fiscal year of the Company, the Company's Annual Report to the Commission on Form 10-K (or any successor form), excluding any exhibits or documents incorporated by referenced therein, other than (if applicable) the audited financial statements appearing in the Company's annual report to shareholders (the "Form 10-K"), or, if the Form 10-K is no longer required, audited annual financial statements of the Company of the type incorporated by reference in Appendix A hereto (the "Audited Financial Statements"), and (ii) in a timely manner, notice of the occurrence of certain events enumerated in the Rule, if material (the "Company's Undertaking").

The Form 10-K (or, if required, the Audited Financial Statements) shall be provided to each Nationally Recognized Municipal Securities Information Repository ("NRMSIR") recognized by the Commission for purposes of the Rule and to the Mississippi State Information Depository ("MSID"), if one shall be established for the purposes of the Rule, and the notices of certain events shall be provided to each NRMSIR or to the Municipal Securities Rulemaking Board and to the MSID, if any.

Neither MBFC nor its members, officers or employees have any responsibility or liability for the sufficiency, performance or enforcement of the Company's Undertaking. The Company and its directors, officers, employees and shareholders shall have no liability under the Company's Undertaking for any act or failure to act; a failure to perform the Company's Undertaking shall not constitute an Event of Default under the Agreement, an event of default under the Indenture or a default under the Note or any Bond; and the sole remedy shall be specific enforcement of the Company's Undertaking by the Trustee or by such persons, if any, as the Rule may require to be entitled to enforce the same. The Company reserves the right to (a) contest the validity of the Rule and (b) modify its performance of the Company's Undertaking, to the extent not inconsistent with valid and effective provisions of the Rule.

LEGAL MATTERS

Legal matters incident to the authorization and issuance of the Bonds are subject to the approving opinion of McGlinchey Stafford, PLLC, Jackson, Mississippi, 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, a Registered Limited Liability Partnership, Pensacola, Florida, and Troutman Sanders LLP, Atlanta, Georgia, for the Underwriters by their counsel, Dewey Ballantine LLP, New York, New York, and for MBFC by its counsel, Butler Snow O'Mara Stevens & Cannada, PLLC, Jackson, Mississippi.

The Bonds have been validated by a decree rendered by the Chancery Court of the First Judicial District of Hinds County, Mississippi.

MISCELLANEOUS

Information, including certain financial statements, relating to the business and properties of the Company is included or incorporated by reference in Appendix A to this Official Statement, to which reference is hereby made.

This Official Statement has been duly approved by:

MISSISSIPPI BUSINESS FINANCE CORPORATION

By /s/ William T. Barry
Executive Director

APPENDIX A

GULF POWER COMPANY

THE INFORMATION CONTAINED HEREIN AS AN APPENDIX TO THE OFFICIAL STATEMENT 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 mailing address of GULF's principal executive offices is One Energy Place, Pensacola, Florida 32520-0100, and the telephone number is (850) 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 "Commission"). Such reports and other information can be inspected and copied, upon payment of a fee set by the Commission, at the public reference room of the Commission in Washington, D.C. (450 Fifth Street, N.W., 20549). The Commission may be contacted at 1-800-732-0330 for information on the public reference room. GULF's reports are also available on the internet through the Commission's EDGAR database at the Commission's website at http://www.sec.gov. 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 Commission 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, 2001.

2. Quarterly Reports on Form 10-Q for the quarters ended March 31, 2002 and June 30, 2002.

3. Current Reports on Form 8-K dated January 18, 2002, February 13, 2002 and March 28, 2002.

All documents subsequently filed by GULF with the Commission 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. Any statement contained in a document incorporated or deemed to be incorporated by reference herein as aforesaid shall be deemed to be modified or superseded for purposes of this Appendix 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 Appendix.

GULF hereby undertakes to provide without charge to each person to whom a copy of this Official Statement 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, Vice President, Secretary and Treasurer, Gulf Power Company, One Energy Place, Pensacola, Florida 32520-0100, (850) 444-6111.

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, 2001	376,520
Generating Capacity at December 31, 2001 (kilowatts)	2,188,150
Sources of Generation during 2001 (kilowatt-hours)	Coal (99%), Oil and Gas (1%)

Selected Financial Information

	Year Ended December 31,					6 Months Ended June 30, 2002
	1997	1998	1999	2000	2001	(Unaudited)
	(Thousands, Except Ratios)					
Operating Revenues	$625,856	$650,518	$674,099	$714,319	$725,203	$370,920
Earnings Before Interest and Income Taxes	$124,428	$120,946	$119,576	$116,892	$121,227	$57,628
Net Income After Dividends on Preferred Stock	$57,610	$56,521	$53,667	$51,843	$58,307	$25,204
Ratio of Earnings to Fixed Charges (1)	4.18	3.83	3.62	3.38	3.64	2.85

	Capitalization as of June 30, 2002	
	(Thousands, Except Percentages)	
Common Stock Equity	$535,129	45.9%
Cumulative Preferred Stock	4,236	0.4
Company Obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trusts Holding Company Junior Subordinated Notes	115,000	9.9
Long-Term Debt	511,938	43.8
Total, excluding amounts due within one year	$1,166,303	100.0%

(1) This ratio is computed as follows: (i) "Earnings" have been calculated by adding to "Earnings Before Interest and Income Taxes" 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.

APPENDIX B

FORM OF POLICY

Ambac

Financial Guaranty Insurance Policy

Ambac Assurance Corporation
One State Street Plaza, 15th Floor
New York, New York 10004
Telephone: (212) 668-0340

Obligor:

Policy Number:

Obligations:

Premium:

Ambac Assurance Corporation (Ambac), a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations or related coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights to payment thereon.

In cases where the Obligations are issued in registered form, the Insurance Trustee shall disburse principal to a Holder only upon presentation and surrender to the Insurance Trustee of the unpaid Obligation, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, so as to permit ownership of such Obligation to be registered in the name of Ambac or its nominee. The Insurance Trustee shall disburse interest to a Holder of a registered Obligation only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Obligation and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, transferring to Ambac all rights under such Obligation to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all of the Holders' rights to payment on registered Obligations to the extent of any insurance disbursements so made.

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Obligations prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

Robert J. Genader
President

Anne G. Gill
Secretary

Effective Date:

Authorized Representative

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Authorized Officer of Insurance Trustee

Form No.: 2B-0012 (1/01)

EXHIBIT C.6.

BEGGS & LANE
A REGISTERED LIMITED LIABILITY PARTNERSHIP
ATTORNEYS AND COUNSELLORS AT LAW
POST OFFICE BOX 12950
PENSACOLA, FLORIDA 32591-2950

501 COMMENDENCIA STREET
PENSACOLA, FLORIDA 32501-5641
TELEPHONE (850) 432-2451
TELECOPIER (850) 469-3330

JAMES M. WEBER
JOHN F. WINDHAM
J. NIXON DANIEL, III
RALPH A. PETERSON
GARY B. LEUCHTMAN
JOHN P. DANIEL
JEFFREY A. STONE
JAMES S. CAMPBELL
RUSSELL F. VAN SICKLE
RUSSELL A. BADDERS
MARY JANE THIES
DAVID L. McGEE
CHARLES T. WIGGINS
THOMAS F. GONZALEZ
DAVID E. HIGHTOWER
WILLIAM H. MITCHEM
PETER J. MOUGEY
R. ANDREW KENT
ELIZABETH C. CALLAHAN
TERRIE L. DIDIER

W. SPENCER MITCHEM
Of Counsel

E. DIXIE BEGGS
1908-2001

BERT H. LANE
1917-1981

September 26, 2002

Edward D. Jones & Co., L.P.
St. Louis, Missouri,
as Representative

Mississippi Business Finance Corporation
Jackson, Mississippi

Hancock Bank, as Trustee
Baton Rouge, Louisiana

McGlinchey Stafford, PLLC
Jackson, Mississippi

Ladies and Gentlemen:

We have acted as counsel to Gulf Power Company (the "Company") in connection with the purchase by Edward D. Jones & Co., L.P. and A.G. Edwards & Sons, Inc. (the "Underwriters") of $13,000,000 aggregate principal amount of Mississippi Business Finance Corporation Solid Waste Disposal Facilities Revenue Refunding Bonds, Series 2002 (Gulf Power Company Project) (the "Bonds"), pursuant to the Purchase Contract dated September 19, 2002 (the "Purchase Contract"), between the Mississippi Business Finance Corporation (the "Issuer") and the Underwriters.

We have examined (i) the Official Statement dated September 19, 2002 relating to the Bonds, including Appendix A thereto (the "Official Statement"), which incorporates by reference the Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 2001, the Quarterly Reports on Form 10-Q of the Company for the quarters ended March 31, 2002 and June 30, 2002 and the Current Reports on Form 8-K of the Company dated January 18, 2002, February 13, 2002 and March 28, 2002 (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 September 1, 2002 (the "Trust Indenture") between the Issuer and Hancock Bank, as Trustee; (iii) the Loan Agreement dated as of September 1, 2002 (the "Agreement") between the Issuer and the Company; (iv) the promissory note dated September 26, 2002 (the "Note") in the aggregate principal amount of $13,000,000 issued by the Company pursuant to the Agreement; (v) the Purchase Contract; and (vi) the Letter of Representation dated September 19, 2002 (the "Letter of Representation") among the Company, the Issuer and the Underwriters. 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 Issuer and the Company, and have made such other and further investigations, as we deemed relevant and hereinafter set forth.

In rendering this opinion we have relied with respect to certain questions of conformity to the laws of the States of Georgia and Mississippi upon the opinions of Troutman Sanders LLP and Balch & Bingham LLP, respectively, of even date herewith. We believe that such opinion is satisfactory and that you are justified in relying thereon, and we, on our part have relied thereon to the extent that it relates to such questions.

We are of the opinion, relying as to laws and regulations administered by the Securities and Exchange Commission (the "Commission") 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 to own and operate the properties owned and used by it in such business.

2. All orders, consents or other authorizations or approvals of the Commission and the Florida Public Service 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 Letter of Representation and the Note have been duly authorized, executed and delivered by the Company and, assuming due authorization, execution and delivery thereof by 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 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 limiting the right to enforce the indemnification provisions contained in the Letter of Representation.

4. The statements made in the Official Statement under the captions "The Bonds", "The Agreement" and "The Indenture", 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 and the Letter of Representation by the Company will not result in a breach of or constitute a default under the Charter or by-laws 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 is 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 any of its property.

We have no knowledge of any material litigation or proceedings pending or threatened which challenge the validity of the Note, the 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 Official Statement 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 Issuer and the Company of the Official Statement, we participated in conferences with certain officers and employees of the Company, with representatives of Deloitte & Touche LLP, with other counsel for the Company, with your counsel and with Bond Counsel. In addition, in the course of the preparation by the Company of the Exchange Act Documents, we participated in conference with certain officers and employees of the Company, with other counsel for the Company, with your counsel and with representatives of Deloitte & Touche LLP. Based upon our examination of the Official Statement 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 Official Statement (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 Official Statement or the Exchange Act Documents or with respect to the information in the Official Statement under the captions "MBFC", "The Bonds – Book-Entry System" "The Policy and the Insurer", "Underwriting" and "Tax Exemption" or in Appendix B thereto.

We are members of the Florida Bar and we do not express any opinion herein concerning any law other than the law of the State of Florida, and to the extent set forth herein, the federal law of the United States and 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 LLP 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 Maine law.

Very truly yours,

Beggs & Lane

BEGGS & LANE

EXHIBIT C.7.

TROUTMAN SANDERS LLP

ATTORNEYS AT LAW
A LIMITED LIABILITY PARTNERSHIP

401 9th STREET, N.W., SUITE 1000
WASHINGTON, D.C. 20004-2134
TELEPHONE: 202-274-2950
FACSIMILE: 202-274-2994

BANK OF AMERICA PLAZA
600 PEACHTREE STREET, N.E., SUITE 5200
ATLANTA, GEORGIA 30308-2216
TELEPHONE: 404-885-3000
FACSIMILE: 404-885-3900

TWO EXCHANGE SQUARE, SUITE 3503A
8 CONNAUGHT PLACE
CENTRAL, HONG KONG
TELEPHONE: 852-2533-7888
FACSIMILE: 852-2533-7898

September 26, 2002

Edward D. Jones & Co., L.P.
St. Louis, Missouri,
as Representative

Mississippi Business Finance Corporation
Jackson, Mississippi

Hancock Bank, as Trustee
Baton Rouge, Louisiana

McGlinchey Stafford PLLC
Jackson, Mississippi

Re: $13,000,000 Mississippi Business Finance Corporation Solid Waste Disposal Facilities Revenue Refunding Bonds, Series 2002 (Gulf Power Company Project)

Ladies and Gentlemen:

We have acted as counsel to Gulf Power Company (the "Company") in connection with the purchase by Edward D. Jones & Co., L.P. and A.G. Edwards & Sons, Inc. (the "Underwriters") of $13,000,000 aggregate principal amount of Mississippi Business Finance Corporation Solid Waste Disposal Facilities Revenue Refunding Bonds, Series 2002 (Gulf Power Company Project) (the "Bonds"), pursuant to the Purchase Contract dated September 19, 2002 (the "Purchase Contract"), between the Mississippi Business Finance Corporation (the "Issuer") and the Underwriters.

We have examined (i) the Official Statement dated September 19, 2002 relating to the Bonds, including Appendix A thereto (the "Official Statement"), which incorporates by reference the Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 2001, the Quarterly Reports on Form 10-Q of the Company for the quarters ended March 31, 2002 and June 30, 2002 and the Current Reports on Form 8-K of the Company dated January 18, 2002, February 13, 2002 and March 28, 2002 (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 September 1, 2002 (the "Trust Indenture") between the Issuer and Hancock Bank, as Trustee; (iii) the Loan Agreement dated as of September 1, 2002 (the

"Agreement") between the Issuer and the Company; (iv) the promissory note dated September 26, 2002 (the "Note") in the aggregate principal amount of $13,000,000 issued by the Company pursuant to the Agreement; (v) the Purchase Contract; and (vi) the Letter of Representation dated September 19, 2002 (the "Letter of Representation") among the Company, the Issuer and the Underwriters. 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 Issuer 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 are of the opinion, relying as to matters of Maine and Florida law upon the opinion dated the date hereof rendered to you by Beggs & Lane, a Registered Limited Liability Partnership ("Beggs & Lane"), relying as to matters of Mississippi law upon the opinion dated the date hereof rendered by Balch & Bingham LLP and relying as to matters of New York law upon the opinion dated the date hereof rendered by Dewey Ballantine 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 Agreement, the Letter of Representation and the Note have been duly authorized, executed and delivered by the Company and, assuming due authorization, execution and delivery thereof by 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 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 limiting the right to enforce the indemnification provisions contained in the Letter of Representation.

3. The statements made in the Official Statement under the captions "The Bonds," "The Agreement" and "The Indenture," 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. All orders, consents or other authorizations or approvals of the Securities and Exchange Commission (the "Commission") and the Florida Public Service 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.

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.

In rendering the opinion expressed in paragraph 5 above, we have relied upon the legal opinion dated the date hereof, rendered by McGlinchey Stafford, PLLC, Bond Counsel, pursuant to the Purchase Contract 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 Official Statement 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 Issuer and the Company of the Official Statement, we participated in conferences with certain officers and employees of the Company, with representatives of Deloitte & Touche LLP, with other counsel for the Company, with your counsel 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 other counsel for the Company, with your counsel and with representatives of Deloitte & Touche LLP. Based upon our examination of the Official Statement 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 Official Statement (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 Official Statement or the Exchange Act Documents or with respect to the information in the Official Statement under the captions "MBFC," "The Bonds—Book-Entry System," "The Policy and the Insurer," "Underwriting" and "Tax Exemption" or in Appendix B thereto.

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 Florida, Mississippi and Maine.

This opinion is rendered to the addressees hereto in connection with the above described transaction. This opinion may not be relied upon by the addressees hereto 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 LLP and Beggs & Lane 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 Georgia law and except that Beggs & Lane may rely on this opinion in giving its opinion pursuant to Section 6 of the Purchase Contract insofar as such opinion relates to laws and regulations administered by the Commission.

Very truly yours,
Troutman Sanders LLP
TROUTMAN SANDERS LLP

ATTORNEYS AT LAW

McGLINCHEY STAFFORD PLLC

45

JACKSON
NEW ORLEANS
HOUSTON
BATON ROUGE
CLEVELAND
MONROE

September 26, 2002

Hancock Bank, as Trustee
Baton Rouge, Louisiana

Mississippi Business Finance Corporation
Jackson, Mississippi

Edward D. Jones & Co., L.P.
St. Louis, Missouri

A.G. Edwards & Sons, Inc.
St. Louis, Missouri

Gulf Power Company
Pensacola, Florida

Ladies and Gentlemen:

We have acted as counsel to Hancock Bank, a state banking corporation duly organized and existing under and by virtue of the laws of the State of Mississippi (the "Trustee"). In such capacity, we have been asked to render our opinion as to certain matters relating to the authorization, execution and delivery by the Trustee of the Trust Indenture, dated as of September 1, 2002 (the "Indenture"), between the Mississippi Business Finance Corporation ("MBFC") and the Trustee. The Indenture authorizes the issuance, execution and delivery of $13,000,000 Mississippi Business Finance Corporation Solid Waste Disposal Facilities Revenue Refunding Bonds, Series 2002 (Gulf Power Company Project) (the "Series 2002 Bonds").

We have examined such documents as we have deemed to be appropriate and relevant as a basis for the opinion hereinafter set forth, including corporate records of the Trustee, the Trustee's Certificate as to Authority and Other Matters, as to certain matters, including the incumbency of the officers of the Trustee who are to execute the Indenture and authenticate the Series 2002 Bonds, and fully executed copies of the Indenture. In making such examinations for the purpose of this opinion, we have assumed (except in the case of the Trustee and its officers) the authenticity of all original documents and the conformity to originals of all documents submitted to us as conformed copies or photocopies of original documents, the genuineness of all signatures, the due authorization, execution and delivery of such documents and the due authority of all persons executing such documents.

Based upon the foregoing and subject to the qualifications, assumptions and matters of reliance set forth herein, it is our opinion that:

1. The Trustee is a state banking corporation duly organized, validly existing and in good standing under the laws of the State of Mississippi.

2. The Trustee is lawfully empowered, authorized and duly qualified to accept the trust and other responsibilities contemplated by the Indenture, to serve as trustee and to perform the obligations contained in the Indenture.

3. The Trustee has duly authorized the acceptance of the trust contemplated by the Indenture and has duly authorized, executed and delivered the Indenture.

4. The authentication and the delivery of the Series 2002 Bonds have been duly authorized by the Trustee and the Series 2002 Bonds have been duly authenticated and delivered by the Trustee.

5. The covenants and provisions of the Indenture constitute binding obligations of the Trustee assuming the due execution and delivery thereof by the other parties to the Indenture.

Our opinions herein contained are subject to the following qualifications:

1. The enforceability of obligations under the Indenture is subject to bankruptcy, insolvency, reorganization, moratorium and similar laws affecting the rights and remedies of creditors generally or the application of principles of equity whether in an action in law or proceeding in equity. In addition we express no opinion regarding the availability of the remedy of specific performance or of any other equitable remedy or relief, to enforce any right under the Indenture.

2. The opinions expressed in this letter are based upon the applicable laws, regulations and ordinances in effect as of the date of this letter. In delivering this letter to you, we are not undertaking to apprise you either of any transactions, events or occurrences taking place after the date of this letter of which we may acquire any knowledge or of any change in any applicable laws taking place after the date of this letter which may affect our opinions set forth herein.

3. Our opinion is limited to the specific opinions expressed above, and no other opinions are intended nor should they be inferred.

4. We are only licensed to practice law in the State of Mississippi and do not hold ourselves out to be experts on the laws of any jurisdiction other than the State of Mississippi and the United States of America. We express no opinion with regard to any matters which may be

governed by the laws of any state or other jurisdiction other than the State of Mississippi and the United States of America.

This opinion is furnished by us to use solely for your benefit and it is not to be used, circulated, quoted or otherwise referred to for any purpose other than in the offering of the Series 2002 Bonds, or relied upon by any other person, except that reference may be made to it in a list of closing documents relating to the delivery of the Series 2002 Bonds and in any offering document relating to the Series 2002 Bonds.

Very truly yours,

McBlunchey Stoffan, PLLC

::ODMA\PCDOCS\JACKSON\117175\5
September 23, 2002/#70803.0005

EXHIBIT C.9.

BUTLER, SNOW
O'MARA, STEVENS
& CANNADA, PLLC
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September 26, 2002

Edward D. Jones & Co., L.P.
St. Louis, Missouri,
as Representative

Mississippi Business Finance Corporation
Jackson, Mississippi

McGlinchey Stafford PLLC
Jackson, Mississippi

Hancock Bank, as Trustee
Baton Rouge, Louisiana

Re: $13,000,000 Mississippi Business Finance Corporation Solid Waste Disposal Facilities Revenue Refunding Bonds, Series 2002 (Gulf Power Company Project)

Ladies and Gentlemen:

I am the attorney for the Mississippi Business Finance Corporation (the "Issuer") and have represented the same in connection with the sale by the Issuer of $13,000,000 aggregate principal amount of its Solid Waste Disposal Facilities Revenue Refunding Bonds, Series 2002 (Gulf Power Company Project) (the "Bonds") to the Underwriters named in the Purchase Contract dated September 19, 2002, between the Underwriters and the Issuer (the "Purchase Contract"). In connection therewith, I have examined: (i) resolutions of the Issuer adopted on August 21, 2002 and September 18, 2002 (collectively, the "Resolution"), relating to the issuance and sale of the Bonds, (ii) Trust Indenture, dated as of September 1, 2002 (the "Indenture") between the Issuer and Hancock Bank, as Trustee (the "Trustee"), relating to the issuance of the Bonds, (iii) Loan Agreement, dated as of September 1, 2002 (the "Agreement") between Gulf Power Company (the "Company") and the Issuer and (iv) promissory note dated September 26, 2002 (the "Note") in the principal amount of $13,000,000 issued by the Company pursuant to the Agreement. In addition to the above, we have examined the documents delivered to the Underwriters by the Issuer at the closing, except the Bonds.

Further, we have reviewed the authority pursuant to which the Bonds are being issued, Sections 57-10-201 *et seq.*, Mississippi Code of 1972, as amended and supplemented (the "Act") and have concluded that the proceedings, documents, and resolutions referred to herein have met the requirements of the Act.

Based upon the foregoing and our review of such other information, papers and documents as we believe necessary to enable us to render this opinion, we are of the opinion that:

1. The Issuer is a public corporation organized and existing under the laws of the State of Mississippi and is authorized to exercise the powers conferred by the Act.

2. The Issuer has full legal right, power and authority (i) to adopt the Resolution, (ii) to enter into the Purchase Contract, the Agreement and the Indenture, (iii) to issue, sell and deliver the Bonds to the Underwriters as provided in the Purchase Contract, 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 matters relating to such transactions.

3. The Issuer has duly authorized (i) the execution, delivery and due performance of the Purchase Contract, the Bonds, the Agreement, and the Indenture, (ii) the execution and delivery of the Official Statement dated September 19, 2002 relating to the Bonds by the Issuer, (iii) the lending of the proceeds of the Bonds to the Company under the terms of the Agreement, and (iv) the taking of any and all such actions 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 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.

5. The adoption of the Resolution, the execution and delivery of the Purchase Contract, the Bonds, the Agreement and the Indenture and the endorsement of the Note, 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 Issuer is a party or by which it is bound, or under any existing law, rule, regulation, ordinance judgment, order or decree to which the Issuer is subject.

6. 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 Purchase Contract or the transactions contemplated by the Official Statement, 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 Purchase Contract.

7. The Issuer has pledged and assigned to the Trustee pursuant to the Indenture all of the Issuer's rights and interests in the Agreement (except for certain payments for indemnification and expenses). 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.

Insofar as this opinion relates to the enforceability of any instrument, it is subject to (i) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting the enforcement of creditors' rights generally from time to time in effect, (ii) applicable laws which may affect the remedies provided therein (which laws, as presently in effect, do not make the remedies in such instruments inadequate for the realization of the benefits provided thereby), and (iii) principles of equity applicable to the enforcement of the remedy of specific performance.

Very truly yours,

Butler, Snow, O'Mara, Stevens & Cannada, PLLC

BUTLER, SNOW, O'MARA, STEVENS & CANNADA, PLLC

EXHIBIT C.11.

Description of Holder

$13,000,000 Auction Rate Mississippi Business Finance Corporation
Solid Waste Disposal Facilities Revenue Refunding Bonds

Name of Underwriters	**Principal Amount of Notes**
Edward D. Jones & Co., L.P. 12555 Manchester Road St. Louis, Missouri 63131	$ 6,500,000
A. G. Edwards & Sons, Inc. One North Jefferson St. Louis, Missouri 63103	$ 6,500,000

Underwriters Fees: $390,000

EXHIBIT C.12.

GULF POWER COMPANY
Schedule of Debt Discount and Expense
The Issuance and Sale of $13,000,000 Principal Amount Jackson County Pollution Control Revenue Refunding Bonds, Variable Rate Series Due 2028

Item Number	Issuance Expense For:	Amount $
1	Insurance	265,544.07
2	Charges of Trustee (Including: Counsel)	3,950.00
3	Printing & preparation of Registration Statement, Financial Statements, Prospectus, Competitive Bidding Papers, Supplemental Indenture, etc.	4,419.88
4	Issuers Fee	34,647.60
5	Fees & Expenses of Counsel	132,370.27
6	Fees of Accountants	22,677.50
7	Rating Agency	22,282.95
8	Expenses of Southern Company Services, Inc.	8,668.90
9	Miscellaneous Expenses	585.33
	Total Expenses of Issue	$495,146.50
	Underwriter's Fee (Discount)	390,000.00
	Total	$885.146.50

TRUST AGREEMENT

THIS TRUST AGREEMENT is made as of April 25, 2001, by and between Gulf Power Company, a Maine corporation, as Depositor (the "Depositor"), and Chase Manhattan Bank USA, National Association, 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 IV", 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 to 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 USA, National Association, 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 USA, National Association 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 USA,
NATIONAL ASSOCIATION,
as Trustee

By: _____
Name: John J. Cashin
Title: Vice President

EXHIBIT D.2.

GULF POWER CAPITAL TRUST IV

AMENDED AND RESTATED

TRUST AGREEMENT

among

GULF POWER COMPANY, as Depositor,

JPMORGAN CHASE BANK, as Property Trustee,

CHASE MANHATTAN BANK USA, NATIONAL ASSOCIATION, as Delaware Trustee,

and

LINDA G. MALONE and WAYNE BOSTON,
as Administrative Trustees

Dated as of December 1, 2002

GULF POWER CAPITAL TRUST IV

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)	11.10

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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AMENDED AND RESTATED TRUST AGREEMENT

THIS AMENDED AND RESTATED TRUST AGREEMENT is made as of December 1, 2002, by and among (i) Gulf Power Company, a Maine corporation (the "Depositor" or the "Company"), (ii) JPMorgan Chase 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 USA, National Association (successor to Chase Manhattan Bank Delaware), a national banking association duly organized under the laws of the United States of America, 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 G. 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 Statutory Trust Act by the entering into that certain Trust Agreement, dated as of April 25, 2001 (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 April 25, 2001; 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 G. 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 11.09.

"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, (iii) a day on which the Corporate Trust Office or the Indenture Trustee's principal corporate trust office is closed for business or (iv) a day on which the New York Stock Exchange is closed.

"Calculation Agent" means JPMorgan Chase Bank, its successors and assigns, or such other bank or trust company appointed to such capacity by the Company and the Administrative Trustees.

"Calculation Agent Agreement" means the agreement among the Company, the Trust and JPMorgan Chase Bank, as calculation agent, dated as of December 13, 2002.

"Certificate Depository Agreement" means the agreement among the Trust, the Property Trustee and The Depository Trust Company, as the initial Clearing Agency, dated as of December 11, 2002, relating to the Preferred Securities Certificates, 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 Exchange Act. 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 Exchange Act, 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 $1,000 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 Statutory 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 Payment Date" means each day on which Distributions are payable determined based on the prevailing Distribution Rate.

"Distribution Period" means each semiannual period in a Fixed Rate Period and each quarterly period in a Floating Rate Period for which Distributions are payable.

"Distribution Rate" means the rate at which Distributions will accrue in respect of any Distribution Period, as determined pursuant to the terms of this Trust Agreement, whether by Remarketing or otherwise.

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

"Election Date" means a date that is no later than the fifth Business Day prior to the proposed Remarketing Date.

"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.

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

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

"Extension Period" has the meaning specified in Section 4.01(d).

"Fixed Rate" means the Distribution Rate during a Fixed Rate Period as determined by a Remarketing.

"Fixed Rate Period" means the Initial Fixed Rate Period and each period set by the Company and the Administrative Trustees during a Remarketing for which the Fixed Rate determined in such Remarketing will apply; provided, however, that a Fixed Rate Period must be for a duration of at least six months, may not extend beyond the stated maturity of the Junior Subordinated Notes and may not end on a day other than a day immediately preceding a Distribution Payment Date.

"Floating Rate" means 3-month LIBOR plus 3.49% reset quarterly.

"Floating Rate Determination Date" means the second London Business Day immediately preceding the first day of the relevant Distribution Period in the Floating Rate Period.

"Floating Rate Period" means any period during which a Floating Rate is in effect.

"Guarantee" means the Guarantee Agreement executed and delivered by the Company and JPMorgan Chase 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.

"Initial Distribution Rate" means 5.60% per annum.

"Initial Fixed Rate Period" means the Issue Date through November 29, 2007.

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

"Junior Subordinated Notes" means the $41,238,000 aggregate principal amount of the Depositor's Series E Junior Subordinated Notes due November 30, 2042, 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 $1,000 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.

"London Business Day" means a day that is a Business Day and a day on which dealings in deposits in U.S. dollars are transacted, or with respect to any future date are expected to be transacted, in the London interbank market.

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

"Preferred Security" means an undivided beneficial ownership interest in the assets of the Trust having a Liquidation Amount of $1,000 and having rights provided therefor in this Trust Agreement, including the right to receive Distributions and a Liquidation Distribution as provided herein.

"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.

"Record Date" means the opening of business on the Business Day immediately preceding the relevant Distribution Payment Date.

"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.

"Remarketing" means the conduct by which a Fixed Rate shall be determined in accordance with the Remarketing Procedures.

"Remarketing Agent" means Lehman Brothers Inc., its successors or assigns, or such other remarketing agent appointed to such capacity by the Company and the Administrative Trustees.

"Remarketing Agreement" means the agreement among the Company, the Trust and Lehman Brothers Inc., as remarketing agent, dated as of December 13, 2002.

"Remarketing Date" means any Business Day no later than the third Business Day prior to any Remarketing Settlement Date.

"Remarketing Procedures" means those procedures set forth in Article X.

"Remarketing Settlement Date" means (i) the first Business Day of the next Distribution Period following the expiration of the Initial Fixed Rate Period, (ii) any Distribution Payment Date during a Floating Rate Period or (iii) any Distribution Payment Date during a time in which Preferred Securities are redeemable in a Fixed Rate Period subsequent to the Initial Fixed Rate Period.

"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; and any such Person who is a beneficial owner within the meaning of the Delaware Statutory Trust Act.

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

"Supplemental Indenture" means the Fifth Supplemental Indenture, dated as of December 13, 2002, by and between the Depositor and the Indenture Trustee.

"Telerate Page 3750" means the display designated on page 3750 on Moneyline Telerate (or such other page as may replace the 3750 page on the service or such other service as may be nominated by the British Bankers' Association for the purpose of displaying London interbank offered rates for U.S. dollar deposits).

"3-month LIBOR" means for any Floating Rate Determination Date, the offered rate in U.S. dollars having an index maturity of three months for a period commencing on the second London Business Day immediately following the Floating Rate Determination Date in amounts of not less than $1,000,000, as such rate appears on Telerate Page 3750 or a successor reporter of such rates selected by the Calculation Agent and acceptable to the Company, at approximately 11:00 a.m., London time, on the Floating Rate Determination Date.

"Trust" means the Delaware statutory 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 December 5, 2002, among the Trust, the Depositor and the underwriters named therein.

Article II

Establishment of the Trust

Section 2.01. Name

The Trust continued hereby shall be known as "Gulf Power Capital Trust IV", 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 JPMorgan Chase Bank, 4 New York Plaza, 15th Floor, New York, New York 10004, 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 c/o JPMorgan Chase Bank, 500 Stanton Christiana Road, Building 4 (3rd Floor), Newark, Delaware 19713, Attn: Institutional Trust Services or at such other address in Delaware as the Delaware Trustee may designate by notice to the Depositor. The address of the Administrative Trustees for United States mail is c/o Gulf Power Company, One Energy Place, Pensacola, Florida 32520-0102, Attention: Treasurer. The principal place of business of the Trust is c/o Gulf Power Company, One Energy Place, Pensacola, Florida 32520-

0102. 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 40,000 Preferred Securities having an aggregate Liquidation Amount of $40,000,000, against receipt of the aggregate purchase price of such Preferred Securities of $39,987,200 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 1,238 Common Securities having an aggregate Liquidation Amount of $1,238,000 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 $41,238,000, 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 $41,225,200.

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 G. 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 Statutory 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 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 Section 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, the Remarketing Agreement and the Calculation Agent 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 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 Remarketing Agreement, the Calculation Agent Agreement, 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, if necessary and 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, the Remarketing Agreement and the Calculation Agent Agreement;

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

(xvii) to elect to remarket the Preferred Securities and determine the length of any Fixed Rate Period;

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

(xix) 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

(xx) 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 a 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 Statutory 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 and 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 the 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, if applicable;

(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;

(vi) to negotiate the terms of the Remarketing Agreement providing for the retention of the Remarketing Agent and the establishment of certain procedures relating to Remarketings;

(vii) to negotiate the terms of the Calculation Agent Agreement providing for the retention of the Calculation Agent;

(viii) to elect to remarket the Preferred Securities and determine the length of any Fixed Rate Period, including redemption dates applicable to any Fixed Rate Period; and

(ix) 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, as amended, 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 shall accrue from the Issue Date until the Redemption Date. During the Initial Fixed Rate Period, Distributions will be payable semiannually in arrears on May 30 and November 30 of each year, commencing on May 30, 2003. During any Fixed Rate Period, other than the Initial Fixed Rate Period, Distributions will be payable semiannually in arrears on Distribution Payment Dates determined based on the Remarketing Date (if the Preferred Securities are remarketed for a new Fixed Rate Period that begins on May 30 or November 30, Distributions will be payable on May 30 and November 30 of each year, and if the Preferred Securities are remarketed for a new Fixed Rate Period that begins on February 28 or August 30, Distributions will be payable on February 28 and August 30 of each year). During any Floating Rate Period, Distributions will be payable quarterly in arrears on February 28, May 30, August 30 and November 30 of each year.

(b) If any Distribution Payment Date with respect to a Fixed Rate Period is not a Business Day, Distributions will be payable, without interest, on the immediately succeeding Business Day, with the same force and effect as if payment was made on the date such payment was originally payable. If any Distribution Payment Date with respect to a Floating Rate Period is not a Business Day, then Distributions will be payable on the immediately succeeding Business Day and Distributions shall accrue to the actual payment date (except for a Distribution Payment Date that coincides with the Redemption Date).

(c) The amount of Distributions payable on each Distribution Payment Date relating to a Fixed Rate Period will be computed on the basis of a 360-day year of twelve 30-day months. The amount of Distributions payable on each Distribution Payment Date in respect of a Floating Rate Period will be computed by multiplying the per annum Distribution Rate in effect for such Distribution Period by a fraction, the numerator of which will be the actual number of days in such Distribution Period (or portion thereof) (determined by including the first day thereof and excluding the last thereof) and the denominator of which will be 360, and multiplying the rate so obtained by $1,000.

(d) The Company has the right under the Subordinated Indenture to defer payments of interest on the Junior Subordinated Notes by extending the interest period from time to time on the Junior Subordinated Notes (an "Extension Period") which, if exercised, would defer Distributions on the Preferred Securities during any Extension Period. The payment of such Distributions, together with any interest thereon, will be distributed to the Holders of Trust Securities as received at the end of any Extension Period.

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

(f) 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.

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. Distribution Rate

(a) During the Initial Fixed Rate Period, the Distribution Rate shall be the Initial Distribution Rate.

(b) Prior to the expiration of the Initial Fixed Rate Period and any subsequent Fixed Rate Period or a Distribution Period with respect to a Floating Rate Period or a Distribution Period in a Fixed Rate Period during a time in which the Preferred Securities are redeemable in such Fixed Rate Period, the Company and the Administrative Trustees will have the option to remarket the Preferred Securities to establish a new Fixed Rate for a new Fixed Rate Period (to be in effect after the expiration of the then current Distribution Period). If the Company and the Administrative Trustees elect to conduct a Remarketing of the Preferred Securities for the purpose of establishing a new Fixed Rate for a new Fixed Rate Period, the Trust shall, not less than 20 nor more than 35 Business Days prior to the related Election Date, notify the Clearing Agency, the Property Trustee, the Indenture Trustee, the Calculation Agent and the Remarketing Agent. If the Preferred Securities are not issued in global, fully registered form to the Clearing Agency, such notice shall be delivered to the Holders instead of the Clearing Agency. Such notice shall indicate the length of the proposed new Fixed Rate Period, the proposed Remarketing Date and any redemption provisions that will apply during such Fixed Rate Period. The Company and the Administrative Trustees shall have the right to terminate a Remarketing at any time prior to the Election Date by notice of such termination to the Clearing Agency, the Remarketing Agent, the Property Trustee, the Indenture Trustee and the Calculation Agent.

(c) If the Remarketing Agent has determined that it will be able to remarket all Preferred Securities tendered or deemed tendered for purchase in the Remarketing at a Fixed Rate and at a price of $1,000 per Preferred Security, on such Remarketing Date, the Distribution Rate for the new Fixed Rate Period will be the Fixed Rate determined by the Remarketing Agent, which will be the rate per annum (rounded to the nearest one-thousandth (0.001) of one percent per annum) which the Remarketing Agent determines, in its sole judgment, to be the lowest Fixed Rate per annum, if any, that will enable it to remarket all Preferred Securities tendered or deemed tendered for Remarketing at a price of $1,000 per Preferred Security.

(d) If the Company and the Administrative Trustees do not elect to remarket the Preferred Securities or have terminated a Remarketing or the Remarketing Agent is unable to remarket all of the Preferred Securities tendered or deemed tendered for a purchase price of

$1,000 per Preferred Security, the Distribution Rate shall be the Floating Rate and the new Distribution Period shall be a Floating Rate Period.

(e) The Calculation Agent shall calculate the Floating Rate as follows:

(1) The Calculation Agent shall calculate the Floating Rate with respect to each Distribution Period in a Floating Rate Period by determining 3-month LIBOR as of the Floating Rate Determination Date preceding such Distribution Period, in which case, the Floating Rate will be 3-month LIBOR plus 3.49%.

(2) In the event no 3-month LIBOR appears on Telerate Page 3750 as of approximately 11:00 a.m., London time, on a Floating Rate Determination Date, the Calculation Agent shall request the principal London offices of each of four major banks in the London interbank market selected by the Calculation Agent (after consultation with the Company) to provide a quotation of the rate (the "Rate Quotation") at which three-month deposits in amounts of not less than $1,000,000 are offered by it to prime banks in the London interbank market, as of approximately 11:00 a.m., London time, on such Floating Rate Determination Date, that is representative of single transactions at such time (the "Representative Amounts"). If at least two Rate Quotations are provided, the Floating Rate will be the arithmetic mean of the Rate Quotations obtained by the Calculation Agent, plus 3.49%

(3) In the event no 3-month LIBOR appears on Telerate Page 3750 as of approximately 11:00 a.m., London time, on a Floating Rate Determination Date and there are fewer than two Rate Quotations, the Floating Rate will be the arithmetic mean of the rates quoted at approximately 11:00 a.m., New York City time, on such Floating Rate Determination Date, by three major banks in New York City selected by the Calculation Agent (after consultation with the Company), for loans in Representative Amounts in U.S. dollars to leading European banks, having an index maturity of three months for a period commencing on the second London Business Day immediately following such Floating Rate Determination Date, plus 3.49%; provided, however, that if fewer than three banks selected by the Calculation Agent are quoting such rates, the Floating Rate for the applicable Floating Rate Period will be the Floating Rate in effect for the preceding Floating Rate Period.

(f) If the Company elects to defer interest during a Fixed Rate Period, Distributions will continue to accrue at the Fixed Rate until the expiration of the Fixed Rate Period. Prior to the expiration of such Fixed Rate Period and any Fixed Rate Period during the Extension Period, the Company and the Administrative Trustees will have the option to remarket the Preferred Securities for a new Fixed Rate Period (to take effect upon expiration of such Fixed Rate Period). If the Company and the Trust do not remarket the Preferred Securities, the Floating Rate during the Extension Period shall be determined as provided herein, but shall not be less than the Fixed Rate for the Fixed Rate Period just ended. If the Company elects to defer interest during a Floating Rate Period, Distributions will continue to accrue at the applicable Floating Rate, reset quarterly, subject to the right of the Company and the Administrative Trustees to remarket the Preferred Securities prior to any Distribution Payment Date in order to establish a new Fixed Rate for a new Fixed Rate Period in accordance with the Remarketing Procedures.

Section 4.03. Distribution Periods

In accordance with Section 4.02 and the Remarketing Procedures, the Company and the Trust may, prior to the expiration of a Fixed Rate Period or prior to any Distribution Payment Date during a time in which the Preferred Securities are redeemable in any Fixed Rate Period or prior to a Distribution Payment Date with respect to a Floating Rate Period, elect to remarket the Preferred Securities to establish a new Fixed Rate for a new Fixed Rate Period. A Fixed Rate Period must be for a duration of at least six months, may not extend beyond the stated maturity of the Junior Subordinated Notes and may not end on a day other than a day immediately preceding a Distribution Payment Date. If a new Fixed Rate for a new Fixed Rate Period is set in a Remarketing, a new Fixed Rate Period shall commence following the expiration of the then current Distribution Period. If a new Fixed Rate for a new Fixed Rate Period is not set, for any reason, a Floating Rate Period and the Floating Rate reset quarterly shall be in effect until the Company and the Administrative Trustees remarket the Preferred Securities and set a new Fixed Rate for a new Fixed Rate Period in accordance with the Remarketing Procedures.

Section 4.04. Redemption

(a) On the Redemption Date with respect to the Junior Subordinated Notes, the Trust will be required to redeem the 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; and

(iv) 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 the 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 4.04(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 4.04(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 Date for the related Distribution Payment Date. 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. In the event that the Redemption Date is not a Distribution Payment Date, the record date shall be the Redemption Date.

(f) Subject to the foregoing provisions of Section 4.04 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 4.05. Subordination of Common Securities and Distributions

(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 Payment 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.

(c) Distributions on the Common Securities shall be payable at the same Distribution Rates, on the same Distribution Payment Dates and for the same Distribution Periods and to holders as of the same Record Date as for the Preferred Securities.

Section 4.06. 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 Payment 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 4.07. 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 $1,000 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 A 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 canceled 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 JPMorgan Chase Bank, 4 New York Plaza, 15th Floor, New York, New York 10004, 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 or to an Affiliate of the Depositor or a permitted successor under Section 801 of the Subordinated Indenture, 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 EXCEPT AS PROVIDED IN THE TRUST AGREEMENT REFERRED TO HEREIN".

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 11.01 hereof, will be fully paid and nonassessable by the Trust. Except as otherwise provided in the Expense Agreement and Section 11.01 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 11.03 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.

(d) An Event of Default will be deemed to be cured or waived if, at any time, (i) after an Event of Default exists and payment of interest and principal on the Junior Subordinated Notes has been accelerated under the terms of the Subordinated Note Indenture or (ii) prior to a judgment or decree for the payment of the money due on the Preferred Securities has been obtained, the following events occur: (A) the holders of at least 66-2/3% in Liquidation Amount of the Outstanding Preferred Securities give written notice to the Property Trustee, the Administrative Trustees and the Company to rescind and annul such declaration of acceleration of the Junior Subordinated Notes and its consequences, (B) the Trust pays and deposits with the Clearing Agency a sum sufficient to pay all Distributions (including any accrued interest) and the liquidation amount due on the Preferred Securities otherwise than caused by the acceleration of the Junior Subordinated Notes and (C) all other Events of Default are no longer continuing or have been waived.

(e) Subject to this Section, Section 11.03(c) and Section 8.19 of this Trust Agreement, the Holders of at least 66-2/3% in Liquidation Amount of the Outstanding Preferred Securities may, on behalf of the Holders of all the Preferred Securities, waive any past default hereunder and its consequences, except a default in the payment of any Distribution or

redemption payment or in respect of a covenant or provision hereof which under Section 11.03(c) cannot be modified or amended without the consent of the Holder of each Preferred Security.

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 Trust Agreement; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon. Any waiver by the Holders of the Preferred Securities of an Event of Default with respect to Preferred Securities shall also be deemed to constitute a waiver by the Holders of Common Securities for all purposes of the Trust Agreement without any further act, vote or consent of the Holders of Common Securities.

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 11.08 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 $1,000 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 national banking association, duly organized, validly existing and in good standing under the laws of the United States of America;

(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:

(a) 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;

(b) if (i) in performing its duties under this Trust Agreement the Property Trustee is required to decide between alternative courses of action, or (ii) 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 (iii) 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;

(c) 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;

(d) 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;

(e) 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

(f) 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 Institutional Trust Services 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:

(a) 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);

(b) 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

(c) 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 (i) the Guarantee, (ii) the amended and restated trust agreement dated as of January 1, 1997, among the Company, as Depositor, the Delaware Bank, as Delaware Trustee, the Administrative Trustees named therein and the Bank, as Property Trustee, relating to Gulf Power Capital Trust I, (iii) the guarantee agreement dated as of January 1, 1997, between the Company, as guarantor, and the Bank, as trustee, relating to Gulf Power Capital Trust I, (iv) the amended and restated trust agreement dated as of January 1, 1998, among the Company, as Depositor, the Delaware Bank, as Delaware Trustee, the Administrative Trustees named therein and the Bank, as Property Trustee, relating to Gulf Power Capital Trust II, (v) the guarantee agreement dated as of January 1, 1998, between the Company, as guarantor, and the Bank, as trustee, relating to Gulf Power Capital Trust II, (vi) the amended and restated trust agreement dated as of November 1, 2001, among the Company, as Depositor, the Delaware Bank, as Delaware Trustee, the Administrative Trustees named therein and the Bank, as Property Trustee, relating to Gulf Power Capital Trust III and (vii) the guarantee agreement dated as of November 1, 2001, between the Company, as guarantor, and the Bank, as trustee, relating to Gulf Power Capital Trust III.

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 11.08 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, 2003, 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 five consecutive years at any one time, 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 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 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.

Section 8.20. Delaware Trustee

(a) Notwithstanding any other provision of this Trust Agreement, 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 Administrative Trustees or the Property Trustee described in this Trust Agreement. The Delaware Trustee shall be a trustee for the sole and limited purpose of fulfilling the requirements of §3807 of the Delaware Statutory Trust Act.

(b) It is expressly understood and agreed by the parties hereto that in fulfilling its obligations as Delaware Trustee hereunder on behalf of the Trust (i) any agreements or instruments executed and delivered by Chase Manhattan Bank USA, National Association are executed and delivered not in its individual capacity but solely as Delaware Trustee under this Trust Agreement in the exercise of the powers and authority conferred and vested in it, (ii) each of the representations, undertakings and agreements herein made on the part of the Trust is made and intended not as representations, warranties, covenants, undertakings and agreements by Chase Manhattan Bank USA, National Association in its individual capacity but is made and

intended for the purpose of binding only the Trust, and (iii) under no circumstances shall Chase Manhattan Bank USA, National Association in its individual capacity be personally liable for the payment of any indebtedness or expenses of the Trust or be liable for the breach or failure of any obligation, representation, warranty or covenant made or undertaken by the Trust under this Trust Agreement, except if such breach or failure is due to any gross negligence or willful misconduct of the Delaware Trustee.

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 4.04, 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:

(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 Payment 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.

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 (determined 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.

Section 9.06. Certificate of Cancellation

A Certificate of Cancellation ("Certificate") to terminate and dissolve the Trust (as permitted hereby) may be signed by any Administrative Trustee, individually, in such capacity so long as such Certificate fully complies with all legal requirements.

Article X

Remarketing Procedures

Section 10.01 Election to Remarket

If the Company and the Administrative Trustees elect to conduct a Remarketing, the Trust, not less than 20 nor more than 35 Business Days prior to the related Election Date, is required to give the notice of proposed Remarketing of the Preferred Securities to the Clearing Agency, the Property Trustee, the Indenture Trustee, the Remarketing Agent and the Calculation Agent. If the Preferred Securities are not issued in global, fully registered form to the Clearing Agency. such notice shall be delivered to the Holders instead of the Clearing Agency. Such notice will describe the Remarketing and will indicate the length of the proposed new Fixed Rate Period, the proposed Remarketing Date and any redemption provisions that will apply during such new Fixed Rate Period. At any time prior to the Election Date, the Company and the

Administrative Trustees may elect to terminate a Remarketing by giving the Clearing Agency, the Remarketing Agent, the Property Trustee, the Indenture Trustee and the Calculation Agent notice of such termination.

Section 10.02 Notice of Election

(a) Not later than 4:00 P.M., New York City time, on an Election Date, each Holder of Preferred Securities may give, through the facilities of the Clearing Agency in the case of Book-Entry Preferred Securities Certificates, a notice to the Property Trustee of its election ("Notice of Election") (i) to retain and not to have all or any portion of the Preferred Securities owned by it remarketed in the Remarketing or (ii) to tender all or any portion of such Preferred Securities for purchase in the Remarketing (such portion, in either case, is to be in the Liquidation Amount of $1,000 or any integral multiple thereof). Any Notice of Election given to the Property Trustee will be irrevocable and may not be conditioned upon the level at which the Fixed Rate is established in the Remarketing. Promptly after 4:30 P.M., New York City time, on such Election Date, the Property Trustee, based on the Notices of Election received by it through the Clearing Agency (or from the Holders, if Definitive Preferred Securities Certificates have been issued) prior to such time, will notify the Trust, the Company and the Remarketing Agent of the number of Preferred Securities to be retained by holders of Preferred Securities and the number of Preferred Securities tendered for purchase in the Remarketing.

(b) If any Holder of Preferred Securities gives a Notice of Election to tender Preferred Securities as described in 10.02(a), the Preferred Securities so subject to such Notice of Election will be deemed tendered for purchase in the Remarketing, notwithstanding any failure by such Holder to deliver or properly deliver such Preferred Securities to the Remarketing Agent for purchase. If any Holder of Preferred Securities fails timely to deliver a Notice of Election, as described above, such Preferred Securities will be deemed tendered for purchase in such Remarketing, notwithstanding such failure or the failure by such Holder to deliver or properly deliver such Preferred Securities to the Remarketing Agent for purchase.

(c) The right of each Holder of Preferred Securities to have Preferred Securities tendered for purchase shall be limited to the extent that (i) the Remarketing Agent conducts a Remarketing pursuant to the terms of the Remarketing Agreement, (ii) Preferred Securities tendered have not been called for redemption, (iii) the Remarketing Agent is able to find a purchaser or purchasers for tendered Preferred Securities at a Fixed Rate and (iv) such purchaser or purchasers deliver the purchase price therefor to the Remarketing Agent.

(d) Any Holder of Preferred Securities that desires to continue to retain a number of Preferred Securities, but only if the Fixed Rate is not less than a specified rate per annum, should submit a Notice of Election to tender such Preferred Securities and separately notify the Remarketing Agent of its interest at the telephone number set forth in the notice of Remarketing. If such Holder so notifies the Remarketing Agent, the Remarketing Agent will give priority to such Holder's purchase of such number of Preferred Securities in the Remarketing providing that the Fixed Rate is not less than such specified rate.

Section 10.03 Determination of Distribution Rate

(a) If Holders submit Notices of Election to retain all of the Preferred Securities then outstanding, the Fixed Rate will be the rate determined by the Remarketing Agent, in its sole discretion, as the rate that would have been established had a Remarketing been held on the related Remarketing Date.

(b) On any Remarketing Date on which the Remarketing is to be conducted, the Remarketing Agent will use commercially reasonable efforts to remarket, at a price equal to 100% of the Liquidation Amount thereof, Preferred Securities tendered or deemed tendered for purchase. Except as provided in Section 10.03(a), if, as a result of such efforts, on any Remarketing Date, the Remarketing Agent has determined that it will be able to remarket all Preferred Securities tendered or deemed tendered for purchase in the Remarketing at a Fixed Rate and at a price of $1,000 per Preferred Security, prior to 4:00 P.M., New York City time, on such Remarketing Date, the Remarketing Agent will determine the Fixed Rate, which will be the rate per annum (rounded to the nearest one-thousandth (0.001) of one percent per annum) which the Remarketing Agent determines, in its sole judgment, to be the lowest Fixed Rate per annum, if any, that will enable it to remarket all Preferred Securities tendered or deemed tendered for remarketing at a price of $1,000 per Preferred Security.

(c) If the Remarketing Agent is unable to remarket by 4:00 P.M., New York City time on the third Business Day prior to the Remarketing Settlement Date, all Preferred Securities tendered or deemed tendered for a purchase at a price of $1,000 per Preferred Security, the Distribution Rate for the next Distribution Period shall be the Floating Rate. In such case, no Preferred Securities will be sold in the Remarketing and each Holder will continue to hold its Preferred Securities at the Floating Rate.

(d) All Preferred Securities tendered or deemed tendered in the Remarketing will be automatically delivered to the account of the Remarketing Agent through the facilities of the Clearing Agency against payment of the purchase price therefor on the Remarketing Settlement Date. The Remarketing Agent will make payment to the Clearing Agency Participant of each tendering holder of Preferred Securities in the Remarketing through the facilities of the Clearing Agency by the close of business on the Remarketing Settlement Date.

In accordance with the Clearing Agency's normal procedures, on the Remarketing Settlement Date, the transaction described above with respect to each Preferred Security tendered for purchase and sold in the Remarketing will be executed through the Clearing Agency Participants, will be debited and credited and such Preferred Securities delivered by book entry as necessary to effect purchases and sales of such Preferred Securities. The Clearing Agency is expected to make payment in accordance with its normal procedures.

This Section 10.03(d) shall not apply if Definitive Preferred Securities Certificates have been issued.

(e) If any Holder selling Preferred Securities in the Remarketing fails to deliver such Preferred Securities, the Clearing Agency Participant of such selling Holder and of any other person that was to have purchased Preferred Securities in the Remarketing may deliver

to any such other person a number of Preferred Securities that is less than the number of Preferred Securities that otherwise was to be purchased by such person. In such event, the number of Preferred Securities to be so delivered will be determined by such Clearing Agency Participant and delivery of such lesser number of Preferred Securities will constitute good delivery. This paragraph shall not apply if Definitive Preferred Securities Certificates have been issued.

The Remarketing Agent is not obligated to purchase any Preferred Securities that would otherwise remain unsold in a Remarketing. Neither the Trust, any Securities Trustee, the Company nor the Remarketing Agent shall be obligated in any case to provide funds to make payment upon tender of Preferred Securities for Remarketing.

Article XI

Miscellaneous Provisions

Section 11.01. 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 11.02. 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 11.03. 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 11.03(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 11.03.

(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, the Calculation Agent or the Remarketing Agent, this Trust Agreement may not be amended in a manner which imposes any additional obligation on the Depositor, the Calculation Agent or the Remarketing Agent, as the case may be. 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 11.04. 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 11.05. 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 11.06. 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 11.07. Headings

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

Section 11.08. 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 communications via United States mail or facsimile transmission to the Common Securityholder or the Depositor, to Gulf Power Company, One Energy Place, Pensacola, Florida 32520-0102, Attention: Treasurer, Facsimile No. (850) 444-6026, with a copy to Southern Company Services, Inc., 270 Peachtree Street, N.W., Suite 2000, Atlanta, Georgia 30303-0102, Attention: Corporate Finance Department, Facsimile No. (404) 506-0674 and (iii) in the case of communications via hand

delivery to the Common Securityholder or the Depositor to Gulf Power Company, 500 Bayfront Parkway, Pensacola, Florida 32501, Attention: Treasurer, with a copy to Southern Company Services, Inc., 270 Peachtree Street, N.W., Suite 2000, Atlanta, Georgia 30303-0102, Attention: Corporate Finance Department, Facsimile No. (404) 506-0674 or to such other address as the Common Securityholder or the Depositor may give notice of to the Property Trustee and the Delaware Trustee. 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 as follows: (i) with respect to the Property Trustee and the Delaware Trustee, JPMorgan Chase Bank, 4 New York Plaza, 15th Floor, New York, New York, 10004, Attention: Institutional Trust Services; Chase Manhattan Bank USA, National Association, c/o JPMorgan Chase Bank, 500 Stanton Christiana Road, Building 4 (3rd Floor) Newark, Delaware 19713, Attention: Institutional Trust Services, as the case may be, or to such other address as the Property Trustee or the Delaware Trustee may give notice of to the Depositor; 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 IV c/o Corporate Secretary. 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.

Any notice, demand or other communication which by any provision of this Trust Agreement is required or permitted to be served upon the Calculation Agent or the Remarketing Agreement shall be given in accordance with the Calculation Agent Agreement or the Remarketing Agreement, respectively.

Section 11.09. 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 11.09, 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 11.09 shall survive the termination of this Trust Agreement.

Section 11.10. 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: _____
Warren E. Tate
Vice President, Secretary and Treasurer

JPMORGAN CHASE BANK,
as Property Trustee

By: _____
Carol Ng
Vice President

CHASE MANHATTAN BANK USA,
NATIONAL ASSOCIATION,
as Delaware Trustee

By: _____
John J. Cashin
Vice President

_____
Linda G. 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: _____
Warren E. Tate
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JPMORGAN CHASE BANK,
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Carol Ng
Vice President

CHASE MANHATTAN BANK USA,
NATIONAL ASSOCIATION,
as Delaware Trustee

By: _____
John J. Cashin
Vice President

_____
Linda G. Malone,
as Administrative Trustee

_____
Wayne Boston,
as Administrative Trustee

EXHIBIT A

[Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to Gulf Power Capital Trust IV 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-_

CUSIP NO. 40247PAA1

Certificate Evidencing Preferred Securities
of
Gulf Power Capital Trust IV

Flexible Trust Preferred Securities
(Five Year Initial Fixed Rate Period)
(Liquidation Amount $1,000 per Preferred Security)

Gulf Power Capital Trust IV, a statutory trust created under the laws of the State of Delaware (the "Trust"), hereby certifies that [Cede & Co.]* (the "Holder") is the registered owner of _____ (_____) preferred securities of the Trust representing undivided beneficial interests in the assets of the Trust and designated the Gulf Power Capital Trust IV Flexible Trust Preferred Securities (Five Year Initial Fixed Rate Period) (Liquidation Amount $1,000 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 December 1, 2002, 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 JPMorgan Chase Bank, as guarantee trustee, dated as of December 1, 2002, 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.

*Insert in Book-Entry Preferred Securities Certificates only

IN WITNESS WHEREOF, the Administrative Trustees of the Trust have executed this certificate this ___ day of _____, 20__.

GULF POWER CAPITAL TRUST IV

By: _____
Linda G. 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)

EXHIBIT B

AGREEMENT AS TO EXPENSES AND LIABILITIES

THIS AGREEMENT AS TO EXPENSES AND LIABILITIES (this "Agreement") is made as of December 1, 2002, between Gulf Power Company, a Maine corporation (the "Company"), and Gulf Power Capital Trust IV, a Delaware statutory 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 IV Flexible Trust 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 December 1, 2002 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 JPMorgan Chase 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 IV
c/o JPMorgan Chase Bank
4 New York Plaza, 15th Floor
New York, New York 10004
Facsimile No.: (212) 946-8159
Attention: Institutional Trust Services

Gulf Power Company
One Energy Place
Pensacola, Florida 32520-0102
Facsimile No.: (850) 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
Vice President, Secretary and Treasurer

GULF POWER CAPITAL TRUST IV

By: _____
Linda G. Malone,
as Administrative Trustee

EXHIBIT C

THIS CERTIFICATE IS NOT TRANSFERABLE EXCEPT AS PROVIDED IN THE TRUST AGREEMENT REFERRED TO HEREIN

Certificate Number C-1 Number of Common Securities _____

Certificate Evidencing Common Securities
of
Gulf Power Capital Trust IV

Common Securities
(Liquidation Amount $1,000 per Common Security)

Gulf Power Capital Trust IV, a statutory 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 $1,000 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 or as permitted by the Trust Agreement referred to herein, 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 December 1, 2002, 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 _____, 20__.

GULF POWER CAPITAL TRUST IV

By: _____
Linda G. 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

GUARANTEE AGREEMENT

Between

Gulf Power Company

(as Guarantor)

and

JPMorgan Chase Bank

(as Trustee)

dated as of

December 1, 2002

(Gulf Power Capital Trust IV)

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 December 1, 2002, between GULF POWER COMPANY, a Maine corporation (the "Guarantor"), and JPMORGAN CHASE 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 IV, a Delaware statutory trust (the "Trust").

WHEREAS, pursuant to an Amended and Restated Trust Agreement (the "Trust Agreement"), dated as of December 1, 2002, 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 December 13, 2002 $40,000,000 aggregate liquidation amount of its Flexible Trust 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.

"Chase Manhattan Bank USA" means Chase Manhattan Bank USA, National Association (successor to Chase Manhattan Bank Delaware), a national banking association.

"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 JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank), as trustee, as heretofore supplemented and as further supplemented by the Fifth Supplemental Indenture dated as of December 13, 2002, by and between the Guarantor and JPMorgan Chase Bank, as Trustee.

"JPMorgan Chase Bank" means JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank), a New York banking corporation.

"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 JPMorgan Chase 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 or at any time the Trustee is the Securities Registrar under the Trust Agreement. 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, 2003, 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, the amended and restated trust agreement dated as of January 1, 1997, among the Guarantor, as Depositor, Chase Manhattan Bank USA, as Delaware Trustee, the Administrative Trustees named therein and JPMorgan Chase Bank, as Property Trustee, relating to Gulf Power Capital Trust I, the guarantee agreement dated as of January 1, 1997, between the Guarantor, as guarantor, and JPMorgan Chase Bank, as trustee, relating to Gulf Power Capital Trust I, the amended and restated trust agreement dated as of January 1, 1998, among the Guarantor, as Depositor, Chase Manhattan Bank USA, as Delaware Trustee, the Administrative Trustees named therein and JPMorgan Chase Bank, as Property Trustee, relating to Gulf Power Capital Trust II, the guarantee agreement dated as of January 1, 1998, between the Guarantor, as guarantor, and JPMorgan Chase Bank, as trustee, relating to Gulf Power Capital Trust II, the amended and restated trust agreement dated as of November 1, 2001, among the Guarantor, as Depositor, Chase Manhattan Bank USA, as Delaware Trustee, the Administrative Trustees named therein and JPMorgan Chase Bank, as Property Trustee, relating to Gulf Power Capital Trust III and the guarantee agreement dated as of November 1, 2001, between the Guarantor, as guarantor, and JPMorgan Chase Bank, as trustee, relating to Gulf Power Capital Trust III 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.

(b) 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 VI 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 by first class mail or facsimile, 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
One Energy Place
Pensacola, Florida 32520-0102
Facsimile No.: (850) 444-6026
Attn: Treasurer

with copy to:

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

(b) if given to the Guarantor by hand delivery 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
Attention: Treasurer

with copy to:

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

(c) 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 IV
c/o JPMorgan Chase Bank
4 New York Plaza, 15th Floor
New York, New York 10004
Attn: Institutional Trust Services

(d) 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. 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: Warren E. Tate
Title: Vice President, Secretary and Treasurer

JPMORGAN CHASE BANK

By: _____
Name: Carol Ng
Title: Vice President

GULF POWER COMPANY
TO
JPMORGAN CHASE BANK,
TRUSTEE

FIFTH SUPPLEMENTAL INDENTURE

DATED AS OF DECEMBER 13, 2002

$41,238,000

SERIES E JUNIOR SUBORDINATED NOTES

DUE NOVEMBER 30, 2042

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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 FIFTH SUPPLEMENTAL INDENTURE is made as of the 13th day of December, 2002, by and between GULF POWER COMPANY, a Maine corporation, One Energy Place, Pensacola, Florida 32520-0100 (the "Company"), and JPMORGAN CHASE BANK, a New York banking corporation, 4 New York Plaza, 15th Floor, New York, New York 10004, as trustee (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 JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank), as trustee, as heretofore supplemented;

WHEREAS, the Original Indenture is incorporated herein by this reference and the Original Indenture, as heretofore supplemented and as further supplemented by this Fifth 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 pursuant to 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 and delivery of this Fifth 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 E 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 E Junior Subordinated Notes due November 30, 2042 (the "Series E Notes").

There are to be authenticated and delivered $41,238,000 aggregate principal amount of Series E Notes, and no further Series E Notes shall be authenticated and delivered except as provided by Sections 203, 303, 304, 907 or 1107 of the Original Indenture. The Series E Notes shall be issued in definitive fully registered form.

The Series E Notes shall be in substantially the form set out in Exhibit A hereto. The entire principal amount of the Series E Notes shall initially be evidenced by one certificate issued to the Property Trustee of Gulf Power Capital Trust IV.

The form of the Trustee's Certificate of Authentication for the Series E Notes shall be in substantially the form set forth in Exhibit A hereto.

Each Series E 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.

"Administrative Trustee" means each of the individuals identified as an "Administrative Trustee" in the 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.

"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, (iii) a day on which the Corporate Trust Office or the Indenture Trustee's principal corporate trust office is closed for business or (iv) a day on which the New York Stock Exchange is closed.

"Calculation Agent" means JPMorgan Chase Bank, its successors and assigns, or such other bank or trust company appointed to such capacity by the Company and the Administrative Trustees.

"Calculation Agent Agreement" means the agreement among the Company, the Trust and JPMorgan Chase Bank, as calculation agent, dated as of December 13, 2002.

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

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

"Company" means Gulf Power Company.

"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 the prevailing Interest Rate per annum from the applicable Interest Payment Date to the date of payment, compounded on each Interest Payment Date.

"Definitive Preferred Securities Certificates" means Preferred Securities Certificates issued in certificated, fully registered form as provided in the Trust Agreement.

"Distribution Payment Date" means each day on which Distributions are payable on the Preferred Securities determined based on the prevailing Distribution Rate.

"Distribution Period" means each semiannual period in a Fixed Rate Period and each quarterly period in a Floating Rate Period for which Distributions are payable on the Trust Securities.

"Distribution Rate" means the rate at which Distributions will accrue on the Trust Securities.

"Distributions" means amounts payable in respect of the Preferred Securities pursuant to Section 4.01 of the Trust Agreement.

"Election Date" means a date that is no later than the fifth Business Day prior to the proposed Remarketing Date.

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

"Extension Period" means any period during which the Company has elected to defer payments of interest on the Series E Notes, which deferral may be for a period of up to five years.

"Fixed Rate" means the Distribution Rate during a Fixed Rate Period as determined by a Remarketing.

"Fixed Rate Period" means the Initial Fixed Rate Period and each period set by the Company and the Administrative Trustees during a Remarketing for which the Fixed Rate determined in such Remarketing will apply; provided, however, that a Fixed Rate Period must be for a duration of at least six months, may not extend beyond the Stated Maturity of the Series E Notes and may not end on a day other than a day immediately preceding a Distribution Payment Date.

"Floating Rate" means 3-month LIBOR plus 3.49%, reset quarterly.

"Floating Rate Determination Date" means the second London Business Day immediately preceding the first day of the relevant Distribution Period in the Floating Rate Period.

"Floating Rate Period" means any period during which a Floating Rate is in effect.

"Initial Fixed Rate Period" means the period from the Original Issue Date through November 29, 2007.

"Initial Distribution Rate" means 5.60% per annum.

"Interest Payment Dates" means the dates on which interest on the Series E Notes is payable.

"Interest Period" means the period for which interest on the Series E Notes is payable.

"Interest Rate" means the rate, in effect from time to time, at which interest shall accrue on the Series E Notes.

"Investment Company Act Event" means that the Administrative Trustees and the Company shall have received an Opinion of Counsel 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 Original Issue Date, there is more than an insubstantial risk that the Trust is or will be considered an "investment company" under the 1940 Act.

"Liquidation Amount" is defined in the Trust Agreement.

"London Business Day" means a day that is a Business Day and a day on which dealings in deposits in U.S. dollars are transacted, or with respect to any future date are expected to be transacted, in the London interbank market.

"1940 Act" means the Investment Company Act of 1940, as amended.

"Original Issue Date" means December 13, 2002.

"Preferred Security" means an undivided beneficial ownership interest in the assets of the Trust having a Liquidation Amount of $1,000 and having rights provided therefor in the 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 A to the Trust Agreement.

"Property Trustee" means the commercial bank or trust company identified as the "Property Trustee" in the Trust Agreement solely in its capacity as Property Trustee of the Trust.

"Redemption Date" has the meaning set forth in Section 108.

"Regular Record Date" means the opening of business on the Business Day immediately preceding the relevant Interest Payment Date.

"Remarketing" means the conduct by which a Fixed Rate shall be determined in accordance with the Remarketing Procedures.

"Remarketing Agent" means Lehman Brothers Inc., its successors or assigns, or such other remarketing agent appointed to such capacity by the Administrative Trustees and the Company.

"Remarketing Agreement" means the agreement among the Company, the Trust and Lehman Brothers Inc., as remarketing agent, dated as of December 13, 2002.

"Remarketing Date" means any Business Day no later than the third Business Day prior to any Remarketing Settlement Date.

"Remarketing Procedures" means those procedures set forth in Article 3.

"Remarketing Settlement Date" means (i) the first Business Day of the next Distribution Period following the expiration of the Initial Fixed Rate Period, (ii) any Distribution Payment Date during a Floating Rate Period or (iii) any Distribution Payment Date during a time in which Preferred Securities are redeemable in a Fixed Rate Period subsequent to the Initial Fixed Rate Period.

"Securityholder" or "Holder" when used with respect to a Trust Security means a Person in whose name a Trust Security or Securities is registered in the Securities Register for the Trust Securities; any such Person is a beneficial owner within the meaning of the Delaware Statutory Trust Act.

"Special Event" means an Investment Company Act Event or Tax Event.

"Stated Maturity" means November 30, 2042.

"Tax Event" means that the Administrative Trustees and 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, 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 E Notes, (ii) interest payable on the Series E 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 Original Issue Date.

"Telerate Page 3750" means the display designated on page 3750 on Moneyline Telerate (or such other page as may replace the 3750 page on the service or such other service as may be nominated by the British Bankers' Association for the purpose of displaying London interbank offered rates for U.S. dollar deposits).

"3-month LIBOR" means for any Floating Rate Determination Date, the offered rate in U.S. dollars having an index maturity of three months for a period commencing on the second London Business Day immediately following the Floating Rate Determination Date in amounts of not less than $1,000,000, as such rate appears on Telerate Page 3750 or a successor reporter of such rates selected by the Calculation Agent and acceptable to the Company, at approximately 11:00 a.m., London time, on the Floating Rate Determination Date.

"Trust" means Gulf Power Capital Trust IV, a statutory trust formed by the Company under Delaware law to issue Trust Securities, the proceeds of which will be used to purchase the Series E Notes.

"Trust Agreement" means the Gulf Power Capital Trust IV Amended and Restated Trust Agreement dated as of December 1, 2002 among the Company, the Trustees named therein, and the holders of undivided beneficial interests in the assets of the Trust.

"Trust Agreement Event of Default" means any one of the following events (whatever the reason for such Trust Agreement 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; 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 the 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 (as defined in the Trust Agreement) 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.

"Trustees" means the Persons identified as "Trustees" in the Trust Agreement.

"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 Security" means any one of the Common Securities (as defined in the Trust Agreement) or the Preferred Securities.

SECTION 103. Payment of Principal and Interest.

The principal of the Series E Notes shall be paid at Stated Maturity (or earlier redemption). The unpaid principal amount of the Series E Notes shall bear interest at the Interest Rate per annum until paid or duly provided for. Interest shall be paid on each Interest Payment Date to the Person in whose name the Series E 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 E 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 E 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 E 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.

While the Preferred Securities are outstanding (i) the Interest Rate will be equal to the Distribution Rate payable on the Preferred Securities, (ii) the Interest Periods will be the same as Distribution Periods for the Preferred Securities and (iii) the Interest Payment Dates will be the same as the Distribution Payment Dates for the Preferred Securities.

If the Trust is terminated and the Series E Notes are distributed to the holders of the Preferred Securities, the interest payable, Interest Rate, Interest Periods, Interest Payment Dates and redemption provisions with respect to Fixed Rate Periods will be determined in the same manner as the Distributions, Distribution Rate, Distribution Periods, Distribution Payment Dates and the redemption provisions with respect to Fixed Rate Periods for the Preferred Securities and the Remarketing Procedures shall remain the same except: (i) the effects of the Trust Agreement Events of Default shall be occasioned only by the Events of Default and (ii) the cure and waiver provisions relating to the Trust Agreement Events of Default shall be superceded by the cure and waiver provisions relating to the Events of Default.

Payment of the principal and interest (including Additional Interest, if any) due at the Stated Maturity or earlier redemption of the Series E Notes shall be made upon surrender of the Series E 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 E 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 to defer payments of interest on the Series E Notes by extending the interest payment period from time to time on the Series E Notes. During an Extension Period, interest will continue to accrue on the Series E Notes.

If the Company decides to defer interest payments on the Series E Notes, the Extension Period shall not exceed five consecutive years. An Extension Period shall not extend beyond the Stated Maturity of the Series E Notes. Prior to the termination of any Extension Period, the Company may further defer payments of interest provided that the Extension Period, together with all previous and further extensions thereof, may not exceed five consecutive years. There could be multiple Extension Periods of varying lengths throughout the term of the Series E Notes. 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 E 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 Trust) issued by the Company that rank pari passu with or junior to the Series E Notes.

The Company shall give the Holder or Holders of the Series E Notes, the Trustee, the Remarketing Agent and the Calculation Agent, 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 the Trust is required to give notice to any applicable self-regulatory organization of the record date or the date such distributions are payable. The Company shall cause the Trust to give notice of the Company's selection of such Extension Period to Holders of the Trust Securities, the Calculation Agent and the Remarketing Agent.

At any time any of the foregoing notices are given to the Trustee, the Company shall give to the Paying Agent for the Series E Notes such information as said Paying Agent shall reasonably require in order to fulfill its tax reporting obligations with respect to such Series E Notes.

SECTION 105. Denominations.

The Series E Notes may be issued in the denominations of $1,000, or any integral multiple thereof.

SECTION 106. Global Securities.

If the Series E Notes are distributed to Holders of the Trust Securities of the Trust in liquidation of such Holders' interests therein, the Series E 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 E Notes represented by the Global Security will not be exchangeable for, and will not otherwise be issuable as, Series E 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 E 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 E 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 Exchange Act 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 E Notes. Any Global Security that is exchangeable pursuant to the preceding sentence shall be exchangeable for Series E 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 E 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 E Notes during a period beginning at the opening of business fifteen (15) days before the day of the mailing of a notice of redemption, and ending at the close of business on the day of the mailing, or (b) to transfer or exchange any Series E Notes called for redemption.

SECTION 108. Redemption.

The Series E Notes shall be subject to redemption at the option of the Company, in whole, but not in part, without premium or penalty, on the last Interest Payment Date relating to the Initial Fixed Rate Period, on such dates with respect to any other Fixed Rate Period as the Company and the Trust may determine prior to the remarketing establishing such Fixed Rate Period or on any Interest Payment Date relating to a Floating Rate Period, 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 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 E Notes, in whole, but not in part, at a price equal to 100% of the principal amount to be redeemed plus any accrued but unpaid interest (including Additional Interest) to the date of redemption (any date of redemption as provided for in this paragraph herein called a "Redemption Date").

The Series E Notes will not have a sinking fund.

Notice of redemption shall be given as provided in Section 1104 of the Original Indenture.

ARTICLE 2

Distribution Procedures

Article 2 sets forth the procedures to determine the Distribution Rate, Distribution Periods and Distribution Payment Dates for the Preferred Securities. While the Preferred Securities are outstanding, the Interest Rate, Interest Periods, Interest Payment Dates and associated terms relating to the Series E Notes shall be the same as the Distribution Rate, Distribution Periods and Distribution Payment Dates and associated terms relating to the Preferred Securities. If the Trust is terminated and the Series E Notes are distributed to the holders of the Preferred Securities, subject to Section 103 herein, the below described procedures will be directly applicable to the Series E Notes.

SECTION 201. Distributions.

Distributions shall accrue from the Original Issue Date until the Redemption Date (as defined in the Trust Agreement). During the Initial Fixed Rate Period, Distributions will be payable semiannually in arrears on May 30 and November 30 of each year, commencing on May 30, 2003. During any Fixed Rate Period, other than the Initial Fixed Rate Period, Distributions will be payable semiannually in arrears on Distribution Payment Dates determined based on the Remarketing Date (if the Preferred Securities are remarketed for a new Fixed Rate Period that begins on May 30 or November 30, Distributions will be payable on May 30 and November 30 of each year, and if the Preferred Securities are remarketed for a new Fixed Rate Period that begins on February 28 or August 30, Distributions will be payable on February 28 and August 30 of each year). During any Floating Rate Period, Distributions will be payable quarterly in arrears on February 28, May 30, August 30 and November 30 of each year.

If any Distribution Payment Date with respect to a Fixed Rate Period is not a Business Day, Distributions will be payable, without interest, on the immediately succeeding Business Day, with the same force and effect as if payment was made on the date such payment was originally payable. If any Distribution Payment Date with respect to a Floating Rate Period is not a Business Day, then Distributions will be payable on the immediately succeeding Business Day and Distributions shall accrue to the actual payment date (except for a Distribution Payment Date that coincides with the Redemption Date (as defined in the Trust Agreement)).

The amount of Distributions payable on each Distribution Payment Date relating to a Fixed Rate Period will be computed on the basis of a 360-day year of twelve 30-day months. The amount of Distributions payable on each Distribution Payment Date in respect of a Floating Rate Period will be computed by multiplying the per annum Distribution Rate in effect for such Distribution Period by a fraction, the numerator of which will be the actual number of days in such Distribution Period (or portion thereof) (determined by including the first day thereof and excluding the last thereof) and the denominator of which will be 360, and multiplying the rate so obtained by $1,000.

Distributions on the Preferred Securities will be deferred during any Extension Period but will continue to accrue. The payment of such Distributions, together with any interest thereon, will be distributed to the Holders of Trust Securities as received at the end of any Extension Period.

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

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 Regular Record 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 202. Distribution Rate.

During the Initial Fixed Rate Period, the Distribution Rate shall be the Initial Distribution Rate.

Prior to the expiration of the Initial Fixed Rate Period and any subsequent Fixed Rate Period or a Distribution Period with respect to a Floating Rate Period or a Distribution Period in a Fixed Rate Period during a time in which the Preferred Securities are redeemable in such Fixed Rate Period, the Company and the Administrative Trustees will have the option to remarket the Preferred Securities to establish a new Fixed Rate for a new Fixed Rate Period (to be in effect after the expiration of the then current Distribution Period). If the Company and the Administrative Trustees elect to conduct a Remarketing of the Preferred Securities for the purpose of establishing a new Fixed Rate for a new Fixed Rate Period, the Company and the Administrative Trustees shall not less than 20 nor more than 35 Business Days prior to the related Election Date, notify the Clearing Agency, the Property Trustee, the Indenture Trustee, the Calculation Agent and the Remarketing Agent. If the Preferred Securities are not issued in global, fully registered form to the Clearing Agency, such notice shall be delivered to the Holders of the Preferred Securities instead of the Clearing Agency. Such notice shall indicate the length of the proposed new Fixed Rate Period, the proposed Remarketing Date and any redemption provisions that apply during such new Fixed Rate Period. The Company and the Administrative Trustees shall have the right to terminate a Remarketing at any time prior to the Election Date by notice of such termination to the Clearing Agency, the Remarketing Agent, the Property Trustee, the Indenture Trustee and the Calculation Agent.

If the Remarketing Agent has determined that it will be able to remarket all Preferred Securities tendered or deemed tendered for purchase in the Remarketing at a Fixed Rate and at a price of $1,000 per Preferred Security, on such Remarketing Date, the Distribution Rate for the new Fixed Rate Period will be the Fixed Rate determined by the Remarketing Agent, which will be the rate per annum (rounded to the nearest one-thousandth (0.001) of one percent per annum) which the Remarketing Agent determines, in its sole judgment, to be the lowest Fixed Rate per annum, if any, that will enable it to remarket all Preferred Securities tendered or deemed tendered for Remarketing at a price of $1,000 per Preferred Security.

If the Company and the Administrative Trustees do not elect to remarket the Preferred Securities or have terminated a Remarketing or the Remarketing Agent is unable to remarket all of the Preferred Securities tendered or deemed tendered for a purchase price of $1,000 per Preferred Security, the Distribution Rate shall be the Floating Rate and the new Distribution Period shall be a Floating Rate Period.

The Calculation Agent shall calculate the Floating Rate as follows:

(1) The Calculation Agent shall calculate the Floating Rate with respect to each Distribution Period in a Floating Rate Period by determining 3-month LIBOR as of the Floating Rate Determination Date preceding such Distribution Period, in which case, the Floating Rate will be 3-month LIBOR plus 3.49%.

(2) In the event no 3-month LIBOR appears on Telerate Page 3750 as of approximately 11:00 a.m., London time, on a Floating Rate Determination Date, the Calculation Agent shall request the principal London offices of each of four major banks in the London interbank market selected by the Calculation Agent (after consultation with the Company) to provide a quotation of the rate (the "Rate Quotation") at which three-month deposits in amounts of not less than $1,000,000 are offered by it to prime banks in the London interbank market, as of approximately 11:00 a.m., London time, on such Floating Rate Determination Date, that is representative of single transactions at such time (the "Representative Amounts"). If at least two Rate Quotations are provided, the Floating Rate will be the arithmetic mean of the Rate Quotations obtained by the Calculation Agent, plus 3.49%.

(3) In the event no 3-month LIBOR appears on Telerate Page 3750 as of approximately 11:00 a.m., London time, on a Floating Rate Determination Date and there are fewer than two Rate Quotations, the Floating Rate will be the arithmetic mean of the rates quoted at approximately 11:00 a.m., New York City time, on such Floating Rate Determination Date, by three major banks in New York City selected by the Calculation Agent (after consultation with the Company), for loans in Representative Amounts in U.S. dollars to leading European banks, having an index maturity of three months for a period commencing on the second London Business Day immediately following such Floating Rate Determination Date, plus 3.49%; provided, however, that if fewer than three banks selected by the Calculation Agent are quoting such rates, the Floating Rate for the applicable Floating Rate Period will be the Floating Rate in effect for the preceding Floating Rate Period.

If the Company elects to defer interest during a Fixed Rate Period, Distributions will continue to accrue at the Fixed Rate until the expiration of the Fixed Rate Period. Prior to the expiration of such Fixed Rate Period and any Fixed Rate Period during the Extension Period, the Company and the Administrative Trustees will have the option to remarket the Preferred Securities for a new Fixed Rate Period (to take effect upon expiration of such Fixed Rate Period). If the Company and the Trust do not remarket the Preferred Securities, the Floating Rate during the Extension Period shall be determined as provided herein, but shall not be less than the Fixed Rate for the Fixed Rate Period just ended. If the Company elects to defer interest during a Floating Rate Period, Distributions will continue to accrue at the applicable Floating Rate, reset quarterly, subject to the right of the Company and the Administrative Trustees to remarket the Preferred Securities prior to any Distribution Payment Date in order to establish a new Fixed Rate for a new Fixed Rate Period in accordance with the Remarketing Procedures.

SECTION 203. Distribution Periods.

In accordance with Section 202 and the Remarketing Procedures, the Company and the Trust may, prior to the expiration of the Initial Fixed Rate Period or any subsequent Fixed Rate Period or prior to any Distribution Payment Date during a time in which the Preferred Securities are redeemable in any Fixed Rate Period or a Distribution Payment Date with respect to a Floating Rate Period, elect to remarket the Preferred Securities to establish a new Fixed Rate for a new Fixed Rate Period. A Fixed Rate Period must be for a duration of at least six months, may not extend beyond the Stated Maturity of the Series E Notes and may not end on a day other than a day immediately preceding a Distribution Payment Date. If a new Fixed Rate for a new Fixed Rate Period is set in a Remarketing, a new Fixed Rate Period shall commence following the expiration of the then current Fixed Rate Period or Distribution Period within the current Floating Rate Period, as the case may be. If a new Fixed Rate for a new Fixed Rate Period is not set, for any reason, a Floating Rate Period, and the Floating Rate, reset quarterly, shall be in effect until the Company and the Administrative Trustees remarket the Preferred Securities and set a new Fixed Rate for a new Fixed Rate Period in accordance with the Remarketing Procedures.

ARTICLE 3

Remarketing Procedures

Article 3 sets forth the Remarketing Procedures as set forth in the Trust Agreement to determine the applicable Fixed Rate for the Preferred Securities. If the Trust is terminated and the Series E Notes are distributed to the holders of the Preferred Securities subject to Section 103 herein, the below described Remarketing Procedures will be directly applicable to the Series E Notes.

SECTION 301. Election to Remarket.

If the Company and the Administrative Trustees elect to conduct a Remarketing, the Trust, not less than 20 nor more than 35 Business Days prior to the related Election Date, is required to give the notice of Remarketing of the Preferred Securities to the Clearing Agency, the Property Trustee, the Indenture Trustee, the Calculation Agent and the Remarketing Agent. If the Preferred Securities are not issued in global, fully registered form, such notice shall be delivered to the Holders of the Preferred Securities instead of the Clearing Agency. Such notice will describe the Remarketing and will indicate the length of the proposed new Fixed Rate Period, the proposed Remarketing Date and any redemption provisions that apply during such new Fixed Rate Period. At any time prior to the Election Date, the Company and the Administrative Trustees may elect to terminate a Remarketing by giving the Clearing Agency, the Remarketing Agent, the Property Trustee, the Indenture Trustee and the Calculation Agent notice of such termination.

SECTION 302. Notice of Election.

Not later than 4:00 P.M., New York City time, on an Election Date, each Holder of Preferred Securities may give (through the facilities of the Clearing Agency in the case of Book-Entry Preferred Securities Certificates (as defined in the Trust Agreement)), a notice to the Property Trustee of its election ("Notice of Election") (i) to retain and not to have all or any portion of the Preferred Securities owned by it remarketed in the Remarketing or (ii) to tender all or any portion of such Preferred Securities for purchase in the Remarketing (such portion, in either case, is required to be in the Liquidation Amount of $1,000 or any integral multiple thereof). Any Notice of Election given to the Property Trustee will be irrevocable and may not be conditioned upon the level at which the Fixed Rate is established in the Remarketing. Promptly after 4:30 P.M., New York City time, on such Election Date, the Property Trustee, based on the Notices of Election received by it through the Clearing Agency (or from the Holders if Definitive Preferred Securities Certificates have been issued) prior to such time, will notify the Trust, the Company and the Remarketing Agent of the number of Preferred Securities to be retained by holders of Preferred Securities and the number of Preferred Securities tendered for purchase in the Remarketing.

If any Holder of Preferred Securities gives a Notice of Election to tender Preferred Securities as described above, the Preferred Securities so subject to such Notice of Election will be deemed tendered for purchase in the Remarketing, notwithstanding any failure by such Holder to deliver or properly deliver such Preferred Securities to the Remarketing Agent for purchase. If any Holder of Preferred Securities fails timely to deliver a Notice of Election, as described above, such Preferred Securities will be deemed tendered for purchase in such Remarketing, notwithstanding such failure or the failure by such Holder to deliver or properly deliver such Preferred Securities to the Remarketing Agent for purchase.

The right of each Holder of Preferred Securities to have Preferred Securities tendered for purchase shall be limited to the extent that (i) the Remarketing Agent conducts a Remarketing pursuant to the terms of the Remarketing Agreement, (ii) Preferred Securities tendered have not been called for redemption, (iii) the Remarketing Agent is able to find a purchaser or purchasers for tendered Preferred Securities at a Fixed Rate and (iv) such purchaser or purchasers deliver the purchase price therefor to the Remarketing Agent.

Any Holder of Preferred Securities that desires to continue to retain a number of Preferred Securities, but only if the Fixed Rate is not less than a specified rate per annum, should submit a Notice of Election to tender such Preferred Securities and separately notify the Remarketing Agent of its interest at the telephone number set forth in the notice of Remarketing. If such Holder so notifies the Remarketing Agent, the Remarketing Agent will give priority to such Holder's purchase of such number of Preferred Securities in the Remarketing, providing that the Fixed Rate is not less than such specified rate.

SECTION 303. Determination of Distribution Rate.

If Holders submit Notices of Election to retain all of the Preferred Securities then outstanding, the Fixed Rate will be the rate determined by the Remarketing Agent, in its sole discretion, as the rate that would have been established had a Remarketing been held on the related Remarketing Date.

On any Remarketing Date on which the remarketing is to be conducted, the Remarketing Agent will use commercially reasonable efforts to remarket, at a price equal to 100% of the Liquidation Amount thereof, Preferred Securities tendered or deemed tendered for purchase. Except as provided in the previous paragraph of this Section 303, if, as a result of such efforts, on any Remarketing Date, the Remarketing Agent has determined that it will be able to remarket all Preferred Securities tendered or deemed tendered for purchase in the Remarketing at a Fixed Rate and at a price of $1,000 per Preferred Security, prior to 4:00 P.M., New York City time, on such Remarketing Date, the Remarketing Agent will determine the Fixed Rate, which will be the rate per annum (rounded to the nearest one-thousandth (0.001) of one percent per annum) which the Remarketing Agent determines, in its sole judgment, to be the lowest Fixed Rate per annum, if any, that will enable it to remarket all Preferred Securities tendered or deemed tendered for remarketing at a price of $1,000 per Preferred Security.

If the Remarketing Agent is unable to remarket by 4:00 P.M., New York City time on the third Business Day prior to the Remarketing Settlement Date, all Preferred Securities tendered or deemed tendered for a purchase at a price of $1,000 per Preferred Security, the Distribution Rate for the next Distribution Period shall be the Floating Rate. In such case, no Preferred Securities will be sold in the Remarketing and each Holder will continue to hold its Preferred Securities at the Floating Rate.

All Preferred Securities tendered or deemed tendered in the Remarketing will be automatically delivered to the account of the Remarketing Agent through the facilities of the Clearing Agency against payment of the purchase price therefor on the Remarketing Settlement Date. The Remarketing Agent will make payment to the Clearing Agency Participant of each tendering holder of Preferred Securities in the Remarketing through the facilities of the Clearing Agency by the close of business on the Remarketing Settlement Date.

In accordance with the Clearing Agency's normal procedures, on the Remarketing Settlement Date, the transaction described above with respect to each Preferred Security tendered for purchase and sold in the Remarketing, will be executed through the Clearing Agency Participants, will be debited and credited and such Preferred Securities delivered by book entry as necessary to effect purchases and sales of such Preferred Securities. The Clearing Agency is expected to make payment in accordance with its normal procedures.

If any Holder selling Preferred Securities in the Remarketing fails to deliver such Preferred Securities, the Clearing Agency Participant of such selling Holder and of any other person that was to have purchased Preferred Securities in the Remarketing may deliver to any such other person a number of Preferred Securities that is less than the number of Preferred

Securities that otherwise was to be purchased by such person. In such event, the number of Preferred Securities to be so delivered will be determined by such Clearing Agency Participant and delivery of such lesser number of Preferred Securities will constitute good delivery.

The previous three paragraphs shall not apply if Definitive Preferred Securities Certificates have been issued.

The Remarketing Agent is not obligated to purchase any Preferred Securities that would otherwise remain unsold in a Remarketing. Neither the Trust, any trustee of the Trust, the Company nor the Remarketing Agent shall be obligated in any case to provide funds to make payment upon tender of Preferred Securities for Remarketing.

SECTION 304. Remarketing Agent.

Prior to the issuance of the Preferred Securities, the Company and the Trust will enter into the Remarketing Agreement with the Remarketing Agent, providing, among other things, that the Remarketing Agent will follow the Remarketing Procedures for the purposes of determining the applicable Fixed Rate. The Company will pay the Remarketing Agent compensation for its services under the Remarketing Agreement.

ARTICLE 4

Miscellaneous Provisions

SECTION 401. Recitals by Company.

The recitals in this Fifth 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 E Notes and of this Fifth Supplemental Indenture as fully and with like effect as if set forth herein in full.

SECTION 402. Ratification and Incorporation of Original Indenture.

As heretofore supplemented and as supplemented hereby, the Original Indenture is in all respects ratified and confirmed, and the Original Indenture, as heretofore supplemented and as further supplemented by this Fifth Supplemental Indenture shall be read, taken and construed as one and the same instrument.

SECTION 403. Executed in Counterparts.

This Fifth 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:

By: _____
Linda G. Malone
Assistant Secretary

GULF POWER COMPANY

By: _____
Warren E. Tate
Vice President, Secretary and Treasurer

ATTEST:

By: _____
Virginia Dominquez
Trust Officer

JPMORGAN CHASE BANK

By: _____
Carol Ng
Vice President

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:

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By: _____
Linda G. Malone
Assistant Secretary

By: _____
Warren E. Tate
Vice President, Secretary and
Treasurer

ATTEST:

JPMORGAN CHASE BANK

By: _____
Virginia Dominquez
Trust Officer

By: _____
Carol Ng
Vice President

EXHIBIT A

NO. 1 CUSIP NO. 402479BQ1

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 E JUNIOR SUBORDINATED NOTE
DUE NOVEMBER 30, 2042

Principal Amount:	$41,238,000
Regular Record Date:	The opening of business on the Business Day immediately preceding the relevant Interest Payment Date
Original Issue Date:	December 13, 2002
Stated Maturity:	November 30, 2042
Interest Rate:	Determined by procedures set forth in the Indenture
Interest Payment Dates:	Determined by procedures set forth in the Indenture
Authorized Denomination:	$1,000

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 _____($_____) 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, on each Interest Payment Date 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 prevailing Interest Rate 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 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 in respect of a Floating Rate Period (or a portion thereof) will be computed by multiplying the per annum Interest Rate in effect for such Floating Rate Period by a fraction, the numerator of which will be the actual number of days in such Floating Rate Period (or portion thereof) (determined by including the first day thereof and excluding the last thereof) and the denominator of which will be 360, and multiplying the rate so obtained by the principal amount hereof. The amount of interest on this Note payable on each Interest Payment Date in respect of a Fixed Rate Period will be computed on the basis of a 360-day year consisting of twelve 30-day months.

The Company has the right to defer payments of interest on this Note by extending the interest payment period from time to time on this Note (an "Extension Period").

If the Company decides to defer interest payments on this Note, the Extension Period shall not exceed five consecutive years. An Extension Period shall not extend beyond the Stated Maturity of this Note. Prior to the termination of any Extension Period, the Company may further defer payments of interest provided that the Extension Period, together with all such previous and further extensions thereof, may not exceed five consecutive years. 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 this Note.

During an Extension Period, unpaid interest (together with interest thereon) will compound on each Interest Payment Date at the prevailing 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.

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 Trust) issued by the Company that rank pari passu with or junior to this Note. The Company shall give the Holder of this Note, the Trustee, the Remarketing Agent and the Calculation Agent 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 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 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 E Notes shall be made upon surrender of the Series E 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.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed under its corporate seal.

Dated: _____, 20____.

GULF POWER COMPANY

By: _____
Vice President

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.

JPMORGAN CHASE 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 heretofore supplemented and as supplemented by the Fifth Supplemental Indenture (the "Fifth Supplemental Indenture") dated as of December 13, 2002 (collectively, the "Indenture") between the Company and JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank), as 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 E Junior Subordinated Notes due November 30, 2042 (the "Series E Notes") in the aggregate principal amount of up to $41,238,000. Capitalized terms used herein for which no definition is provided herein shall have the meanings set forth in the Indenture.

While the Preferred Securities are outstanding, (i) the Interest Rate, Interest Periods, Interest Payment Dates and associated terms and redemption provisions relating to this Note shall be the same as the Distribution Rate, Distribution Periods, Distribution Payment Dates and associated terms and redemption provisions relating to the Preferred Securities, established in Article 2 of the Fifth Supplemental Indenture and (ii) the Remarketing Procedures relating to this Note shall be the same as those procedures relating to the Preferred Securities, established in Article 3 of the Fifth Supplemental Indenture.

If the Trust is terminated and this Note is distributed to holders of Preferred Securities, subject to Section 103 of the Fifth Supplemental Indenture, the terms and procedures relating to the Preferred Securities established in Articles 2 and 3 of the Fifth Supplemental Indenture shall be directly applicable to this Note.

The Company shall have the right, subject to the terms and conditions of the Indenture, to redeem this Note on the last Interest Payment Date relating to the Initial Fixed Rate Period, on such dates with respect to any other Fixed Rate Period as the Company and the Trust may determine prior to the Remarketing establishing such Fixed Rate Period or on any Interest Payment Date relating to a Floating Rate Period at the option of the Company, without premium or penalty, in whole, but not 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, but not in part, 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 and the Administrative Trustees 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, 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 related Trust would be subject to United States federal income tax with respect to income accrued or received on the Series E Notes, (ii) interest payable on the Series E Notes would not be deductible by the Company for United States federal income tax purposes, or (iii) the related 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 Administrative Trustees and the Company shall have received an Opinion of Counsel 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 Original 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.

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 $1,000 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 joints 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.

Gulf Power Capital Trust IV
(a Delaware Statutory Trust)

Flexible Trust Preferred Securities
(Five Year Initial Fixed Rate Period)
(Liquidation Amount $1,000 Per Preferred Security)

UNDERWRITING AGREEMENT

December 5, 2002

Lehman Brothers Inc.
as Representative
745 7th Avenue
New York, NY 10019

Ladies and Gentlemen:

Gulf Power Capital Trust IV (the "Trust"), a statutory trust organized under the Statutory 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 the other Underwriter named in Schedule I hereto (collectively, the "Underwriters"), 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 Flexible Trust Preferred Securities (Five Year Initial Fixed Rate Period) (Liquidation Amount $1,000 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 Guarantee Agreement (the "Guarantee Agreement"), to be dated as of December 1 , 2002, between the Company and JPMorgan Chase 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 $41,238,000 aggregate principal amount of Series E Junior Subordinated Notes due November 30, 2042 (the "Junior Subordinated Notes") to be issued by the Company. The Preferred Securities and the Common Securities will be issued pursuant to an Amended and Restated Trust Agreement, to be dated as of December 1, 2002 (the "Trust Agreement"), among the Company, as Depositor, Linda G. Malone and Wayne Boston (the "Administrative Trustees"), Chase Manhattan Bank USA, National Association, a national banking association (the "Delaware Trustee"), JPMorgan Chase Bank, a New York banking corporation (the "Property Trustee" and, together with the Delaware Trustee and the Administrative Trustees, the "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 JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank), as trustee (the "Debt Trustee"), and a fifth supplemental indenture to the Base Indenture, to be dated as of December 13, 2002 (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.

The Company and the Trust will enter into an Agreement as to Expenses and Liabilities to be dated as of December 1, 2002 (the "Agreement as to Expenses and Liabilities") pursuant to which the Company will guarantee on a subordinated basis to each person or entity to whom the Trust may be indebted or liable, the full payment of such obligations. The Company and the Trust will enter into a Remarketing Agreement dated as of December 13, 2002 with Lehman Brothers Inc. (the "Remarketing Agreement"), as remarketing agent (the "Remarketing Agent"), providing, among other things, that the Remarketing Agent will follow certain remarketing procedures relating to the Preferred Securities. The Company and the Trust will enter into a Calculation Agent Agreement , to be dated as of December 13, 2002 with JPMorgan Chase Bank (the "Calculation Agent Agreement"), as calculation agent (the "Calculation Agent"), providing, among other things that the Calculation Agent will follow certain procedures relating to the Preferred Securities.

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 (File Nos. 333-59942, 333-59942-01 and 333-59942-02), in respect of the Preferred Securities, the Guarantee, the Junior Subordinated Notes and certain other securities (the "Registered 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, 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, 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 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 Registered Securities, 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 December 4, 2002 relating to the Preferred Securities, the Guarantee and 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 Preferred Securities, the Guarantee and 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(e) 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 "Description of the Preferred Securities -- 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 Trust Indenture Act of 1939, as amended (the "1939 Act"), 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) under 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 "Description of the Preferred Securities -- 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 (it being understood that any such change involving only the Company shall not constitute such a change with respect to 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 statutory 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 on 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, the Remarketing Agreement, the Calculation Agent Agreement and the Agreement as to Expenses and Liabilities have 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, the Remarketing Agreement, the Calculation Agent Agreement and the Agreement as to Expenses and Liabilities by the other respective parties thereto, the Guarantee Agreement, Remarketing Agreement, the Calculation Agent Agreement and the Agreement as to Expenses and Liabilities will, on the Closing Date, constitute a valid and binding obligation of the Company, enforceable against the Company in accordance with their respective terms except to the extent that enforcement thereof may be limited by the Enforceability Exceptions, and each of the Guarantee, the Guarantee Agreement, Remarketing Agreement, the Calculation Agent Agreement and the Agreement as to Expenses and Liabilities 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 assets of 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 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.

(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 officer 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 nor, 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.

(u) The execution, delivery and performance by the Offerors of this Agreement, the Remarketing Agreement, the Calculation Agent Agreement, the Preferred Securities and the Common Securities, by the Company of the Indenture, the Junior Subordinated Notes, the Guarantee Agreement, the Trust Agreement, the Guarantee and the Agreement as to Expenses and Liabilities 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 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 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; (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.

(w) The financial statements incorporated by reference in the Registration Statement, the Preliminary Supplemented Prospectus and the Final Supplemented Prospectus, together with the related schedules and notes, present fairly, in all material respects, the financial position, results of operations and cash flows of the Company as of and for the dates indicated; said financial statements have been prepared in conformity with accounting principles generally accepted in the United States ("GAAP") applied on a consistent basis (except that the unaudited financial statements may be subject to normal year-end adjustments) throughout the periods involved and necessarily include amounts that are based on the best estimates and judgments of management. The selected financial data and the summary financial information included in the Registration Statement, the Preliminary Supplemented Prospectus and the Final Supplemented Prospectus present fairly the information shown therein and have been compiled on a basis consistent with that of the audited and unaudited financial statements incorporated by reference in the Registration Statement.

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.

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, Bank of America Plaza, 600 Peachtree Street, N.E., Atlanta, Georgia 30308 at 10:00 A.M., Eastern Standard Time, on December 13, 2002 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 payment 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 LLP.

(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 earning 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) 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 cost and charges of any transfer agent or registrar, (xiii) the fees and expenses incurred in connection with the listing, if applicable, of the Preferred Securities and the Junior Subordinated Notes on the New York Stock Exchange 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 LLP.

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, a Registered Limited Liability Partnership, general 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, P.A., 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, P.A., Delaware counsel to the Delaware Trustee, 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, the Debt Trustee and the Calculation Agent, substantially in the form attached hereto as Schedule VI.

(6) The favorable opinion, dated as of the Closing Date, of Dewey Ballantine LLP, 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) A letter dated the Closing Date from Deloitte & Touche LLP to the effect that: (A) they are independent public accountants with respect to the Company within the meaning of the 1933 Act and the applicable rules and regulations thereunder adopted by the Commission, (B) on the basis of certain limited procedures performed 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) performing the procedures specified by the American Institute of Certified Public Accountants ("AICPA") for a review of interim financial information as described in Statement on Auditing Standards No. 71, "Interim Financial Information", on the unaudited financial statements, if any, of the Company incorporated in the Prospectus and of the latest available unaudited financial statements of the Company, if any, for any calendar quarter subsequent to the date of those incorporated in the Prospectus; and (iii) making inquiries of certain officials of the Company who have responsibility for financial and accounting matters regarding such unaudited financial statements or any specified unaudited amounts derived therefrom (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, and accordingly that Deloitte & Touche LLP make no representations as to the sufficiency of such procedures for the Underwriters' purposes), nothing came to their attention that caused them to believe that: (1) any material modifications should be made to the unaudited condensed financial statements, if any, incorporated in the Final Supplemented Prospectus, for them to be in conformity with generally accepted accounting principles; (2) such unaudited condensed financial statements do not comply as to form in all material respects with the applicable accounting

requirements of the 1934 Act as it applies to Form 10-Q and the related published rules and regulations thereunder; (3) the unaudited amounts for Operating Revenues, Earnings Before Interest and Income Taxes 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) set forth in the Final Supplemented Prospectus do not agree with the amounts set forth in or derived from the unaudited financial statements for the same period; (4) 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, (vi) are occasioned by the reclassification of current maturities of long-term debt or (vii) are disclosed in such letter; and (5) the unaudited amounts for Operating Revenues, Earnings Before Interest and Income Taxes 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 calendar quarter subsequent to those set forth in (3) above, which if available shall be set forth in such letter, do not agree with the amounts set forth in or derived from the unaudited financial statements for the same period or were not determined on a basis substantially consistent with that of the corresponding audited amounts or ratios included or incorporated by reference in the Prospectus.

(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 LLP, counsel for the Underwriters.

(10) On the Closing Date, the Representative shall have received a certificate of the Company certifying that a Special Event (as defined in the Final Supplemented Prospectus) shall not have occurred and be continuing.

(11) 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 LLP 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.

(12) 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 Offerors 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, or there shall have been a material disruption in settlement of securities generally (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, (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, crisis or emergency (including without limitation, acts of terrorism) affecting the United States, in any such case provided for in clauses (i) through (iv) with the result that, in the reasonable judgment 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 LLP 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. 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 745 7th Avenue, New York, New York 10019, Attention: Debt Capital Markets Power Group; notices to the Offerors shall be directed to the Company at One Energy Place, Pensacola, Florida 32520, Attention: Corporate Secretary, with a copy to Southern Company Services, Inc., 270 Peachtree Street, N.W., Atlanta, Georgia 30303, Attention: Christopher J. Kysar.

SECTION 11. 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 12. 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 13. 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: Vice President, Secretary and Treasurer

GULF POWER CAPITAL TRUST IV

By: Gulf Power Company, as Depositor

_____
Name: W. E. Tate
Title: Vice President, Secretary and Treasurer

CONFIRMED AND ACCEPTED,
as of the date first above written

LEHMAN BROTHERS INC.

By: _____
Authorized Signatory

For itself and as Representative of the other Underwriter named in Schedule I hereto.

SCHEDULE I

NAME OF UNDERWRITER	NUMBER OF PREFERRED SECURITIES
Lehman Brothers Inc.	32,000
SunTrust Capital Markets, Inc.	8,000
TOTAL	40,000

SCHEDULE II

Initial public offering price per Preferred Security (and purchase price per security to be paid by the several Underwriters): $999.68

Compensation per Preferred Security to be paid by the Company to the several Underwriters in respect of their commitments: $10.00 per Preferred Security

Schedule III-A

[Letterhead of BEGGS & LANE]

_____ __, 200_

Lehman Brothers Inc.,
as Representative
745 7th Avenue
New York, NY 10019

GULF POWER CAPITAL TRUST IV
FLEXIBLE TRUST PREFERRED SECURITIES
(Five Year Initial Fixed Rate Period)

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 IV (the "Trust"), a Delaware statutory trust, pursuant to the Amended and Restated Trust Agreement dated as of _____ __, 200_ among the Company and the trustees named therein (the "Trust Agreement"); (ii) the Trust's issuance and sale of Flexible Trust Preferred Securities evidencing approximately a 97% undivided interest in the assets of the Trust (the "Preferred Securities"); (iii) the Trust's issuance and sale of Common Securities evidencing approximately a 3% undivided interest in the assets of the Trust; (iv) the Company's issuance and sale to the Trust of approximately $_____ of its Series E Junior Subordinated Notes due _____ (the "Notes") pursuant to a Subordinated Note Indenture dated as of January 1, 1997, by and between the Company and JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank), as trustee (the "Debt Trustee"), as supplemented by the Fifth Supplemental Indenture dated as of _____, 2002 (collectively, the "Indenture"); (v) the Agreement as to Expenses and Liabilities dated as of _____, 2002, between the Company and the Trust (the "Agreement as to Expenses and Liabilities"); (vi) the Remarketing Agreement, dated as of _____ _, 2002, among the Company, the Trust and Lehman Brothers Inc., as remarketing agent (the "Remarketing Agreement"); (vii) the Calculation Agent Agreement dated as of _____, 2002 among the Company, the Trust and JPMorgan Chase Bank (the "Calculation Agent Agreement"), as calculation agent (the "Calculation Agent"); and (viii) its issuance of a guarantee (the "Guarantee") of the Preferred Securities pursuant to a Guarantee Agreement dated as of _____, 2002 (the

"Guarantee Agreement") between the Company and JPMorgan Chase Bank, as trustee. The Preferred Securities are being sold to you today pursuant to the terms of an Underwriting Agreement dated December __, 2002, 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 (File Nos. 333-59942, 333-59942-01 and 333-59942-02) pertaining to the Preferred Securities (the "Registration Statement") filed under the Securities Act of 1933, as amended (the "Act"), and the prospectus dated June 1, 2001, as supplemented by a final prospectus supplement dated _____ 2002 (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, 2001 (the "Form 10-K"), 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, the Indenture, the Guarantee Agreement, the Remarketing Agreement, the Underwriting Agreement, the Agreement as to Expenses and Liabilities and the Calculation Agent 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 to matters of Georgia law and the federal law of the United States of America upon the opinion dated the date hereof rendered to you by Troutman Sanders LLP, as to matters of New York law upon the opinion dated hereof rendered to you by Dewey Ballantine LLP and as to matters of Delaware law upon the opinion dated hereof rendered to you by Richards, Layton & Finger, P.A., 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 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 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. Each of the Indenture and the Calculation Agent Agreement has been duly authorized, executed and delivered by the Company and, assuming the due authorization, execution and delivery thereof by the Debt Trustee and the Calculation Agent, respectively, 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 and the Calculation Agent 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 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 Agreement has been duly authorized, executed and delivered by the Company and, assuming the due authorization, execution and delivery

thereof by the Guarantee 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 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. The Trust Agreement has been duly authorized, executed and delivered by the Company, and, assuming due authorization, execution and delivery by the trustees named therein, 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 (regardless of whether such enforceability is considered in a proceeding in equity or at law).

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.

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, the Trust Agreement, the Remarketing Agreement and the Calculation Agent 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 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.

14. The Agreement as to Expenses and Liabilities 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 Agreement as to Expenses and Liabilities may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and by general principals of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

15. The Remarketing Agreement has been duly authorized, executed and delivered by the Company.

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, 14 and 15 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 your counsel and with representatives of Deloitte & Touche 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 _____, 2002 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 of the Form 10-K (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) contained, as of its date, or contains, on the date hereof, any untrue statement therein of a material fact or omitted, as of its date, or omits, on the date hereof, 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 and with respect to information set forth in the Final Supplemented Prospectus under the caption "Description of the Preferred Securities - Book-Entry Only Issuance - The Depository Trust Company."

We are members of the Florida Bar and we do not express any opinion herein concerning any law other than the law of the States of Maine, Florida and Mississippi and, to the extent set forth herein, the laws of the States of Delaware, Georgia and New York and 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 LLP 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 Maine, Florida and Mississippi law.

Yours very truly,

BEGGS & LANE

Schedule III-B

[Letterhead of TROUTMAN SANDERS LLP]

_____ __, 2002

Lehman Brothers Inc.,
as Representative
745 7th Avenue
New York, NY 10019

GULF POWER CAPITAL TRUST IV
FLEXIBLE TRUST PREFERRED SECURITIES
(Five Year Initial Fixed Rate Period)

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 IV, a Delaware statutory trust (the "Trust"), pursuant to the Amended and Restated Trust Agreement dated _____, 2002 among the Company and the trustees named therein (the "Trust Agreement"); (ii) the Trust's issuance and sale of Flexible Trust Preferred Securities evidencing approximately a 97% undivided interest in the assets of the Trust (the "Preferred Securities"); (iii) the Trust's issuance and sale of Common Securities evidencing approximately a 3% undivided interest in the assets of the Trust; (iv) the Company's issuance and sale to the Trust of $_____ aggregate principal amount of its Series E Junior Subordinated Notes due _____, __ (the "Notes") pursuant to a Subordinated Note Indenture dated as of January 1, 1997, by and between the Company and JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank), as Trustee (the "Debt Trustee"), as supplemented by the Fifth Supplemental Indenture dated as of _____, 2002 (collectively, the "Indenture"); (v) the Agreement as to Expenses and Liabilities dated as of _____, 2002, between the Company and the Trust (the "Agreement as to Expenses and Liabilities"); (vi) the Remarketing Agreement, dated as of _____, 2002, among the Company, the Trust and Lehman Brothers Inc., as remarketing agent (the "Remarketing Agreement"); (vii) the Calculation Agent Agreement dated as of _____, 2002 among the Company, the Trust and JPMorgan Chase Bank "(Calculation Agent Agreement"), as calculation agent (the "Calculation Agent"); and (viii) its issuance of a guarantee (the "Guarantee") of the Preferred Securities pursuant to a Guarantee Agreement dated as of _____, 2002 (the

"Guarantee Agreement") between the Company and JPMorgan Chase Bank, as trustee (the "Guarantee Trustee"). The Preferred Securities are being sold to you today pursuant to the terms of an Underwriting Agreement dated December ___, 2002 (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 (File Nos. 333-59942, 333-59942-01 and 333-59942-02) pertaining to the Company and the Preferred Securities (the "Registration Statement") filed 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 _____ ___, 200_ as supplemented by a final prospectus supplement dated _____, 2002 (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, 2001 (the "Form 10-K"), 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, the Indenture, the Guarantee Agreement, the Remarketing Agreement, the Underwriting Agreement, the Agreement as to Expenses and Liabilities and the Calculation Agent 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, Maine and Mississippi law upon the opinion dated the date hereof rendered to you by Beggs & Lane, a Registered Limited Liability Partnership ("Beggs & Lane"), relying as to matters of New York law upon the opinion dated the date hereof rendered to you by Dewey Ballantine LLP and relying as to matters of Delaware law upon the opinion dated the date hereof rendered to you by Richards, Layton & Finger, P.A., 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, 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. Each of the Indenture and the Calculation Agent Agreement has been duly authorized, executed and delivered by the Company and, assuming the due authorization, execution and delivery thereof by the Debt Trustee and the Calculation Agent, respectively, 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 and the Calculation Agent 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 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, assuming the due authorization, execution and delivery thereof by the Guarantee 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 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. 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, 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 (regardless of whether such enforceability is considered in a proceeding in equity or at law).

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.

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. The statements and legal conclusions contained in the Final Supplemented Prospectus under the caption "Certain Federal Income Tax Consequences" 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 non-assessable 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.

15. The Agreement as to Expenses and Liabilities 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 Agreement as to Expenses and Liabilities may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and by general principals of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

16. The Remarketing Agreement has been duly authorized, executed and delivered by the Company.

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, 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 Deloitte & Touche 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 _____, 2002, 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 of the Form 10-K (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) contained, as of its date, or contains, on the date hereof, any untrue statement therein of a material fact or omitted, as of its date, or omits, on the date hereof, 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 and with respect to information set forth in the Final Supplemented Prospectus under the caption "Description of the Preferred Securities - Book-Entry Only Issuance - The Depository Trust Company."

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 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 Beggs & Lane may rely on this opinion in giving its opinion pursuant to the Underwriting Agreement insofar as such opinion relates to matters of Georgia law and the federal law of the United States and Dewey Ballantine LLP may rely on this opinion in giving its opinion pursuant to the Underwriting Agreement insofar as such opinion relates to matters of Georgia law.

Yours very truly,

TROUTMAN SANDERS LLP

Schedule IV

[Letterhead of RICHARDS, LAYTON & FINGER, P.A.]

_____ __, 200_

Lehman Brothers Inc.,
as Representative
745 7th Avenue
New York, NY 10019

Re: Gulf Power Capital Trust IV Flexible Trust Preferred Securities (Five Year Initial Fixed Rate Period)

Ladies and Gentlemen:

We have acted as special Delaware counsel for Gulf Power Company, a Maine corporation (the "Company"), and Gulf Power Capital Trust IV, a Delaware statutory 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 _____, 2002 (the "Underwriting Agreement"), among the Company, the Trust, Lehman Brothers Inc. 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 April 25, 2001 (the "Certificate"), as filed in the office of the Secretary of State of the State of Delaware (the "Secretary of State") on April 25, 2001;

(b) The Certificate of Amendment pursuant to 3807(E) of the Delaware Statutory Trust Act, filed with the Secretary of State on July 9, 2001;

(c) The Trust Agreement of the Trust, dated as of April 25, 2001, between the Company and the trustee of the Trust named therein, as amended and restated pursuant to an Amended and Restated Trust Agreement (including Exhibits A and B thereto), dated as of _____, 2002, among the Company, the trustees of the Trust named therein (the "Trustees"), 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 June 1, 2001 (the "Prospectus"), as supplemented by the Prospectus Supplement dated _____, 2002 (the "Prospectus Supplement"), relating to the Flexible Trust 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");

(f) A Certificate of Good Standing for the Trust, dated _____, 2002, obtained from the Secretary of State; and

(g) The Remarketing Agreement, dated _____, 2002, among the Trust, the Company and Lehman Brothers Inc. (the "Remarketing Agreement"), as remarketing agent (the "Remarketing Agent") and the Calculation Agent Agreement dated as of _____, 2002 among the Company, the Trust and JPMorgan Chase Bank (the "Calculation Agent Agreement"), as calculation agent (the "Calculation Agent").

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 statutory trust under the Delaware Statutory Trust Act, 12 Del. C. § 3801, et seq. (the "Statutory 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 statutory trust have been made.

2. Under the Statutory 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, the Remarketing Agreement and the Calculation Agent Agreement, (iii) issue and perform its obligations under the Trust Securities, (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 Statutory Trust Act and the Trust Agreement, the Trust Securities are not subject to any preemptive or other similar rights.

4. Under the Statutory Trust Act and the Trust Agreement, the Underwriting Agreement, the Remarketing Agreement and the Calculation Agent Agreement have 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 Remarketing Agreement and the Calculation Agent Agreement, the consummation by the Trust of the transactions contemplated by the Underwriting Agreement, the Trust Agreement and the Remarketing Agreement and the Calculation Agent 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 IV" 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 enforceability of provisions related to indemnification. In addition, in connection with the opinion expressed in paragraph 7 above, to the extent that Section 11.05 of the Trust Agreement provides that the Trust Agreement is governed by New York law, we express no opinion concerning Section 11.05 of the Trust Agreement or the effect of Section 11.05 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 LLP 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, P.A.

Schedule V

[Letterhead of Richards, Layton & Finger, P.A.]

_____ __, 200_

Lehman Brothers Inc.,
as Representative
745 7th Avenue
New York, NY 10019

Gulf Power Company
One Energy Place
Pensacola, Florida 32520

Gulf Power Capital Trust IV
c/o Gulf Power Company
One Energy Place
Pensacola, Florida 32520

Re: Gulf Power Capital Trust IV Flexible Trust Preferred Securities (Five Year Initial Fixed Rate Period)

Ladies and Gentlemen:

We have acted as counsel to Chase Manhattan Bank USA, National Association, a national banking association ("Chase USA"), in connection with the formation of Gulf Power Capital Trust IV, a statutory trust existing under the laws of the State of Delaware (the "Trust") pursuant to the Trust Agreement, dated as of April 25, 2001, by and between Chase USA, 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 _____, 2002, 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 (the "Trust Agreement"). This opinion is being delivered to you pursuant to Section 5(c)(4) of the Underwriting Agreement, dated _____ __, 2002 (the "Underwriting Agreement"), among Lehman Brothers Inc., the several Underwriters named in Schedule I thereto, Gulf Power Company and the Trust, pursuant to which the $___,000,000 Flexible Trust 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. Chase USA is a national banking association with trust powers, duly formed, validly existing in good standing under the laws of the United States 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 Chase USA and constitutes a legal, valid and binding obligation of Chase USA, enforceable against Chase USA, in accordance with its terms.

3. The execution and delivery of, and performance of the terms of, the Trust Agreement by Chase USA, does not conflict with or constitute a breach of, or default under, the charter or by-laws of Chase USA.

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 Chase USA of the Trust Agreement.

The foregoing opinions are subject to the following exceptions, qualifications and assumptions:

(A) We are admitted to practice law 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 Chase USA (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, the Investment Company Act of 1940, as amended, and laws, rules and regulations relating to money laundering and terrorist groups (including any requirements under the USA Patriot Act of 2001, 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, liquidation, fraudulent conveyance and similar laws relating to and 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 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 Chase USA, 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 Chase USA) 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, P.A.

Schedule VI

[Letterhead of Cravath, Swaine & Moore]

_____ __, 200_

Lehman Brothers Inc.,
as Representative
745 7th Avenue
New York, NY 10019

Gulf Power Company
One Energy Place
Pensacola, Florida 32520

Gulf Power Capital Trust IV
c/o Gulf Power Company
One Energy Place
Pensacola, Florida 32520

Gulf Power Capital Trust IV
Flexible Trust Preferred Securities
(Five Year Initial Fixed Rate Period)

Ladies and Gentlemen:

We have acted as counsel to JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank) (the "Bank") in connection with (a) the Subordinated Note Indenture, dated as of January 1, 1997, as heretofore supplemented (the "Original Indenture"), between Gulf Power Company (the "Company") and the Bank, as Trustee, (b) the Fifth Supplemental Indenture dated as of _____, 2002 (together with the Original Indenture, herein called the "Indenture"), between the Company and the Bank, as Trustee, (c) the Guarantee Agreement dated as of _____, 2002 (the "Guarantee Agreement"), between the Company, as Guarantor and the Bank, as Trustee, (d) the Amended and Restated Trust Agreement, dated as of _____, 2002 (the "Trust Agreement") among the Company, the Bank, as Property Trustee, Chase Manhattan Bank USA, National Association, as Delaware Trustee, and Linda G. Malone and Wayne Boston, as Administrative Trustees and (d) the Calculation Agent Agreement dated as of _____, 2002 among the Company, the Trust and JPMorgan Chase Bank (the "Calculation Agent Agreement"), as calculation agent (the "Calculation Agent").

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 Guarantee Agreement, the Trust Agreement and the Calculation Agent 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 Guarantee Agreement, the Trust Agreement and the Calculation Agent Agreement, has duly executed and delivered the Indenture, the Guarantee Agreement, the Trust Agreement and the Calculation Agent 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 Guarantee Agreement, the Trust Agreement and the Calculation Agent 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 to general principles of equity (including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing), 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 Guarantee Agreement, the Trust Agreement and the Calculation Agent 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 Guarantee Agreement, the Trust Agreement or the Calculation Agent 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 only 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 relied upon by any other person or used, circulated, quoted or otherwise referred to for any other purpose.

Very truly yours,

CRAVATH, SWAINE & MOORE

Schedule VII

[Letterhead of DEWEY BALLANTINE]

_____ __, 200_

Lehman Brothers Inc.,
as Representative
745 7th Avenue
New York, NY 10019

GULF POWER CAPITAL TRUST IV
Flexible Trust Preferred Securities
(Five Year Initial Fixed Rate Period)
(Liquidation Amount $1,000 Per Preferred Security)

Ladies and Gentlemen:

In connection with (i) the formation by Gulf Power Company (the "Company") of Gulf Power Capital Trust IV (the "Trust"), a Delaware statutory trust, pursuant to the Amended and Restated Trust Agreement dated _____, 2002 among the Company and the trustees named therein (the "Trust Agreement"); (ii) the Trust's issuance and sale of Trust Preferred Securities (_____ Year Initial Fixed Rate Period) (Liquidation Amount $1,000 Per Preferred Security) evidencing approximately a 97% undivided interest in the assets of the Trust (the "Preferred Securities"); (iii) the Trust's issuance and sale of Common Securities evidencing approximately a 3% undivided interest in the assets of the Trust; (iv) the Company's issuance and sale to the Trust of $_____ of its Series E Junior Subordinated Notes (the "Notes") pursuant to a Subordinated Note Indenture dated as of January 1, 1997, by and between the Company and JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank), as trustee (the "Debt Trustee"), as heretofore supplemented and as further supplemented by the Fifth Supplemental Indenture dated as of _____ __, 2002 (collectively, the "Indenture"); (v) the Agreement as to Expenses and Liabilities dated as of _____, 2002, between the Company and the Trust (the "Agreement as to Expenses and Liabilities); (vi) the Company's issuance of a guarantee (the "Guarantee") of the Preferred Securities pursuant to a Guarantee Agreement dated as of _____ 2002 (the "Guarantee Agreement") between the Company and JPMorgan Chase Bank, as trustee (the "Guarantee Trustee"); (vii) the Calculation Agent Agreement dated as of _____, 2002 (the "Calculation Agent Agreement"), among the Company, the Trust and JPMorgan Chase Bank, as calculation agent (the "Calculation

Agent"); and (viii) the Remarketing Agreement, dated as of _____, 2002, among the Company, the Trust and Lehman Brothers Inc., as remarketing agent (the "Remarketing Agreement"), we have acted as counsel to you and the other underwriters named in the Schedule I (the "Underwriters") to the Underwriting Agreement dated _____, 2002, 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 used herein and 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 (No. 333- _____) pertaining to the Preferred Securities (the "Registration Statement"), filed under the Securities Act of 1933, as amended (the "Act"), and the prospectus dated June 1, 2001, 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, 2001 (the "Form 10-K"), 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, the Indenture, the Guarantee Agreement, the Remarketing Agreement, the Underwriting Agreement, the Agreement as to Expenses and Liabilities and the Calculation Agent 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, Maine and Mississippi upon the opinion of Beggs & Lane dated the date hereof and addressed to you and a form of which is attached as Schedule III-A to the Underwriting Agreement, relying as to 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 a form of which is attached as Schedule III-B to the Underwriting Agreement, and relying 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, P.A., 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 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 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. Each of the Indenture and the Calculation Agent Agreement has been duly authorized, executed and delivered by the Company and, assuming the due authorization, execution and delivery thereof by the Debt Trustee and the Calculation Agent, respectively 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 and the Calculation Agent 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 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, assuming the due authorization, execution and delivery thereof by the Guarantee 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 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 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 by 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.

9. The Agreement as to Expenses and Liabilities 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 Agreement as to Expenses and Liabilities may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and by general principals of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

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 Deloitte & Touche 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 _____, 2002 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 of the Form 10-K (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) contained, as of its date, or contains, on the date hereof, any untrue statement therein of a material fact or omitted, as of its date, or omits, on the date hereof, 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 or with respect to information set forth in the Final Supplemented Prospectus under the caption "Description of the Preferred Securities - Book-Entry Only Issuance - The Depository Trust Company."

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, Georgia, Florida, Maine and Mississippi.

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 and Troutman Sanders LLP may rely on this opinion in giving their opinion pursuant to Sections 102, 302 and 904 of the Indenture, insofar as such opinions relate to matters of New York law.

Very truly yours,

DEWEY BALLANTINE LLP

EXHIBIT D.6.

PROSPECTUS SUPPLEMENT

(To Prospectus dated June 1, 2001)

40,000 Preferred Securities

Gulf Power Capital Trust IV

Flexible Trust Preferred Securities
(T-FLEX℠)

(Five Year Initial Fixed Rate Period)
(Liquidation Amount $1,000 per Preferred Security)

Fully and unconditionally guaranteed, as described herein

The initial distribution rate on the Flexible Trust Preferred Securities will be 5.60% per annum from the date of original issuance through November 29, 2007, which is the initial fixed rate period. Thereafter, the distribution rate for the Preferred Securities may be at fixed rates determined through remarketings of the Preferred Securities for specific periods of varying length or may be at floating rates reset quarterly based on 3-month LIBOR plus 3.49%.

A brief description of the Preferred Securities can be found under "Summary Information — Q&A" in this Prospectus Supplement.

See "Risk Factors" section beginning on page S-8 for a description of specific risks associated with these Preferred Securities.

	Per Preferred Security	Total
Initial public offering price(1)	$999.68	$39,987,200
Underwriting commissions to be paid by Gulf Power Company	$ 10.00	$ 400,000
Proceeds to Gulf Power Capital Trust IV	$989.68	$39,587,200

(1) Plus accumulated distributions, if any, from the date of original issuance, which is expected to be December 13, 2002.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or 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.

The Underwriters expect to deliver the Preferred Securities in book-entry form only through The Depository Trust Company against payment in New York, New York on December 13, 2002.

LEHMAN BROTHERS

SUNTRUST ROBINSON HUMPHREY

Prospectus Supplement dated December 5, 2002.

In making your investment decision, you should rely only on the information contained or incorporated by reference in this Prospectus Supplement and the attached Prospectus. We have not authorized anyone to provide you with any other information. If you receive any unauthorized information, you must not rely on it.

We are offering to sell the Preferred Securities only in places where sales are permitted.

You should not assume that the information contained or incorporated by reference in this Prospectus Supplement or the attached Prospectus is accurate as of any date other than its respective date.

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SUMMARY INFORMATION — Q&A

The following information supplements, and should be read together with, the information contained in other parts of this Prospectus Supplement and in the accompanying Prospectus. This summary highlights selected information from this Prospectus Supplement and the accompanying Prospectus to help you understand the Flexible Trust Preferred Securities (the "Preferred Securities"). You should carefully read this Prospectus Supplement and the accompanying Prospectus to understand fully the terms of the Preferred Securities as well as the tax and other considerations that are important to you in making a decision about whether to invest in the Preferred Securities. You should pay special attention to the "Risk Factors" section beginning on page S-8 of this Prospectus Supplement to determine whether an investment in the Preferred Securities is appropriate for you.

What are the Preferred Securities?

Each Preferred Security represents an undivided beneficial interest in the assets of Gulf Power Capital Trust IV (the "Trust"). Each Preferred Security will entitle the holder to receive quarterly cash distributions ("Distributions") as described in this Prospectus Supplement. The Trust is offering 40,000 Preferred Securities at a price of $999.68 for each Preferred Security.

Who is the Trust?

The Trust is a Delaware statutory trust. The mailing address of its principal place of business is c/o Gulf Power Company, One Energy Place, Pensacola, Florida 32520-0100, and its telephone number is (850) 444-6111.

The Trust will sell its Preferred Securities to the public and its common securities (the "Common Securities") to Gulf Power Company (the "Company"). The Trust will use the proceeds from these sales to buy a series of junior subordinated notes due November 30, 2042 (the "Series E Junior Subordinated Notes") from the Company with the same financial terms as the Preferred Securities. The Company will guarantee payments made on the Preferred Securities as described herein.

JPMorgan Chase 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 USA, National Association will be an additional trustee (the "Delaware Trustee") of the Trust. JPMorgan Chase Bank also will act as trustee (the "Indenture Trustee") under the Subordinated Note Indenture, as supplemented (the "Subordinated Note Indenture"), pursuant to which the Series E Junior Subordinated Notes will be issued and will act as trustee (the "Guarantee Trustee") under the Preferred Securities Guarantee of the Company (the "Guarantee"). The Property Trustee, the Delaware Trustee and the Administrative Trustees are sometimes referred to as the "Securities Trustees."

Who is Gulf Power 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 mailing address of the Company's principal executive offices is One Energy Place, Pensacola, Florida 32520-0100, and the telephone number is (850) 444-6111. The Company is a wholly owned subsidiary of The Southern Company ("Southern").

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.

What will the Distribution Rate be on the Preferred Securities?

Distributions will initially be paid at a rate (a "Distribution Rate") of 5.60% per annum (the "Initial Distribution Rate"), payable semiannually in arrears, for the period from the date of original issuance of the Preferred Securities (the "Issue Date"), which is expected to be December 13, 2002, through November 29, 2007 (the "Initial Fixed Rate Period"). If the Preferred Securities are not redeemed, the Company and the Trust will have the option to remarket the Preferred Securities prior to expiration of the Initial Fixed Rate Period (to be in effect after the Initial Fixed Rate Period) to establish a new fixed per annum Distribution Rate (together with the Initial Distribution Rate and any subsequent fixed rate established pursuant to a remarketing, as described below, a "Fixed Rate") with respect to the Preferred Securities. Any new Fixed Rate so established will be in effect for such period (together with the Initial Fixed Rate Period and any subsequent period established pursuant to a remarketing, as described below, a "Fixed Rate Period") as the Company and the Trust determine in connection with the remarketing, provided that a Fixed Rate Period must be for a duration of at least six months. A Fixed Rate Period may not extend beyond November 30, 2042, the final maturity of the Series E Junior Subordinated Notes, and may not end on a day other than a day immediately preceding a Distribution Payment Date (as defined below). Distributions on Preferred Securities during any Fixed Rate Period will be payable semiannually in arrears. Prior to the expiration of any Fixed Rate Period, the Company and the Trust will have the option to again remarket the Preferred Securities to establish a new Fixed Rate for a new Fixed Rate Period (to be in effect after the expiration of the then current Distribution Period).

If the Preferred Securities are not redeemed and if the Company and the Trust elect not to remarket the Preferred Securities prior to expiration of the Initial Fixed Rate Period or any subsequent Fixed Rate Period, or if they are unable to successfully remarket all Preferred Securities tendered for sale in a remarketing, Distributions on the Preferred Securities will thereafter be payable at a floating rate (a "Floating Rate") reset quarterly based on 3-month LIBOR plus 3.49%, subject to the right of the Company and the Trust to subsequently remarket Preferred Securities to again establish a Fixed Rate for a new Fixed Rate Period as described below. During any period during which a Floating Rate is in effect (a "Floating Rate Period"), Distributions on the Preferred Securities will be payable quarterly in arrears. The Company and the Trust may elect to remarket the Preferred Securities prior to any Distribution Payment Date relating to a Floating Rate Period in order to again establish a new Fixed Rate for a new Fixed Rate Period (to be in effect after the expiration of the then current Distribution Period).

In this Prospectus Supplement, each semiannual distribution period in a Fixed Rate Period (including, without limitation, the Initial Fixed Rate Period) and each quarterly distribution period in a Floating Rate Period are sometimes referred to as a "Distribution Period."

What are the Procedures for Remarketing the Preferred Securities and establishing the Distribution Rate *for Distribution Periods subsequent to the Initial Fixed Rate Period?*

In connection with any remarketing of the Preferred Securities, holders of Preferred Securities will be given the option to elect to retain or tender all or a portion of their Preferred Securities for sale in the remarketing. Such election will be required to be made on a date that is no later than the fifth Business Day (as defined below) prior to the proposed remarketing date (an "Election Date"). A holder that fails to give an election notice to the Remarketing Agent (as defined below) by the Election Date will be deemed to have elected to sell its Preferred Securities in the remarketing. A holder of Preferred Securities may notify the Remarketing Agent of its interest in retaining all or some of its Preferred Securities, provided that the new Distribution Rate is a Fixed Rate not less than a rate per annum specified by the holder. In such case, the holder will be given priority to purchase the specified number of Preferred Securities in the remarketing, provided the new Distribution Rate is a Fixed Rate not less than the rate specified by the holder.

If the Remarketing Agent is able to remarket all Preferred Securities tendered or deemed tendered in connection with the remarketing at a price equal to $1,000 per Preferred Security for the desired new Fixed Rate Period selected by the Company and the Trust, the Distribution Rate on the Preferred Securities for the new Fixed Rate Period will be the rate that the Remarketing Agent determines, in its sole judgment, to be the lowest rate per annum, if any, that will enable it to remarket all Preferred Securities tendered or deemed tendered for remarketing at a price of $1,000 per Preferred Security.

If the Remarketing Agent is unable to remarket all Preferred Securities tendered or deemed tendered in connection with a remarketing at a price equal to $1,000 per Preferred Security for the desired new Fixed Rate Period selected by the Company and the Trust, the Distribution Rate on the Preferred Securities will be the then applicable Floating Rate. In such case, each holder will continue to hold its Preferred Securities at the Floating Rate.

The purchase price payable to a holder for any Preferred Securities repurchased from it in a remarketing is expected to be equal to $1,000 per Preferred Security, plus accrued and unpaid Distributions. Lehman Brothers Inc. is expected to act as remarketing agent (the "Remarketing Agent") in connection with any remarketing of the Preferred Securities.

You should read "Description of the Preferred Securities — Remarketing" for more information regarding the procedures relating to a remarketing of the Preferred Securities.

When will you receive Distributions?

If you purchase the Preferred Securities, you are entitled to receive Distributions at the Distribution Rate on the applicable distribution payment date (each, a "Distribution Payment Date"). During the Initial Fixed Rate Period, Distributions will be payable semi-annually in arrears on May 30 and November 30 of each year, commencing on May 30, 2003. In any subsequent Fixed Rate Period, Distributions will be payable semiannually in arrears determined based on the remarketing date (if the Preferred Securities are remarketed for a new Fixed Rate Period that begins on May 30 or November 30, Distributions will be payable on May 30 and November 30 of each year and if the Preferred Securities are remarketed for a new Fixed Rate Period that begins on February 28 or August 30, Distributions will be payable on February 28 and August 30 of each year). Distributions during any Floating Rate Period will be payable on February 28, May 30, August 30 and November 30 of each year.

When can payment of your Distributions be deferred?

The Company can, on one or more occasions, defer interest payments on the Series E Junior Subordinated Notes for up to five years at a time (each, an "Extension Period"). A deferral of interest payments cannot extend, however, beyond the maturity date of the Series E Junior Subordinated Notes (which is November 30, 2042). See "Description of the Series E Junior Subordinated Notes — Option to Extend Interest Payment Period."

If the Company defers interest payments on the Series E Junior Subordinated Notes, the Trust will also defer Distributions on the Preferred Securities. During any Extension Period, Distributions will continue to accrue on the Preferred Securities. If the Company elects to defer interest during a Fixed Rate Period, Distributions will continue to accrue at the Fixed Rate until the expiration of the Fixed Rate Period. Upon expiration of such Fixed Rate Period and any Fixed Rate Period during the Extension Period, the Company and the Trust will have the option to remarket the Preferred Securities for a new Fixed Rate Period. If the Company and the Trust do not remarket the Preferred Securities, the Floating Rate during the Extension Period shall not be less than the Fixed Rate for the Fixed Rate Period just ended. If the Company elects to defer interest during a Floating Rate Period, Distributions will continue to accrue at the applicable Floating Rate, reset quarterly, subject to the right of the Company and the Trust to remarket the Preferred Securities prior to any Distribution Payment Date in order to establish a new Fixed Rate Period to begin on that Distribution Payment Date. Deferred Distributions will themselves accrue interest at the then prevailing Distribution Rate (to the extent permitted by law). Once the Company makes all interest payments on the Series E Junior Subordinated Notes, with accrued interest, it can again defer interest payments on the Series E Junior Subordinated Notes.

During any period in which the Company defers interest payments on the Series E Junior Subordinated Notes, the Company will not be permitted to (with limited exceptions):

- pay a dividend or make any distributions on its capital stock or redeem, purchase, acquire or make a liquidation payment on any of its capital stock, or make any guarantee payments with respect to the foregoing; or
- make an interest, principal or premium payment on, or repurchase or redeem, any of its debt securities that rank equal with or junior to the Series E Junior Subordinated Notes.

If the Company defers payments of interest on the Series E Junior Subordinated Notes, the Preferred Securities will, from the time of deferral, be treated as being issued with original issue discount ("OID") for United States federal income tax purposes. This means you will be required to recognize interest income with respect to Distributions and include such amounts in your gross income for United States federal income tax purposes even though you will not have received any cash Distributions relating to such interest income. You should consult with your own tax advisor regarding the tax consequences of an investment in the Preferred Securities. See "Certain Federal Income Tax Consequences—Original Issue Discount."

When can the Trust redeem the Preferred Securities?

The Trust must redeem all of the outstanding Preferred Securities and Common Securities (together, the "Trust Securities") when the Series E Junior Subordinated Notes are paid at maturity on November 30, 2042 or are otherwise due. In addition, if the Company redeems the Series E Junior Subordinated Notes before their maturity, the Trust will use the cash it receives from the redemption to redeem Preferred Securities and Common Securities having a combined liquidation amount equal to the principal amount of the Series E Junior Subordinated Notes redeemed.

The Company can redeem, in whole, but not in part, the Series E Junior Subordinated Notes before their maturity on the last Distribution Payment Date relating to the Initial Fixed Rate Period, on such dates with respect to any other Fixed Rate Period as the Company and the Trust may determine prior to the remarketing establishing such Fixed Rate Period or on any Distribution Payment Date relating to a Floating Rate Period (each, a "Redemption Date") at 100% of their principal amount plus accrued and unpaid interest to that redemption date (the "Redemption Price"). The Company also has the option to redeem the Series E Junior Subordinated Notes, in whole, but not in part, at any time at the Redemption Price if certain changes in tax or investment company law occur and certain other conditions are satisfied, as more fully described under "Description of the Preferred Securities—Special Event Redemption; Distribution of Series E Junior Subordinated Notes."

What is the Company's guarantee of the Preferred Securities?

The Company will guarantee the Preferred Securities based on:

- its obligations to make payments on the Series E Junior Subordinated Notes;
- its obligations under the Guarantee; and
- its obligations under the Trust Agreement and the Agreement as to Expenses and Liabilities between the Company and the Trust (the "Agreement as to Expenses and Liabilities").

The Company's obligations under the Series E Junior Subordinated Notes are subordinate and junior in right of payment to all of its Senior Indebtedness (as defined under "Description of the Junior Subordinated Notes—Subordination" in the accompanying Prospectus), which aggregated approximately $579,000,000 at September 30, 2002.

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 Distributions.

The Company's obligations under the Guarantee are:

- subordinate and junior in right of payment to its other liabilities;
- equal in rank to its most senior preferred stock; and
- senior to its common stock.

When could the Series E Junior Subordinated Notes be distributed to you?

The Company has the right to terminate the Trust at any time. If the Company terminates the Trust, the Trust will liquidate by distributing the Series E Junior Subordinated Notes to holders of the Preferred Securities and the Common Securities on a pro rata basis. For a discussion of the Company's ability to distribute the Series E Junior Subordinated Notes, see "Description of the Preferred Securities—Special Event Redemption; Distribution of Series E Junior Subordinated Notes" and "—Liquidation Distribution Upon Dissolution."

Will the Preferred Securities be listed on a stock exchange?

The Preferred Securities will not be listed on a stock exchange.

Will holders of the Preferred Securities have any voting rights?

Generally, the holders of the Preferred Securities will not have any voting rights. See "Description of the Preferred Securities—Voting Rights."

In what form will the Preferred Securities be issued?

The Preferred Securities will be represented by one or more global securities that will be deposited with and registered in the name of a securities depository or its nominee. This means that you will not receive a certificate for your Preferred Securities and that your broker will maintain your position in the Preferred Securities. The Company expects that the Preferred Securities will be ready for delivery through a securities depository on or about December 13, 2002. The Depository Trust Company ("DTC") will act as the initial securities depository for the Preferred Securities.

RISK FACTORS

Your investment in the Preferred Securities will involve certain risks. You should carefully consider the following discussion of risks, and the other information in this Prospectus Supplement and the accompanying Prospectus, before deciding whether an investment in the Preferred Securities is suitable for you.

The Company's Obligations under the Guarantee and the Series E Junior Subordinated Notes Are Subordinated.

The Company's obligations under the Series E Junior Subordinated Notes will rank junior in priority of payment to all of the Company's Senior Indebtedness. This means that the Company cannot make any payments on the Series E Junior Subordinated Notes if it defaults on a payment of Senior Indebtedness and does not cure such default within the applicable grace period or if the Senior Indebtedness becomes immediately due because of a default and has not yet been paid in full. The Company's Senior Indebtedness aggregated approximately $579,000,000 as of September 30, 2002.

The Company's obligations under the Guarantee will rank in priority of payment as follows:

- subordinate and junior in right of payment to its other liabilities;
- equal in rank to its most senior preferred stock; and
- senior to its common stock.

This means that the Company cannot make any payments on the Guarantee if it defaults on a payment on any of its other liabilities. In addition, in the event of the bankruptcy, liquidation or dissolution of the Company, its assets would be available to pay obligations under the Guarantee only after the Company made all payments on its other liabilities.

Neither the Preferred Securities, the Series E Junior Subordinated Notes nor the Guarantee limit the ability of the Company to incur additional indebtedness, including indebtedness that ranks senior in priority of payment to the Series E Junior Subordinated Notes and the Guarantee. See "Description of the Guarantees—Subordination" and "Description of the Junior Subordinated Notes—Subordination" in the accompanying Prospectus.

The Guarantee Only Covers Payments if the Trust Has Cash Available.

The ability of the Trust to pay scheduled Distributions on the Preferred Securities, the redemption price of the Preferred Securities and the liquidation amount of each Preferred Security is solely dependent upon the Company making the related payments on the Series E Junior Subordinated Notes when due.

If the Company defaults on its obligations to pay principal or interest on the Series E Junior Subordinated Notes, the Trust will not have sufficient funds to pay Distributions, the redemption price or the liquidation amount of each Preferred Security. In those circumstances, you will not be able to rely upon the Guarantee for payment of these amounts.

Instead, you:

- may directly sue the Company or seek other remedies to collect your pro rata share of payments owed; or
- may rely on the Property Trustee to enforce the Trust's rights under the Series E Junior Subordinated Notes.

Deferral of Distributions Would Have Tax Consequences for You and May Affect the Trading Price of the Preferred Securities.

The Company can, on one or more occasions, defer interest payments on the Series E Junior Subordinated Notes for up to five years at any time. If the Company defers interest payments on the Series E Junior

Subordinated Notes, the Trust will defer Distributions on the Preferred Securities during any Extension Period. However, Distributions would still accumulate, and such deferred Distributions would themselves accrue interest at the prevailing Distribution Rate (to the extent permitted by law).

If the Company defers payments of interest on the Series E Junior Subordinated Notes, you will be required to recognize interest income for United States federal income tax purposes (based on your pro rata share of the interest on the Series E Junior Subordinated Notes held by the Trust) before you receive any cash relating to such interest. In the event of a deferral, this income would constitute OID. In addition, you will not receive such cash if you sell the Preferred Securities before the end of any Extension Period or before the record date relating to Distributions which are paid. Instead, the accrued Distributions will be paid to the holder of record on the record date, regardless of who the holder of record may have been on any other date during the Extension Period. Moreover, the accrued OID will be added to your adjusted tax basis in the Preferred Securities but might not be reflected in the amount you realize on the sale. To the extent the amount realized on a sale is less than your adjusted tax basis, you will recognize a capital loss for United States federal income tax purposes. The deduction of capital losses is subject to limitations.

The Company has no current intention of deferring interest payments on the Series E Junior Subordinated Notes. However, if the Company exercises its right in the future, the Preferred Securities may trade at a price that does not fully reflect the value of accrued but unpaid interest on the Series E Junior Subordinated Notes. If you sell the Preferred Securities during an Extension Period, you may not receive the same return on investment as someone else who continues to hold the Preferred Securities. In addition, the existence of the Company's right to defer payments of interest on the Series E Junior Subordinated Notes may mean that the market price for the Preferred Securities (which represent an undivided beneficial interest in the Series E Junior Subordinated Notes) may be more volatile than other securities that do not have these rights.

See "Certain Federal Income Tax Consequences" for more information regarding the tax consequences of purchasing, holding and selling the Preferred Securities.

Preferred Securities May Be Redeemed at Any Time if Certain Changes in Tax or Investment Company Law Occur.

Certain tax law changes have been proposed from time to time which could affect the deductibility of interest paid on the Series E Junior Subordinated Notes. None of these proposals has become law. If certain changes in tax or investment company law occur and are continuing, and certain other conditions are satisfied, the Company has the right to redeem the Series E Junior Subordinated Notes, in whole, but not in part, at any time. Any such redemption will cause a mandatory redemption of all Preferred Securities and Common Securities at a redemption price equal to $1,000 per security plus any accrued and unpaid Distributions. See "Description of the Preferred Securities—Special Event Redemption; Distribution of Series E Junior Subordinated Notes" and "Certain Federal Income Tax Consequences—Effect of Possible Tax Law Changes on the Preferred Securities."

Preferred Securities May Be Redeemed at the Option of the Company.

At the option of the Company, the Series E Junior Subordinated Notes may be redeemed, in whole, but not in part, on the last Distribution Payment Date relating to the Initial Fixed Rate Period, on such dates with respect to any other Fixed Rate Period as the Company and the Trust may determine prior to the remarketing establishing such Fixed Rate Period or on any Distribution Payment Date relating to a Floating Rate Period at the Redemption Price. See "Description of the Series E Junior Subordinated Notes—Optional Redemption." You should assume that the Company will exercise its redemption option if the Company is able to refinance at a lower interest rate or it is otherwise in the interest of the Company to redeem the Series E Junior Subordinated Notes. If the Series E Junior Subordinated Notes are redeemed, the Trust must redeem the Preferred Securities and the Common Securities having an aggregate liquidation amount equal to the aggregate principal amount of Series E Junior Subordinated Notes to be redeemed. See "Description of the Preferred Securities—Redemption."

There Can Be No Assurance as to the Liquidity of the Preferred Securities.

There is no assurance that a secondary market for the Preferred Securities will develop or, if such a market develops, that the Preferred Securities will trade at or close to their stated liquidation amount. The ability of a holder of the Preferred Securities to sell such Preferred Securities may depend on the success of the remarketing. If the Remarketing Agent cannot remarket the Preferred Securities or the Company does not elect to remarket the Preferred Securities, the holders of the Preferred Securities may not be able to sell Preferred Securities. It is not expected that the Preferred Securities will be listed on any securities exchange.

After the Initial Fixed Rate Period, the Distribution Rate on the Preferred Securities Will Vary.

The Distribution Rate on the Preferred Securities is fixed at 5.60% per annum for the Initial Fixed Rate Period. Thereafter, the Preferred Securities will pay Distributions at Fixed Rates during future Fixed Rate Periods, which rates will be determined through remarketings of the Preferred Securities, or at Floating Rates during Floating Rate Periods, which rates will be determined by reference to 3-month LIBOR plus 3.49%. In connection with any proposed remarketing to set a Fixed Rate for a new Fixed Rate Period, you may have the opportunity to elect to sell your Preferred Securities to the Remarketing Agent at a price of $1,000, plus accrued and unpaid Distributions, per Preferred Security. If, however, the remarketing is unsuccessful, the Preferred Securities will pay Distributions at a Floating Rate until any future time that the Company and the Trust elect to remarket the Preferred Securities to set a new Fixed Rate and are able to successfully remarket the Preferred Securities.

Fixed Rate Periods and Floating Rate Periods can be of varying lengths and varying Distribution Rates. Distribution Rates on the Preferred Securities may move back and forth between Fixed Rates and Floating Rates over the life of the Preferred Securities.

There Can Be No Assurance as to the Market Prices for the Preferred Securities or the Series E Junior Subordinated Notes.

There can be no assurance as to the market prices for the Preferred Securities or the Series E Junior Subordinated Notes that may be distributed in exchange for Preferred Securities upon a termination of the Trust. Accordingly, the Preferred Securities that an investor may purchase, whether pursuant to the offer made by this Prospectus Supplement, in a remarketing or in the secondary market, or the Series E Junior Subordinated Notes that a holder of Preferred Securities may receive upon a termination of the Trust, may trade at a discount to the price that the investor paid to purchase the Preferred Securities offered by this Prospectus Supplement. As a result of the Company's right to defer interest payments on the Series E Junior Subordinated Notes, the market price of the Preferred Securities (which represent undivided beneficial ownership interests in the Trust, substantially all the assets of which consist of the Series E Junior Subordinated Notes) may be more volatile than the market prices of other securities that are not subject to such optional deferrals.

The Company May Terminate the Trust at Any Time.

The Company has the right to terminate the Trust at any time. If the Company decides to exercise its right to terminate the Trust, the Trust will liquidate by distributing the Series E Junior Subordinated Notes to holders of the Preferred Securities and the Common Securities on a pro rata basis.

Under current United States federal income tax law, a distribution of Series E Junior Subordinated Notes to you upon the dissolution of the Trust should not be a taxable event to you. However, if the Trust is characterized for United States federal income tax purposes as an association taxable as a corporation at the time it is dissolved or if there is a change in law, the distribution of Series E Junior Subordinated Notes to you may be a taxable event to you.

The Company has no current intention of causing the termination of the Trust and the distribution of the Series E Junior Subordinated Notes. The Company anticipates that it would consider exercising this right in the event that expenses associated with maintaining the Trust were substantially greater than currently expected, such as if certain changes in tax law or investment company law occurred. See "Description of the Preferred Securities—Special Event Redemption; Distribution of Series E Junior Subordinated Notes." The Company cannot predict the other circumstances under which this right would be exercised.

You Have Limited Voting Rights.

You will have limited voting rights. In particular, subject to certain exceptions, only the Company can appoint or remove any of the Securities Trustees. See "Description of the Preferred Securities—Voting Rights."

GULF POWER CAPITAL TRUST IV

The Trust is a statutory trust created under Delaware law pursuant to the filing of a certificate of trust with the Delaware Secretary of State on April 25, 2001. 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 has been 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 E Junior Subordinated Notes, and (iii) engaging in only those other activities necessary, appropriate, convenient or incidental thereto. The Trust has a term of approximately 42 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 on a parity, 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 (as defined below), 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. JPMorgan Chase Bank will serve as Property Trustee and will hold legal title to the Series E Junior Subordinated Notes issued by the Company on behalf of the Trust and the holders of the Trust Securities. Chase Manhattan Bank USA, National Association 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 E 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 E 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 of the Common Securities, will have the right to appoint, remove or replace all the Securities Trustees.

The Series E 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 Statutory 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 USA, National Association, c/o JPMorgan Chase, 500 Stanton Christiana Road, Building 4, 3rd Floor, Newark, Delaware 19713. The mailing address of the principal place of business of the Trust shall be c/o the Company, One Energy Place, Pensacola, Florida 32520-0100, telephone (850) 444-6111, Attn: Treasurer.

SELECTED FINANCIAL INFORMATION

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 herein, in the accompanying Prospectus or in the documents incorporated herein by reference.

	Year Ended December 31,					Nine Months Ended September 30,
	1997	1998	1999	2000	2001	2002
	(Thousands, except ratios)					(unaudited)
Operating Revenues	$625,856	$650,518	$674,099	$714,319	$725,203	$616,521
Earnings Before Interest and Income Taxes	124,428	120,946	119,576	116,892	121,227	123,232
Net Income After Dividends on Preferred Stock	57,610	56,521	53,667	51,843	58,307	59,183
Ratio of Earnings to Fixed Charges(1)	4.18	3.83	3.62	3.38	3.64	3.95
Ratio of Earnings to Fixed Charges Plus Preferred Dividend Requirements (Pre-Income Tax Basis)(2)	3.53	3.72	3.58	3.34	3.60	3.92

	Capitalization As of September 30, 2002	
	(Thousands, except percentages) (unaudited)	
Common Stock Equity	$ 552,874	49.2%
Cumulative Preferred Stock	4,236	0.4
Company Obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trusts Holding Company Junior Subordinated Notes(3)	115,000	10.2
Long-Term Debt	451,943	40.2
Total excluding amounts due within one year	$1,124,053	100.0%

(1) This ratio is computed as follows: (i) "Earnings" have been calculated by adding to "Earnings Before Interest and Income Taxes" 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.

(2) 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.

(3) Substantially all of the assets of the respective Trusts are Junior Subordinated Notes of the Company, and upon redemption of such debt, the related Preferred Securities will be mandatorily redeemable.

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 E 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.

USE OF PROCEEDS

The Trust will invest the proceeds received from the sale of the Preferred Securities in Series E Junior Subordinated Notes. The net proceeds received by the Company from such investment will be used by the Company to redeem $40,000,000 in aggregate liquidation amount of Gulf Power Capital Trust I 7.625% Cumulative Quarterly Income Preferred Securities.

DESCRIPTION OF THE PREFERRED SECURITIES

The Preferred Securities will be issued pursuant to the terms of the Trust Agreement. The Trust Agreement has been 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 and the Delaware Statutory 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 Delaware Statutory Trust Act and 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 on a parity, 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 E 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 E Junior Subordinated Notes. 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 E 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 E 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

General

The Initial Distribution Rate on the Preferred Securities will be 5.60% per annum, payable semiannually in arrears, for the Initial Fixed Rate Period. If the Preferred Securities are not redeemed, the Company and the Trust will have the option to remarket the Preferred Securities prior to the expiration of the Initial Fixed Rate Period (to

be in effect after the Initial Fixed Rate Period) to establish a new Fixed Rate with respect to the Preferred Securities. Any new Fixed Rate so established will be in effect for such Fixed Rate Period as the Company and the Trust determine in connection with the remarketing, provided that a Fixed Rate Period must be for a duration of at least six months, may not extend beyond the stated maturity of the Series E Junior Subordinated Notes and may not end on a day other than a day immediately preceding a Distribution Payment Date. Distributions on Preferred Securities during any Fixed Rate Period will be payable semiannually in arrears. Prior to expiration of any Fixed Rate Period, the Company and the Trust will have the option to again remarket the Preferred Securities to establish a new Fixed Rate for a new Fixed Rate Period (to be in effect after the expiration of the then current Distribution Period). The Company and the Trust also have the option to remarket the Preferred Securities for the purpose of establishing a new Fixed Rate for a new Fixed Rate Period prior to any Distribution Payment Date during a time in which Preferred Securities are redeemable in a subsequent Fixed Rate Period.

If the Preferred Securities are not redeemed and the Company and the Trust elect not to remarket the Preferred Securities prior to expiration of the Initial Fixed Rate Period or any subsequent Fixed Rate Period, or if they are unable to successfully remarket all Preferred Securities tendered for sale in a remarketing, Distributions on the Preferred Securities will thereafter be payable at the Floating Rate, subject to the right of the Company and the Trust to subsequently remarket Preferred Securities to again establish a Fixed Rate for a new Fixed Rate Period. During any Floating Rate Period, Distributions on the Preferred Securities will be payable quarterly in arrears. The Company and the Trust may elect to remarket the Preferred Securities prior to any Distribution Payment Date relating to a Floating Rate Period in order to again establish Distributions at a Fixed Rate for a new Fixed Rate Period (to be in effect after the expiration of the then current Distribution Period).

During the Initial Distribution Period, Distributions will be payable semiannually in arrears on May 30 and November 30 of each year, commencing on May 30, 2003. In any subsequent Fixed Rate Period, Distributions will be payable semiannually in arrears determined based on the remarketing date (if the Preferred Securities are remarketed for a new Fixed Rate Period that begins on May 30 or November 30, Distributions will be payable on May 30 and November 30 of each year, and if the Preferred Securities are remarketed for a new Fixed Rate Period that begins on February 28 or August 30, Distributions will be payable on February 28 and August 30 of each year). Distributions during any Floating Rate Period will be payable on February 28, May 30, August 30 and November 30 of each year. If any Distribution Payment Date with respect to a Fixed Rate Period is not a Business Day, then Distributions will be payable on the first Business Day following such Distribution Payment Date with the same force and effect as if payment was made on the date such payment was originally payable. If any Distribution Payment Date with respect to a Floating Rate Period is not a Business Day, then Distributions will be payable on the first Business Day following such Distribution Payment Date and Distributions shall accrue to the actual payment date (except for a Distribution Payment Date that coincides with the Redemption Date).

Distributions shall be payable on the Distribution Payment Date to holders of record as of the opening of business on the Business Day immediately preceding such Distribution Payment Date (the "Record Date").

The amount of Distributions per Preferred Security payable on each semiannual Distribution Payment Date relating to a Fixed Rate Period will be computed on the basis of a 360-day year of twelve 30-day months.

The amount of Distributions per Preferred Security payable on each quarterly Distribution Payment Date in respect of a Floating Rate Period will be computed by multiplying the per annum Distribution Rate in effect for such Distribution Period by a fraction, the numerator of which will be the actual number of days in such Distribution Period (or portion thereof) (determined by including the first day thereof and excluding the last thereof) and the denominator of which will be 360, and multiplying the rate so obtained by $1,000.

Distributions on the Preferred Securities must be paid on the Distribution Payment 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 E Junior Subordinated Notes. See "Description of the Series E Junior Subordinated Notes."

Determining the Floating Rate

During any Floating Rate Period, the Floating Rate shall be 3-month LIBOR plus 3.49%, reset quarterly. The Calculation Agent shall calculate 3-month LIBOR and the amount of Distributions payable on each quarterly Distribution Payment Date relating to a Floating Rate Period. Promptly upon such determination, the Calculation Agent shall notify the Company, the Indenture Trustee and the Property Trustee, if the Property Trustee or the Indenture Trustee is not then serving as the Calculation Agent, of the Floating Rate for the new Distribution Period. The Floating Rate determined by the Calculation Agent, absent manifest error, shall be binding and conclusive upon the beneficial owners and holders of the Preferred Securities, the Company and the Securities Trustees.

If the following circumstances exist on any Floating Rate Determination Date, the Calculation Agent shall determine the Floating Rate as follows:

(1) In the event no 3-month LIBOR appears on Telerate Page 3750 as of approximately 11:00 a.m., London time, on a Floating Rate Determination Date, the Calculation Agent shall request the principal London offices of each of four major banks in the London interbank market selected by the Calculation Agent (after consultation with the Company) to provide a quotation of the rate (the "Rate Quotation") at which three-month deposits in amounts of not less than $1,000,000 are offered by it to prime banks in the London interbank market, as of approximately 11:00 a.m., London time, on such Floating Rate Determination Date, that is representative of single transactions at such time (the "Representative Amounts"). If at least two Rate Quotations are provided, the Floating Rate will be the arithmetic mean of the Rate Quotations obtained by the Calculation Agent, plus 3.49%.

(2) In the event no 3-month LIBOR appears on Telerate Page 3750 as of approximately 11:00 a.m., London time, on a Floating Rate Determination Date and there are fewer than two Rate Quotations, the Floating Rate will be the arithmetic mean of the rates quoted at approximately 11:00 a.m., New York City time, on such Floating Rate Determination Date, by three major banks in New York City selected by the Calculation Agent (after consultation with the Company), for loans in Representative Amounts in U.S. dollars to leading European banks, having an index maturity of three months for a period commencing on the second London Business Day immediately following such Floating Rate Determination Date, plus 3.49%; provided, however, that if fewer than three banks selected by the Calculation Agent are quoting such rates, the Floating Rate for the applicable Floating Rate Period will be the Floating Rate in effect for the preceding Floating Rate Period.

As used herein:

"Business Day" means a day other than (i) a Saturday or 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 Indenture Trustee's corporate trust office is closed for business.

"Calculation Agent" means JPMorgan Chase Bank, or its successor appointed by the Company and the Trust, acting as calculation agent.

"Floating Rate Determination Date" means the second London Business Day immediately preceding the first day of the relevant Distribution Period in the Floating Rate Period.

"London Business Day" means a day that is a Business Day and a day on which dealings in deposits in U.S. dollars are transacted, or with respect to any future date are expected to be transacted, in the London interbank market.

"Telerate Page 3750" means the display designated on page 3750 on Moneyline Telerate (or such other page as may replace the 3750 page on the service or such other service as may be nominated by the British Bankers' Association for the purpose of displaying London interbank offered rates for U.S. dollar deposits).

"3-month LIBOR" for any Floating Rate Determination Date will be the offered rate for deposits in U.S. dollars having an index maturity of three months for a period commencing on the second London Business Day immediately following the Floating Rate Determination Date in amounts of not less than $1,000,000, such a rate as appears on Telerate Page 3750 or a successor reporter of such rates selected by the Calculation Agent and acceptable to the Company, at approximately 11:00 a.m., London time, on the Floating Rate Determination Date.

Deferred Distributions

The Company has the right under the Subordinated Note Indenture to defer payments of interest on the Series E Junior Subordinated Notes by extending the interest payment period from time to time on the Series E Junior Subordinated Notes which, if exercised, would defer Distributions on the Preferred Securities during any Extension Period. During any Extension Period, Distributions will continue to accrue on the Preferred Securities at the then applicable Distribution Rate. If the Company elects to defer interest during a Fixed Rate Period, Distributions will continue to accrue at the Fixed Rate until the expiration of the Fixed Rate Period. Upon expiration of such Fixed Rate Period and any Fixed Rate Period during the Extension Period, the Company and the Trust will have the option to remarket the Preferred Securities for a new Fixed Rate Period. If the Company and the Trust do not remarket the Preferred Securities, the Floating Rate during the Extension Period shall not be less than the Fixed Rate for the Fixed Rate Period just ended. If the Company elects to defer interest during a Floating Rate Period, Distributions will continue to accrue at the applicable Floating Rate, reset quarterly, subject to the right of the Company and the Trust to remarket the Preferred Securities prior to any Distribution Payment Date in order to establish a new Fixed Rate for a new Fixed Rate Period.

An Extension Period shall not extend beyond the stated maturity of the Series E Junior Subordinated Notes. Prior to the termination of any Extension Period, the Company may further defer payments of interest; provided that the Extension Period, together with all such previous and further extensions thereof, may not exceed five years. The Company may only terminate an Extension Period on the last day of a Distribution Period. 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 E Junior Subordinated Notes.

Deferred installments of interest on the Series E Junior Subordinated Notes will bear interest, compounded on each Interest Payment Date, at a rate per annum equal to the applicable Distribution Rate. Any 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 preceding the termination of such Extension Period. See "Description of the Series E Junior Subordinated Notes—Interest" and "—Option to Extend Interest Payment Period."

Redemption

The Preferred Securities are subject to mandatory redemption upon repayment of the Series E Junior Subordinated Notes at maturity, their earlier redemption or when they are otherwise due. The Series E Junior Subordinated Notes will mature on November 30, 2042 and may be redeemed, in whole but not in part, at the option of the Company on the last Distribution Payment Date relating to the Initial Fixed Rate Period, on such dates with respect to any other Fixed Rate Period as the Company and the Trust may determine prior to the remarketing establishing such Fixed Rate Period or on any Distribution Payment Date relating to a Floating Rate Period or at any time in whole, but not in part, upon the occurrence of a Special Event (as defined below) at the Redemption Price. Upon the repayment of the Series E Junior Subordinated Notes, whether at maturity, upon redemption or when otherwise due, 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 equal to the stated liquidation amount of $1,000 plus accrued and unpaid Distributions thereon to the date of payment (the "Preferred Securities Redemption Price"). See "Description of the Series E Junior Subordinated Notes—Optional Redemption."

Special Event Redemption; Distribution of Series E Junior Subordinated Notes

Upon the occurrence of a Special Event at any time, the Company will have the option to redeem the Series E Junior Subordinated Notes in whole (and thus cause the redemption of the Preferred Securities in whole) (a "Special Event Redemption"). 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 Investment Company Act of 1940, as amended (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 E Junior Subordinated Notes, (ii) interest payable on the Series E 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.

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 E Junior Subordinated Notes to be distributed to the holders of the Preferred 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 E Junior Subordinated Notes are distributed to the holders of the Preferred Securities, the Interest Rate, interest payable, Interest Periods and Interest Payment Dates for the Series E Junior Subordinated Notes will be determined in the same manner as the Distribution Rate, Distributions, Distribution Periods and Distribution Payment Dates for the Preferred Securities and the associated remarketing procedure shall remain the same except (i) the effects of Trust Agreement Events of Default (as defined below) shall be occasioned only by the Subordinated Note Indenture Events of Default and (ii) the cure and waiver provisions relating to Trust Agreement Events of Default shall be superceded by the cure and waiver provisions relating to Subordinated Note Indenture Events of Default. See "Description of Junior Subordinated Notes—Events of Default" in the accompanying Prospectus. After the date for any distribution of Series E 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 securities depositary or its nominee, as the record holder of the Preferred Securities, will receive a registered global certificate or certificates representing the Series E Junior Subordinated Notes to be delivered upon such distribution and (iii) any certificates representing Preferred Securities and the Guarantee not held by the securities depositary or its nominee will be deemed to represent Series E Junior Subordinated Notes having an aggregate principal amount equal to the aggregate stated liquidation amount of, with an Interest Rate identical to the Distribution 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 E 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 E 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

Redemption of the Preferred Securities shall be at the Preferred Securities Redemption Price with the proceeds from the contemporaneous redemption of the Series E Junior Subordinated Notes. The Preferred Securities Redemption Price 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 Preferred Securities 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 Preferred Securities 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 Preferred Securities Redemption Price and will give the Paying Agent irrevocable instructions to pay the Preferred Securities 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 Preferred Securities Redemption Price, but without interest on such Preferred Securities Redemption Price. In the event that any date fixed for redemption of Preferred Securities is not a Business Day, then payment of the Preferred Securities 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 Preferred Securities 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 Distribution Rate, from such redemption date originally established by the Trust for such Preferred Securities to the date such Preferred Securities Redemption Price is actually paid. See "—Events of Default" below, "Relationship Among the Preferred Securities, the Series E Junior Subordinated Notes and the Guarantee" below 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.

Remarketing

Remarketing Procedures

Set forth below is a summary of the procedures to be followed in connection with a remarketing of the Preferred Securities (or, if the Series E Junior Subordinated Notes have been distributed to holders of the Trust Securities in liquidation of the Trust, the Series E Junior Subordinated Notes).

If the Company and the Trust elect to conduct a remarketing, not less than 20 nor more than 35 Business Days prior to the related Election Date, the Trust is required to give the notice of remarketing of the Preferred Securities to DTC, the Remarketing Agent, the Property Trustee, the Indenture Trustee and the Calculation Agent. Such notice will describe the Remarketing and will indicate the length of the proposed new Fixed Rate Period, the proposed Remarketing Date and any redemption provisions that will apply during such new Fixed

Rate Period. At any time prior to the Election Date, the Company and the Trust may elect to terminate a remarketing by giving DTC, the Remarketing Agent, the Property Trustee, the Indenture Trustee and the Calculation Agent notice of such termination.

Not later than 4:00 P.M., New York City time, on an Election Date, each holder of Preferred Securities may give, through the facilities of DTC, a notice to the Property Trustee of its election ("Notice of Election") (i) to retain and not to have all or any portion of the Preferred Securities owned by it remarketed in the remarketing or (ii) to tender all or any portion of such Preferred Securities for purchase in the remarketing (such portion, in either case, is required to be in the liquidation amount of $1,000 or any integral multiple thereof). Any Notice of Election given to the Property Trustee will be irrevocable and may not be conditioned upon the level at which the Fixed Rate is established in the remarketing. Promptly after 4:30 P.M., New York City time, on such Election Date, the Property Trustee, based on the Notices of Election received by it through DTC prior to such time, will notify the Trust, the Company and the Remarketing Agent of the number of Preferred Securities to be retained by holders of Preferred Securities and the number of Preferred Securities tendered for purchase in the remarketing.

If any holder of Preferred Securities gives a Notice of Election to tender Preferred Securities as described in clause (ii) in the prior paragraph, the Preferred Securities so subject to such Notice of Election will be deemed tendered for purchase in the remarketing, notwithstanding any failure by such holder to deliver or properly deliver such Preferred Securities to the Remarketing Agent for purchase. If any holder of Preferred Securities fails timely to deliver a Notice of Election, as described above, such Preferred Securities will be deemed tendered for purchase in such remarketing, notwithstanding such failure or the failure by such holder to deliver or properly deliver such Preferred Securities to the Remarketing Agent for purchase.

The right of each holder of Preferred Securities to have Preferred Securities tendered for purchase shall be limited to the extent that (i) the Remarketing Agent conducts a remarketing pursuant to the terms of the Remarketing Agreement (as defined below), (ii) Preferred Securities tendered have not been called for redemption, (iii) the Remarketing Agent is able to find a purchaser or purchasers for tendered Preferred Securities at a Fixed Rate and (iv) such purchaser or purchasers deliver the purchase price therefor to the Remarketing Agent.

Any holder of Preferred Securities that desires to continue to retain a number of Preferred Securities, but only if the Fixed Rate is not less than a specified rate per annum, should submit a Notice of Election to tender such Preferred Securities and separately notify the Remarketing Agent of its interest at the telephone number set forth in the notice of remarketing. If such holder so notifies the Remarketing Agent, the Remarketing Agent will give priority to such holder's purchase of such number of Preferred Securities in the remarketing, providing that the Fixed Rate is not less than such specified rate.

If holders submit Notices of Election to retain all of the Preferred Securities then outstanding, the Fixed Rate will be the rate determined by the Remarketing Agent, in its sole discretion, as the rate that would have been established had a remarketing been held on the related Remarketing Date.

On any Remarketing Date on which the remarketing is to be conducted, the Remarketing Agent will use commercially reasonable efforts to remarket, at a price equal to 100% of the liquidation amount thereof, Preferred Securities tendered or deemed tendered for purchase.

If, as a result of such efforts, on any Remarketing Date, the Remarketing Agent has determined that it will be able to remarket all Preferred Securities tendered or deemed tendered for purchase in the remarketing at a Fixed Rate and at a price of $1,000 per Preferred Security, prior to 4:00 P.M., New York City time, on such Remarketing Date, the Remarketing Agent will determine the Fixed Rate, which will be the rate per annum (rounded to the nearest one-thousandth (0.001) of one percent per annum) which the Remarketing Agent determines, in its sole judgment, to be the lowest Fixed Rate per annum, if any, that will enable it to remarket all Preferred Securities tendered or deemed tendered for remarketing at a price of $1,000 per Preferred Security.

If the Remarketing Agent is unable to remarket by 4:00 P.M., New York City time on the third Business Day prior to the Remarketing Settlement Date, all Preferred Securities tendered or deemed tendered for purchase at a price of $1,000 per Preferred Security, the Distribution Rate shall be the Floating Rate. In such case, no Preferred Securities will be sold in the remarketing and each holder will continue to hold its Preferred Securities at the Floating Rate.

All Preferred Securities tendered or deemed tendered in the remarketing will be automatically delivered to the account of the Remarketing Agent through the facilities of DTC against payment of the purchase price therefor on the Remarketing Settlement Date. The Remarketing Agent will make payment to the Participant (as defined below) of each tendering holder of Preferred Securities in the remarketing through the facilities of DTC by the close of business on the Remarketing Settlement Date.

In accordance with DTC's normal procedures, on the Remarketing Settlement Date, the transactions described above with respect to each Preferred Security tendered for purchase and sold in the remarketing will be executed through DTC and the accounts of the Participants will be debited and credited and such Preferred Securities delivered by book entry as necessary to effect purchases and sales of such Preferred Securities. DTC is expected to make payment in accordance with its normal procedures.

If any holder selling Preferred Securities in the remarketing fails to deliver such Preferred Securities, the Participant of such selling holder and of any other person that was to have purchased Preferred Securities in the remarketing may deliver to any such other person a number of Preferred Securities that is less than the number of Preferred Securities that otherwise was to be purchased by such person. In such event, the number of Preferred Securities to be so delivered will be determined by such Participant and delivery of such lesser number of Preferred Securities will constitute good delivery.

The Remarketing Agent is not obligated to purchase any Preferred Securities that would otherwise remain unsold in a remarketing. Neither the Trust, any Securities Trustee, the Company nor the Remarketing Agent shall be obligated in any case to provide funds to make payment upon tender of Preferred Securities for remarketing.

As used herein:

"Remarketing Date" means any Business Day no later than the third Business Day prior to any Remarketing Settlement Date.

"Remarketing Settlement Date" means (i) the first Business Day of the next Distribution Period following the expiration of the Initial Fixed Rate Period, (ii) any Distribution Payment Date during a Floating Rate Period or (iii) any Distribution Payment Date during a time in which Preferred Securities are redeemable in a Fixed Rate Period subsequent to the Initial Fixed Rate Period.

Remarketing Agent

The Remarketing Agent will be Lehman Brothers Inc. The Company and the Trust will enter into a Remarketing Agreement (the "Remarketing Agreement") with the Remarketing Agent which provides, among other things, that Lehman Brothers Inc. will act as the exclusive Remarketing Agent and will use commercially reasonable efforts to remarket Preferred Securities rendered or deemed tendered for purchase in the remarketing at a price of $1,000 per Preferred Security. Under certain circumstances, some portion of the Preferred Securities tendered in the remarketing may be purchased by the Remarketing Agent. See "—Remarketing Procedures."

The Remarketing Agreement provides that the Remarketing Agent shall incur no liability to the Company or to any holder of Preferred Securities in its individual capacity or as Remarketing Agent for any action or failure to act in connection with a remarketing or otherwise, except as a result of gross negligence or willful misconduct on its part.

The Company has agreed to indemnify the Remarketing Agent against certain liabilities, including liabilities under the Securities Act of 1933, as amended (the "Securities Act"), arising out of or in connection with its duties under the Remarketing Agreement.

The Remarketing Agreement will also provide that any Remarketing Agent may resign and be discharged from its duties and obligations thereunder; provided, however, that no such resignation will become effective until the Company has appointed at least one nationally recognized broker-dealer as successor Remarketing Agent and such successor Remarketing Agent has entered into a remarketing agreement with the Company and the Trust. In such case, the Company and the Trust will use its best reasonable efforts to appoint a successor Remarketing Agent and enter into such a remarketing agreement with such person as soon as reasonably practicable.

Book-Entry Only Issuance—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, or such other name as may be requested by an authorized representative of DTC. 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 Securities Exchange Act of 1934, as amended (the "1934 Act"). DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations ("Direct Participants"). DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants" and, together with the Direct Participants, the "Participants"). The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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 Direct or Indirect 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.

To facilitate subsequent transfers, all Preferred Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Preferred Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. 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 Direct and Indirect 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.

Although voting with respect to the Preferred Securities is limited, in those cases where a vote is required, neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Preferred Securities. Under its usual procedures, DTC mails 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 Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Trust or the Property Trustee on the relevant payment date in accordance with their respective holdings shown on DTC's records. 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 in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, 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 Cede & Co. (or such nominee as may be requested as an authorized representative of 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 Company and the Trust have 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 E Junior Subordinated Notes to the holders of the Preferred Securities in liquidation of the Trust (see "—Special Event Redemption; Distribution of Series E Junior Subordinated Notes" above); or (iii) the payment at maturity or redemption of all of the Series E 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 E 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 $1,000 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 Preferred Securities 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 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 E Junior Subordinated Notes. If the Property Trustee fails to enforce its rights under the Series E 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 E 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 E Junior Subordinated Notes. See "Relationship Among the Preferred Securities, the Series E Junior Subordinated Notes and the Guarantee" herein and "Description of the Guarantees—Events of Default" in the accompanying Prospectus.

A Trust Agreement Event of Default will be deemed to be cured or waived if, at any time, (a) after a Trust Agreement Event of Default exists and payment of interest and principal on the Series E Junior Subordinated Notes has been accelerated under the terms of the Subordinated Note Indenture or (b) prior to a judgment or decree for the payment of the money due on the Preferred Securities has been obtained, the following events occur: (i) the holders of at least 66 ⅔% in liquidation amount of the outstanding Preferred Securities give written notice to the Property Trustee, the Administrative Trustees and the Company to rescind and annul such declaration of acceleration of the Series E Junior Subordinated Notes and its consequences, (ii) the Trust pays and deposits with the securities depository a sum sufficient to pay all Distributions (including any accrued interest) and liquidation amounts due on the Preferred Securities otherwise than caused by the acceleration of the Series E Junior Subordinated Notes and (iii) all other Trust Agreement Events of Default are no longer continuing or have been waived.

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 E 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, or executing any trust or power conferred on the Indenture Trustee with respect to the Series E 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 E 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 E Junior Subordinated Notes, where such consent shall be required, or to any other action, as the holder of the Series E 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 E 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 E 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 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 (A) expressly assumes all of the obligations of the Trust with respect to the Trust Securities or (B) 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 Series E 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 Payment 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.

JPMorgan Chase 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 JPMorgan Chase Bank. JPMorgan Chase 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 E 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 E JUNIOR SUBORDINATED NOTES

Set forth below is a description of the specific terms of the Series E 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.

General

The Series E Junior Subordinated Notes will be issued as a series of Junior Subordinated Notes under the Subordinated Note Indenture. The Series E Junior Subordinated Notes will be limited in aggregate principal amount to $41,238,000, such amount being the approximate aggregate liquidation amount of the Trust Securities.

The entire principal amount of the Series E Junior Subordinated Notes will mature and become due and payable, together with any accrued and unpaid interest thereon, including Additional Interest (see "Description of the Junior Subordinated Notes—Additional Interest" in the accompanying Prospectus), if any, on November 30, 2042. The Series E Junior Subordinated Notes are not subject to any sinking fund provision.

The terms of the Series E 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 E Junior Subordinated Notes, in whole, but not in part, without premium, from time to time, on the last Interest Payment Date, as defined below, relating to the Initial Fixed Rate Period, on such dates with respect to any other Fixed Rate Period as the Company and the Trust may determine prior to the remarketing establishing such Fixed Rate Period, on any Interest Payment Date relating to a Floating Rate Period or upon the occurrence of a Special Event as described under "Description of the Preferred Securities—Special Event Redemption; Distribution of Series E Junior Subordinated Notes," upon not less than 30 nor more than 60 days' notice, at the Redemption Price.

Interest

Each Series E Junior Subordinated Note shall bear interest at a rate equal to the Distribution Rate payable on the Preferred Securities (the "Interest Rate"). The periods for which interest is payable shall be the same as the semiannual or quarterly Distribution Periods for the Preferred Securities (each, an "Interest Period"). Interest shall be payable on the same dates as Distributions are payable on the Preferred Securities (each, an "Interest Payment Date") to the person in whose name such Series E Junior Subordinated Note is registered on the Record Date. The Interest Rate payable on each Interest Payment Date and the length of each Interest Period shall be determined and shall be computed in the same manner as Distributions and Distribution Periods are computed for the Preferred Securities.

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 E Junior Subordinated Notes by extending the interest payment period for up to five years, but not beyond the stated maturity date. During any Extension Period, Distributions and interest will continue to accrue on the Preferred Securities and the Series E Junior Subordinated Notes. If the Company elects to defer interest during a Fixed Rate Period, interest will continue to accrue at the Fixed Rate until the expiration of the Fixed Rate Period. Upon expiration of such Fixed Rate Period and any Fixed Rate Period during the Extension Period, the Company and the Trust will have the option to remarket the Preferred Securities for a new Fixed Rate Period. If the Company and the Trust do not remarket the Preferred Securities, the Floating Rate during the Extension Period

shall not be less than the Fixed Rate for the Fixed Rate Period just ended. If the Company elects to defer interest during a Floating Rate Period, interest will continue to accrue at the applicable Floating Rate, reset quarterly, subject to the right of the Company and the Trust to remarket the Preferred Securities prior to any Interest Payment Date in order to establish a new Fixed Rate for a new Fixed Rate Period.

If the Company decides to defer interest payments on the Series E Junior Subordinated Notes, the Extension Period shall not exceed five years. An Extension Period shall not extend beyond the stated maturity of the Series E Junior Subordinated Notes. Prior to the termination of any Extension Period, the Company may further defer payments of interest; *provided* that the Extension Period, together with all such previous and further extensions thereof, may not exceed five years. The Company may only terminate an Extension Period on the last day of any Interest Period. 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 E Junior Subordinated Notes.

At the end of an Extension Period, the Company shall pay all interest then accrued and unpaid (together with interest thereon at the prevailing Interest Rate, to the extent permitted by applicable law, compounded on each Interest Payment Date); *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 on a parity with or junior to the Series E Junior Subordinated Notes.

The Company has no present intention of exercising its rights to defer payments of interest by extending the Interest Period on the Series E Junior Subordinated Notes. See "Certain Federal Income Tax Consequences—Original Issue Discount."

The Company shall give the holder or holders of the Series E 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 any applicable self-regulatory organization of the Record Date or the date such interest or Distributions are payable.

Events of Default

For a description of Subordinated Note Indenture Events of Default with respect to the Series E Junior Subordinated Notes, see "Description of the Junior Subordinated Notes—Events of Default" in the accompanying Prospectus.

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 E 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 E 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 E JUNIOR SUBORDINATED NOTES AND THE GUARANTEE

As long as payments of interest and other payments are made when due on the Series E 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 E 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 E 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 E 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 E 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 E Junior Subordinated Notes, including proceeding directly against the Company to enforce the Series E Junior Subordinated Notes. If the Property Trustee fails to enforce its rights under the Series E 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 E 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 E 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 E 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 E 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 E 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 E 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 E 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 E Junior Subordinated Notes provide that no payments may be made in respect of the Series E 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 E Junior Subordinated Notes would constitute an Event of Default under the Subordinated Note Indenture, except that failure to make interest payments on the Series E Junior Subordinated Notes will not be an Event of Default during an Extension Period; provided, however, that any Extension Period may not exceed five years or extend beyond the stated maturity of the Series E Junior Subordinated Notes.

CERTAIN FEDERAL INCOME TAX CONSEQUENCES

The following is a summary of the material United States federal income tax consequences of the ownership and disposition of the Preferred Securities, but does not purport to be a complete analysis of all the potential tax considerations relating thereto. Unless otherwise stated, this summary deals only with Preferred Securities held as capital assets by Holders (as defined below). The tax treatment of a Holder may vary depending on its particular situation. This summary does not deal with special classes of Holders, such as foreign persons, dealers in securities or currencies, banks, thrifts, real estate investment trusts, regulated investment companies, insurance companies, tax exempt organizations, persons holding Preferred Securities as part of a straddle or as part of a hedging or conversion transaction or other integrated investment, or persons whose functional currency is not the United States dollar. Further, it does not include any description of alternative minimum tax consequences or the tax laws of any state, local or foreign government that may be applicable to the Preferred Securities. Prospective investors should consult their own tax advisors with regard to the application of any foreign, state, local or other tax laws. This summary is based on the Internal Revenue Code of 1986, as amended (the "Code"), the Treasury regulations thereunder and administrative and judicial interpretations thereof, all as of the date hereof, and all of which are subject to change (possibly on a retroactive basis). The authorities on which this summary is based are subject to various interpretations, and it is therefore possible that the federal income tax treatment of the ownership and disposition of the Preferred Securities may differ from the treatment described below. The Company has not sought any ruling from the Internal Revenue Service (the "IRS") with respect to the statements made and the conclusions reached in the following summary, and there can be no assurance that the IRS will agree with such statements and conclusions. In addition, the IRS is not precluded from successfully adopting a contrary position.

As used herein, the term "Holder" means a beneficial owner of Preferred Securities, that is for United States federal income tax purposes: (i) a citizen or resident (as defined in Section 7701(b) of the Code) of the United States, (ii) a corporation, partnership or other entity created or organized under the laws of the United States or a political subdivision thereof, (iii) an estate the income of which is subject to federal income taxation regardless of its source, or (iv) a trust if (a) a court within the United States is able to exercise primary supervision over the administration of the trust and (b) one or more United States persons have the authority to control all substantial decisions of the trust.

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 E 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 E 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. See "Original Issue Discount" below.

Payment of Interest

Except as set forth below with respect to OID, if any, stated interest on a Series E 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 tax accounting.

Original Issue Discount

The terms of the Series E Junior Subordinated Notes permit the Company to defer the payment of interest on the Series E Junior Subordinated Notes at any time and from time to time by extending the interest payment

period for up to five years with respect to each Extension Period; provided, however, that no Extension Period may extend beyond the stated maturity date of the Series E Junior Subordinated Notes.

Under applicable Treasury regulations, a remote contingency that stated interest will not be timely paid is ignored in determining whether a debt instrument is issued with OID. While the law is not entirely clear, because the Company's exercise of the option to defer payments of stated interest on the Series E Junior Subordinated Notes would prevent the Company from paying dividends on any class of stock, the Company believes that the likelihood of its exercising its option to defer payments is remote within the meaning of the regulations. As a result, unless and until the Company exercises its option to defer payments of stated interest, each Holder should include in gross income such Holder's allocable share of interest in the Series E Junior Subordinated Notes in accordance with such Holder's method of tax accounting. It should be noted that these regulations have not yet been addressed in any rulings or other interpretations by the IRS. Accordingly, it is possible that the IRS could take a position contrary to the interpretations described herein.

Should the Company exercise its option to defer payments of interest, the Series E Junior Subordinated Notes would, at that time, be treated as issued with OID. Thereafter, the sum of the remaining interest payments on the Series E Junior Subordinated Notes would be treated as OID, which a Holder would be required to accrue and include in taxable income on an economic accrual basis (regardless of the Holder's method of accounting for income tax purposes) over the remaining term of the Series E Junior Subordinated Notes (including any period of interest deferral), without regard to the timing of payments under the Series E Junior Subordinated Notes. The amount a Holder would include in taxable income would be determined on the basis of a constant-yield method over the remaining term of the Series E Junior Subordinated Notes, and the actual receipt of future payments of stated interest on the Series E Junior Subordinated Notes would no longer be separately reported as taxable income. The total amount of OID that would accrue during the Extension Period would be approximately equal to the amount of the cash payment due at the end of such period. Any OID included in income would increase a Holder's adjusted tax basis in their Preferred Securities, and a Holder's actual receipt of cash would reduce such Holder's basis in the Preferred Securities.

This discussion of "Certain Federal Income Tax Consequences" is based on the assumption that the Series E Junior Subordinated Notes qualify as "variable rate debt instruments" ("VRDIs") that are issued without any OID (other than "de minimis" OID, if any) within the meaning of applicable Treasury regulations. However, the law is not settled and it is possible that the IRS could take the position that the Series E Junior Subordinated Notes are either (i) VRDIs issued with OID or (ii) contingent payment debt instruments. If the IRS were successful in either assertion, Holders would experience United States federal income tax consequences significantly different from those discussed herein.

Market Discount and Premium

Prior to the exercise by the Company of its option to defer payment of stated interest on the Series E Junior Subordinated Notes, 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 E Junior Subordinated Notes acquires such Preferred Security with "market discount." Following the exercise by the Company of its option to defer payments of stated interest on the Series E Junior Subordinated Notes, a purchaser of a Preferred Security at a discount from its "revised issue price" acquires such Preferred Security with "market discount." For this purpose, the "revised issue price" is the issue price of the Preferred Security plus the aggregate amount of OID includible in the gross income of all holders of the security for all periods before the acquisition. However, in either case, 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 E Subordinated Notes multiplied by (ii) the number of complete years to maturity of such Series E 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 E

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 E 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 of the related Series E Junior Subordinated Notes (including redemptions thereof), a Holder may make an election (which may not be revoked without the IRS'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.

Prior to the exercise by the Company of its option to defer payments of stated interest on the Series E Junior Subordinated Notes, a Holder that acquires a Preferred Security for an amount that is greater than its liquidation amount at maturity will be considered to have purchased the Preferred Security at a "premium" equal to such excess and may elect (in accordance with applicable Code provisions) to amortize such premium on a constant-yield basis over the remaining term of the Preferred Security (subject to special rules concerning early call provisions). If an election to amortize the premium on a Preferred Security, if any, is not made, the premium will decrease the gain or increase the loss otherwise recognized on a taxable disposition of the Preferred Security. Following the exercise by the Company of its option to defer payments of stated interest on the Series E Junior Subordinated Notes, a Holder that has acquired a Preferred Security for a purchase price in excess of its "adjusted issue price" may generally apply such "acquisition premium" to reduce the amount of OID required to be included in income. The "adjusted issue price" will generally be equal to the original issue price of a Preferred Security increased by the amount of OID previously includible in the gross income of any Holder and decreased by any payments made after the Company has exercised its option to defer payments.

Corporate Holders

Corporate Holders of Preferred Securities will not be entitled to a dividends-received deduction for any income from the Preferred Securities.

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 and Premium" above. The 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. If, however, the Series E Junior Subordinated Notes were determined not to qualify as VRDIs under the applicable Treasury regulations, they would be treated as "contingent payment debt instruments" with the result that any recognized gain upon disposition of Preferred Securities would be treated as ordinary income to the

Holder rather than as capital gain. Any loss recognized would be ordinary loss to the extent of the Holder's ordinary income previously taken in account. A Holder's adjusted tax basis in a Preferred Security acquired by purchase will generally equal the cost of such Preferred Security to the Holder. A Holder's adjusted tax basis in a Preferred Security is increased by the amount of any related accrued OID and market discount included in taxable income by the Holder. Also, a Holder's adjusted tax basis in a Preferred Security is reduced by any amortized "premium" and, following exercise by the Company of its option to defer payments of stated interest on the Series E Junior Subordinated Notes, it is also reduced by subsequent payment on the Series E Junior Subordinated Notes distributed on the Preferred Security.

Receipt of Series E Junior Subordinated Notes Upon Liquidation of the Trust

As described under "Description of the Preferred Securities—Special Event Redemption; Distribution of Series E Junior Subordinated Notes," Series E 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 E 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 E 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 and Backup Withholding

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. In addition, 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. Backup withholding applies to "reportable payments," which generally will include distributions of interest and principal payments on the Series E Junior Subordinated Notes. Currently, the backup withholding tax rate is 30%, but will be gradually reduced to 28% by 2006.

Effect of Possible Tax Law Changes on the Preferred Securities

On January 24, 2002, legislation was proposed in Congress that generally would deny an interest deduction for interest paid or accrued on debt instruments that are not shown as part of the total liabilities in the certified annual report of an issuer. If this provision were to apply to the Series E Junior Subordinated Notes, the Company would not be able to deduct interest payments on the Series E Junior Subordinated Notes. However, this provision is proposed to be effective for instruments issued on or after the date of enactment of such legislation. Consequently, as drafted, the proposed legislation would not affect the Preferred Securities or the Series E Junior Subordinated Notes or otherwise affect the tax treatment of the transaction described in this Prospectus Supplement. Nevertheless, there can be no assurance that the final terms of the proposed legislation, if adopted, or other further legislative proposals, will not adversely affect our ability to deduct interest on the Series E Junior Subordinated Notes. If such an event were to occur, the Company would be permitted to redeem the Series E Junior Subordinated Notes. Such redemption would cause a mandatory redemption of the Preferred Securities at a redemption price equal to their liquidation amount plus accumulated and unpaid distributions and would constitute a taxable event. See "Risk Factors — Preferred Securities May be Redeemed at Any Time if Certain Changes in Tax or Investment Company Law Occur."

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.

CERTAIN ERISA CONSIDERATIONS

A fiduciary of a pension, profit-sharing or other employee benefit plan (an "ERISA Plan") subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), should consider the fiduciary standards of ERISA in the context of the ERISA Plan's particular circumstances before authorizing an investment in the Preferred Securities. Among other factors, the fiduciary should consider whether such an investment is in accordance with the documents governing the ERISA Plan and whether the investment is appropriate for the ERISA Plan in view of its overall investment policy and diversification of its portfolio.

Certain provisions of ERISA and the Code prohibit ERISA Plans, as well as individual retirement accounts and Keogh plans subject to section 4975 of the Code (collectively, "Plans"), from engaging in certain transactions involving "plan assets" with parties that are "parties in interest" under ERISA or "disqualified persons" under the Code with respect to the Plan. The U.S. Department of Labor has issued a final regulation (the "Regulation") with regard to whether the underlying assets of an entity in which employee benefit plans acquire equity interests are deemed to be plan assets.

Under such Regulation, for purposes of ERISA and section 4975 of the Code, the assets of the Trust would be deemed to be "plan assets" of a Plan whose assets were used to purchase Preferred Securities if the Preferred Securities were considered to be equity interests in the Trust and no exception to plan asset status was applicable under the Regulation.

If the assets of the Trust were deemed to be plan assets of Plans that are holders of the Preferred Securities, a Plan's investment in the Preferred Securities might be deemed to constitute a delegation under ERISA of the duty to manage plan assets by a fiduciary investing in Preferred Securities. In addition, the Company might be considered a "party in interest" or "disqualified person" with respect to Plans whose assets were used to purchase Preferred Securities. If this were the case, an investment in Preferred Securities by a Plan might constitute or, in the course of the operation of the Trust, give rise to a prohibited transaction under ERISA or the Code. In particular, it is likely that, under such circumstances, a prohibited "extension of credit" to the Company would be considered to occur under ERISA and the Code.

Because of the possibility that the assets of the Trust would be considered plan assets of Plans whose assets were invested in the Preferred Securities, and the likelihood that under such circumstances a prohibited extension of credit would occur, the Preferred Securities may not be purchased or held by any Plan or any person investing "plan assets" of any Plan, unless such purchaser or holder is eligible for the exemptive relief available under Prohibited Transaction Class exemption ("PTCE") 96-23 (for certain transactions determined by in-house asset managers), PTCE 95-60 (for certain transactions involving insurance company general accounts), PTCE 91-38 (for certain transactions involving bank collective investment funds), PTCE 90-1 (for certain transactions involving insurance company separate accounts) or PTCE 84-14 (for certain transactions determined by independent qualified professional asset managers). Any purchaser of the Preferred Securities or any interest therein will be deemed to have represented that either (a) it is not a Plan and is not purchasing such securities (or interest therein) on behalf of or with "plan assets" of any Plan or (b) its purchase and holding of the Preferred Securities (or interest therein) is eligible for the exemptive relief available under PTCE 96-23, 95-60, 91-38, 90-1 or 84-14.

Due to the complexity of these rules and the penalties imposed upon persons involved in prohibited transactions, it is important that any person considering the purchase of Preferred Securities with Plan assets consult with its counsel regarding the consequences under ERISA and the Code of the acquisition and ownership of Preferred Securities and the availability of exemptive relief under the class exemptions listed above. Employee benefit plans which are governmental plans (as defined in Section 3(32) of ERISA) and certain church plans (as defined in Section 3(33) of ERISA) generally are not subject to ERISA requirements but may be subject to comparable requirements.

UNDERWRITING

The Company and the Trust have entered into an underwriting agreement (the "Underwriting Agreement") with Lehman Brothers Inc. as representative (the "Representative") of the several underwriters named below (the "Underwriters"). In the Underwriting Agreement, each Underwriter has severally agreed, subject to the terms and conditions set forth therein, to purchase all of the Preferred Securities set opposite its name below if any of the Preferred Securities are purchased.

Name	Number of Preferred Securities
Lehman Brothers Inc.	32,000
SunTrust Capital Markets, Inc.	8,000
Total	40,000

Because the Trust will invest the proceeds from the sale of the Preferred Securities in the Series E Junior Subordinated Notes issued by the Company, the Underwriting Agreement provides that the Company will pay an underwriting commission of $10.00 per Preferred Security (or $400,000 for all Preferred Securities) to the Representative for the account of the several Underwriters, as compensation.

The Underwriters propose to offer the Preferred Securities directly to the public at the initial public offering set forth on the cover page of this Prospectus Supplement and may offer them to certain securities dealers at such price less a concession not in excess of 0.60% of the liquidation amount per Preferred Security. The Underwriters may allow, and such dealers may reallow, a concession not in excess of 0.25% of the liquidation amount of the 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 Underwriters.

Prior to this offering, there has been no public market for the Preferred Securities. The Preferred Securities will not be listed on a securities exchange. The Representative has advised the Company that the Underwriters intend to make a market in the Preferred Securities. The Underwriters 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 has agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act.

The Company's expenses associated with the offer and sale of the Preferred Securities are estimated to be $210,000.

In order to facilitate the offering of the Preferred Securities, the Underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the Preferred Securities. Specifically, the Underwriters may over-allot in connection with the offering, creating short positions in the Preferred Securities for their own account. In addition, to cover over-allotments or to stabilize the price of the Preferred Securities, the Underwriters may bid for, and purchase, Preferred Securities in the open market. The Underwriters may reclaim selling concessions allowed to an Underwriter or dealer for distributing Preferred Securities in the offering, if the Underwriters repurchase previously distributed Preferred Securities in transaction to cover short positions, in stabilization transactions or otherwise. Any of these activities may stabilize or maintain the market price of the Preferred Securities above independent market levels. The Underwriters are not required to engage in these activities, and may end any of these activities at any time.

In general, purchases of a security for the purpose of stabilization or to reduce a 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, the Trust nor 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 Preferred Securities. In addition, neither the Company, the Trust nor 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.

Because NASD Regulation, Inc. ("NASDR") is expected to view the Preferred Securities as interests in a direct participation program, the offering is being made in compliance with Rule 2810 of the NASDR's Conduct Rules. Offers and sales of Preferred Securities will be made only to (i) "qualified institutional buyers", as defined in Rule 144A under the Securities Act; or (ii) institutional "accredited investors", as defined in Rule 501(a)(1)-(3) of Regulation D under the Securities Act. The Underwriters may not confirm sales to any accounts over which they exercise discretionary authority without the prior written approval of the transaction by the customer.

The Underwriters and their affiliates engage in transactions with, and, from time to time, have performed services for, the Company and its affiliates in the ordinary course of business.

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, 2001, incorporated by reference herein, have been audited by Arthur Andersen LLP ("Andersen"), 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.

On March 28, 2002, the Board of Directors of Southern, upon recommendation of its Audit Committee, decided not to engage Andersen as the Company's principal public accountants and engaged Deloitte & Touche LLP to serve as the Company's principal public accountants for fiscal year 2002.

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, P.A., Wilmington, Delaware, special Delaware counsel to the Company and the Trust. The validity of the Series E 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 LLP, New York, New York.

PROSPECTUS

$350,000,000

Gulf Power Company

Senior Notes

Junior Subordinated Notes

Gulf Power Capital Trust III
Gulf Power Capital Trust IV

Trust Preferred Securities

Fully and unconditionally guaranteed, as set forth herein, by

Gulf Power Company

a subsidiary of The Southern Company

We will provide the specific terms of these securities in supplements to this Prospectus. You should read this Prospectus and the applicable prospectus supplement carefully before you invest.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this Prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

June 1, 2001

ABOUT THIS PROSPECTUS

This Prospectus is part of a registration statement filed with the Securities and Exchange Commission (the "Commission") using a "shelf" registration process under the Securities Act of 1933, as amended (the "1933 Act"). Under the shelf process, Gulf Power Company (the "Company") may sell, in one or more transactions,

- senior notes (the "Senior Notes")
- junior subordinated notes (the "Junior Subordinated Notes")

and Gulf Power Capital Trust III and Gulf Power Capital Trust IV (individually, a "Trust" and collectively, the "Trusts") may sell

- trust preferred securities or capital securities (the "Preferred Securities")

in one or more offerings up to a total dollar amount of $350,000,000. This Prospectus provides a general description of those securities. Each time the Company sells securities, the Company will provide a prospectus supplement that will contain specific information about the terms of that offering ("Prospectus Supplement"). The Prospectus Supplement may also add, update or change information contained in this Prospectus. You should read this Prospectus and the applicable Prospectus Supplement together with additional information under the heading "Available Information."

AVAILABLE INFORMATION

The Company and the Trusts have filed with the Commission a combined registration statement on Form S-3 (the "Registration Statement," which term encompasses any amendments thereof and exhibits thereto) under 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.

No separate financial statements of any Trust are included herein. The Company considers that such statements would not be material to holders of the Preferred 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 (as defined below) 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, 2000; and

(b) the Company's Current Report on Form 8-K dated February 28, 2001.

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, One Energy Place, Pensacola, Florida 32520, telephone: (850) 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, 2000	370,119
Generating Capacity at December 31, 2000 (kilowatts)	2,188,150
Sources of Generation during 2000 (kilowatt-hours)	Coal (98%), Gas and Oil (2%)
Sources of Generation Estimated for 2001 (kilowatt-hours)	Coal (98%), Gas and Oil (2%)

Certain Ratios

The following table sets forth the Ratios of Earnings to Fixed Charges and Earnings to Fixed Charges Plus Preferred Dividend Requirements (Pre-Income Tax Basis) for the periods indicated.

	Year Ended December 31,				
	1996	1997	1998	1999	2000
Ratio of Earnings to Fixed Charges(1)	4.29	4.18	3.83	3.62	3.38
Ratio of Earnings to Fixed Charges Plus Preferred Dividend Requirements (Pre-Income Tax Basis)(2)	3.31	3.53	3.72	3.58	3.34

(1) This ratio is computed as follows: (i) "Earnings" have been calculated by adding to "Earnings Before Interest and Income Taxes" 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.

(2) 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.

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 (850) 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, as amended. 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 November 26, 1997, with respect to Gulf Power Capital Trust III, and April 25, 2001, with respect to Gulf Power Capital Trust IV. 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"). The Company will own all of the common securities (the "Common Securities" and, together with the Preferred Securities, the "Trust Securities") of each Trust. The Trust Securities represent undivided beneficial interests in the assets of the respective Trusts. 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. The payment of periodic cash distributions on the Preferred Securities of each Trust and payments on liquidation and redemption with respect to the Preferred Securities of each Trust, in each case to the extent each Trust has funds legally and immediately available therefor, will be guaranteed by the Company (individually, a "Guarantee" and collectively, the "Guarantees") to the extent set forth under "Description of the Guarantees."

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 employees of the Company as Administrative Trustees; The Chase Manhattan Bank as Property Trustee; and Chase Manhattan Bank USA, National Association as Delaware Trustee (collectively, the "Securities Trustees"). 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 (850) 444-6111, Attn: Treasurer.

Reference is made to the Prospectus Supplement relating to the Preferred Securities of a Trust for further information concerning such Trust.

ACCOUNTING TREATMENT OF TRUSTS

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 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 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 Preferred Securities as an expense.

USE OF PROCEEDS

Each Trust will invest the proceeds received from the sale of its Preferred 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 and any proceeds received from the sale of its Senior Notes or other sales of its Junior Subordinated Notes 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.

DESCRIPTION OF THE SENIOR NOTES

Set forth below is a description of the general terms of the Senior Notes. The following description does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the Senior Note Indenture, dated as of January 1, 1998, between the Company and The Chase Manhattan Bank, as trustee (the "Senior Note Indenture Trustee"), as to be supplemented by a supplemental indenture thereto establishing the Senior Notes of each series (the Senior Note Indenture, as so supplemented, is hereinafter referred to as the "Senior 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 Senior Notes will include those stated in the Senior Note Indenture and those made a part of the Senior Note Indenture by reference to the 1939 Act. Certain capitalized terms used herein are defined in the Senior Note Indenture.

General

The Senior Notes will be issued as unsecured senior debt securities under the Senior Note Indenture and will rank *pari passu* with all other unsecured and unsubordinated debt of the Company. The Senior Notes will be effectively subordinated to all secured debt of the Company, including its first mortgage bonds, aggregating approximately $254,700,000 outstanding at December 31, 2000. The Senior Note Indenture does not limit the aggregate principal amount of Senior Notes that may be issued thereunder and provides that Senior Notes may be issued from time to time in one or more series pursuant to an indenture supplemental to the Senior Note Indenture. The Senior Note Indenture gives the Company the ability to reopen a previous issue of Senior Notes and issue additional Senior Notes of such series, unless otherwise provided.

Reference is made to the Prospectus Supplement that will accompany this Prospectus for the following terms of the series of Senior Notes being offered thereby: (i) the title of such Senior Notes; (ii) any limit on the aggregate principal amount of such Senior Notes; (iii) the date or dates on which the principal of such Senior Notes is payable; (iv) the rate or rates at which such Senior 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 Senior 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 Senior 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 Senior Notes; (viii) the denominations in which such Senior Notes shall be issuable; (ix) if other than the principal amount thereof, the portion of the principal amount of such Senior 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 Senior Note Indenture pertaining to such Senior Notes; (xi) whether such Senior Notes shall be issued in whole or in part in the form of a Global Security; and (xii) any other terms of such Senior Notes.

The Senior Note Indenture does not contain provisions that afford holders of Senior Notes protection in the event of a highly leveraged transaction involving the Company.

Events of Default

The Senior Note Indenture provides that any one or more of the following described events with respect to the Senior Notes of any series, which has occurred and is continuing, constitutes an "Event of Default" with respect to the Senior Notes of such series:

(a) failure for 10 days to pay interest on the Senior Notes of such series, when due on an interest payment date other than at maturity or upon earlier redemption; or

(b) failure to pay principal or premium, if any, or interest on the Senior Notes of such series when due at maturity or upon earlier redemption; or

(c) failure for three Business Days to deposit any sinking fund payment when due by the terms of a Senior Note of such series; or

(d) failure to observe or perform any other covenant or warranty of the Company in the Senior Note Indenture (other than a covenant or warranty which has expressly been included therein solely for the benefit of one or more series of Senior Notes other than such series) for 90 days after written notice to the Company from the Senior Note Indenture Trustee or the holders of at least 25% in principal amount of the outstanding Senior Notes of such series; or

(e) 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 Senior Notes of any series have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Senior Note Indenture Trustee with respect to the Senior Notes of such series. If a Senior Note Indenture Event of Default occurs and is continuing with respect to the Senior Notes of any series, then the Senior Note Indenture Trustee or the holders of not less than 25% in aggregate outstanding principal amount of the Senior Notes of such series may declare the principal amount thereof due and payable immediately by notice in writing to the Company (and to the Senior Note 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 Senior 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 Senior Note Indenture, the holders of not less than a majority in aggregate outstanding principal amount of the Senior 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 Senior Note Indenture Trustee a sum sufficient to pay all matured installments of interest and principal due otherwise than by acceleration and all sums paid or advanced by the Senior Note Indenture Trustee, including reasonable compensation and expenses of the Senior Note Indenture Trustee.

The holders of not less than a majority in aggregate outstanding principal amount of the Senior Notes of any series may, on behalf of the holders of all the Senior 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 Senior Note Indenture cannot be modified or amended thereunder without the consent of the holder of each outstanding Senior Note of such series affected thereby.

Registration and Transfer

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

Payment and Paying Agent

Unless otherwise indicated in an applicable Prospectus Supplement, payment of principal of any Senior Notes will be made only against surrender to the Paying Agent of such Senior Notes. Principal of and interest on Senior 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 Senior Notes. Payment of interest on Senior Notes on any interest payment date will be made to the person in whose name the Senior Notes (or predecessor security) are registered at the close of business on the record date for such interest payment.

Unless otherwise indicated in an applicable Prospectus Supplement, the Senior Note Indenture Trustee will act as Paying Agent with respect to the Senior 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 Senior 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 Senior Notes will thereafter look only to the Company for payment thereof.

Modification

The Senior Note Indenture contains provisions permitting the Company and the Senior Note Indenture Trustee, with the consent of the holders of not less than a majority in principal amount of the outstanding Senior Notes of each series affected thereby, to modify the Senior Note Indenture or the rights of the holders of the Senior Notes of such series; provided, that no such modification may, without the consent of the holder of each outstanding Senior Note affected thereby, (i) change the stated maturity of the principal of, or any installment of principal of or interest on, any Senior Note, or reduce the principal amount thereof or the rate of 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 Senior 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 Senior Note Indenture or certain defaults thereunder and their consequences) provided for in the Senior Note Indenture, or (iii) modify any of the provisions of the Senior 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 Senior Note Indenture cannot be modified or waived without the consent of the holder of each outstanding Senior Note affected thereby.

In addition, the Company and the Senior Note Indenture Trustee may execute, without the consent of any holders of Senior Notes, any supplemental indenture for certain other usual purposes, including the creation of any new series of senior 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 Senior Note Indenture Trustee, the payment of the principal of (and premium, if any) and interest on all the Senior Notes and the performance of every covenant of the Senior 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 Senior Note Indenture Trustee an officers' certificate and an opinion of counsel, each stating that such transaction complies with the provisions of the Senior Note Indenture governing consolidation, merger, conveyance, transfer or lease and that all conditions precedent thereto have been complied with.

Information Concerning the Senior Note Indenture Trustee

The Senior Note Indenture Trustee, prior to an Event of Default with respect to Senior Notes of any series, undertakes to perform, with respect to Senior Notes of such series, only such duties as are specifically set forth in the Senior Note Indenture and, in case an Event of Default with respect to Senior Notes of any series has occurred and is continuing, shall exercise, with respect to Senior 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 Senior Note Indenture Trustee is under no obligation to exercise any of the powers vested in it by the Senior Note Indenture at the request of any holder of Senior Notes of any series, unless offered reasonable indemnity by such holder against the costs, expenses and liabilities which might be incurred thereby. The Senior Note 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 Senior Note Indenture Trustee reasonably believes that repayment or adequate indemnity is not reasonably assured to it.

The Chase Manhattan Bank, the Senior Note Indenture Trustee, also serves as Subordinated Note Indenture Trustee, 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 Senior Note Indenture and the Senior 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 Senior 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 Senior Note Indenture will be binding upon and inure to the benefit of the parties thereto and their respective successors and assigns.

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 "Subordinated Note 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. The Subordinated Note Indenture gives the Company the ability to reopen a previous issue of Junior Subordinated Notes and issue additional Junior Subordinated Notes of such series, unless otherwise provided.

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 Preferred Securities of such Trust as described in the Prospectus Supplement relating to such Preferred 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 below)) 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 December 31, 2000, Senior Indebtedness of the Company aggregated approximately $416,000,000.

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 reclassifications 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 Subordinated Note 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 Subordinated Note 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 Subordinated Note 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

Subordinated Note 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 had 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 Subordinated Note 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 Subordinated Note Indenture Trustee, including reasonable compensation and expenses of the Subordinated Note Indenture Trustee.

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 Junior Subordinated Notes of the related series 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 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.

Unless otherwise indicated in an applicable Prospectus Supplement, the Subordinated Note 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 Subordinated Note 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 Notes 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 Subordinated Note 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 Subordinated Note 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 Subordinated Note 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 Subordinated Note Indenture Trustee

The Subordinated Note 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 Subordinated Note 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 Subordinated Note 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 Subordinated Note Indenture Trustee reasonably believes that repayment or adequate indemnity is not reasonably assured to it.

The Chase Manhattan Bank, the Subordinated Note Indenture Trustee, also serves as Senior Note Indenture Trustee, 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 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 PREFERRED SECURITIES

Each Trust may issue only one series of Preferred 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 Preferred Securities of such Trust. The Preferred 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 Preferred Securities of a Trust for specific terms, including (i) the distinctive designation of such Preferred Securities; (ii) the number of Preferred Securities issued by such Trust; (iii) the annual distribution rate (or method of determining such rate) for Preferred Securities of such Trust and the date or dates on which such distributions shall be payable; (iv) whether distributions on such Preferred Securities shall be cumulative and, in the case of Preferred Securities having cumulative distribution rights, the date or dates, or method of determining the date or dates, from which distributions on such Preferred 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 Preferred 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 Preferred Securities and the price or prices at which, the period or periods within which, and the terms and conditions upon which such Preferred Securities shall be purchased or redeemed, in whole or in part, pursuant to such obligation; (vii) the voting rights, if any, of such Preferred Securities in addition to those required by law, including the number of votes per Preferred Security and any requirement for the approval by the holders of Preferred 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 Preferred 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 Preferred Securities not inconsistent with the Trust Agreement of such Trust or applicable law. All Preferred 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 Preferred 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 Preferred 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 Preferred 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 Preferred 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 Preferred 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 Preferred 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 Preferred 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 Preferred Securities of such Trust), the lesser of (a) the aggregate of the liquidation amount and all accrued and unpaid distributions on the Preferred 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 Preferred 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 Preferred 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 Preferred Securities from the time of issuance of such Preferred Securities, but will not apply to the payment of distributions and other payments on such Preferred 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 Preferred 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 Preferred Securities will provide that each holder of Preferred 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.

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 Preferred 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 Preferred Securities. The manner of obtaining any such approval of holders of the Preferred 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 Preferred Securities then outstanding.

Termination

Each Guarantee will terminate and be of no further force and effect as to the related Preferred Securities upon full payment of the Redemption Price of all such Preferred Securities, upon distribution of Junior Subordinated Notes to the holders of such Preferred 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 Preferred Securities must restore payment of any sums paid with respect to such Preferred 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 Preferred 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 Preferred 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 Preferred Securities of any series may, by vote, on behalf of the holders of all the Preferred 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 Preferred 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, as Senior Note Indenture Trustee and as Subordinated Note 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 Preferred Securities or other similar interests in such Trust the amounts due such holders pursuant to the terms of such Preferred Securities or such other similar interests, as the case may be.

RELATIONSHIP AMONG THE PREFERRED 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 Preferred 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 Preferred 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 Preferred 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 Preferred 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 Preferred 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 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 Junior Subordinated Notes of the related series 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 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 Preferred Securities to which such Guarantee relates 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 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 Preferred 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 Preferred 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 Preferred Securities) pursuant to the related Agreement as to Expenses and Liabilities, the positions of a holder of Preferred 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.

PLAN OF DISTRIBUTION

The Company may sell the Senior Notes and the Junior Subordinated Notes and the Trusts may sell the Preferred 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 Senior Notes, Junior Subordinated Notes or Preferred Securities will set forth the terms of the offering of such Senior Notes, Junior Subordinated Notes or Preferred Securities, including the name or names of any underwriters or agents, the purchase price of such Senior Notes, Junior Subordinated Notes or Preferred 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 Senior Notes, Junior Subordinated Notes or Preferred Securities may be listed.

If underwriters participate in the sale, such Senior Notes, Junior Subordinated Notes or Preferred 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 Senior Notes, Junior Subordinated Notes or Preferred Securities will be subject to certain conditions precedent and the underwriters will be obligated to purchase all of such series of Senior Notes, Junior Subordinated Notes or Preferred 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 Senior Notes, Junior Subordinated Notes or Preferred Securities will be a new issue of securities and will have no established trading market. Any underwriters to whom Senior Notes, Junior Subordinated Notes or Preferred Securities are sold for public offering and sale may make a market in such Senior Notes, Junior Subordinated Notes or Preferred Securities, but such underwriters will not be obligated to do so and may discontinue any market making at any time without notice. The Senior Notes, Junior Subordinated Notes or Preferred 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 Preferred 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 Senior Notes, 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 LLP, 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, 2000, 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.

40,000 Preferred Securities

Gulf Power Capital Trust IV

Flexible Trust Preferred Securities

(T-FLEX[SM])

(Five Year Initial Fixed Rate Period)
(Liquidation Amount $1,000 per Preferred Security)

Fully and unconditionally guaranteed, as described herein

PROSPECTUS SUPPLEMENT
December 5, 2002

LEHMAN BROTHERS

SUNTRUST ROBINSON HUMPHREY

EXHIBIT D.7.

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Of Counsel

E. DIXIE BEGGS
1908-2001

BERT H. LANE
1917-1981

December 13, 2002

Lehman Brothers Inc.,
As Representative of the Underwriters
745 Seventh Avenue
New York, New York 10019

GULF POWER CAPITAL TRUST IV
FLEXIBLE TRUST PREFERRED SECURITIES
(Five Year Initial Fixed Rate Period)

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 IV, a Delaware statutory trust (the "Trust"), pursuant to the Amended and Restated Trust Agreement dated as of December 1, 2002 among the Company and the trustees named therein (the "Trust Agreement"); (ii) the Trust's issuance and sale of Flexible Trust Preferred Securities evidencing approximately 97% undivided interest in the assets of the Trust (the "Preferred Securities"); (iii) the Trust's issuance and sale of Common Securities evidencing approximately 3% undivided interest in the assets of the Trust; (iv) the Company's issuance and sale to the Trust of $41,238,000 aggregate principal amount of its Series E Junior Subordinated Notes due November 30, 2042 (the "Notes") pursuant to a Subordinated Note Indenture dated as of January 1, 1997, by and between the Company and JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank), as Trustee (the "Debt Trustee"), as heretofore supplemented and as further supplemented by the Fifth Supplemental Indenture dated as of December 13, 2002 (collectively, the "Indenture"); (v) the Agreement as to Expenses and Liabilities dated as of December 1, 2002, between the Company and the Trust (the "Agreement as to Expenses and Liabilities"); (vi) the Remarketing Agreement, dated as of December 13, 2002, among the Company, the Trust and Lehman Brothers Inc., as remarketing agent (the "Remarketing Agreement"); (vii) the Calculation Agent Agreement dated as of December 13, 2002 (the "Calculation Agent Agreement") among the Company, the Trust and JPMorgan Chase Bank, as calculation agent (the "Calculation Agent"); and (viii) its issuance of a guarantee (the "Guarantee") of the Preferred Securities pursuant to a Guarantee Agreement dated as of December 1, 2002 (the "Guarantee Agreement") between the Company and JPMorgan Chase Bank, as trustee (the "Guarantee Trustee"). The Preferred Securities are being sold to you

today pursuant to the terms of an Underwriting Agreement dated December 5, 2002 (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 (File Nos. 333-59942, 333-59942-01 and 333-59942-02) pertaining to the Preferred Securities (the "Registration Statement") filed 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 June 1, 2001, as supplemented by a final prospectus supplement dated December 5, 2002 (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, 2001 (the "Form 10-K"), the Quarterly Reports on Form 10-Q of the Company for the quarters ended March 31, 2002, June 30, 2002 and September 30, 2002 and the Current Reports on Form 8-K of the Company dated January 18, 2002, February 13, 2002, March 28, 2002 and December 5, 2002 (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, the Remarketing Agreement, the Underwriting Agreement, the Agreement as to Expenses and Liabilities and the Calculation Agent 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 Georgia law and the federal law of the United States of America upon the opinion dated the date hereof rendered to you by Troutman Sanders LLP, relying as to matters of New York law upon the opinion dated the date hereof rendered to you by Dewey Ballantine LLP and relying as to matters of Delaware law upon the opinion dated the date hereof rendered to you by Richards, Layton & Finger, P.A., 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 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 Securities and Exchange Commission (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. Each of the Indenture and the Calculation Agent Agreement has been duly authorized, executed and delivered by the Company and, assuming the due authorization, execution and delivery thereof by the Debt Trustee and the Calculation Agent, respectively, 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 and the Calculation Agent 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 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, assuming the due authorization, execution and delivery thereof by the Guarantee 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 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. The Trust Agreement has been duly authorized, executed and delivered by the Company and, assuming the due authorization, execution and delivery thereof by the trustees named therein, the Trust Agreement 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 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).

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.

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, the Trust Agreement, the Remarketing Agreement and the Calculation Agent 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 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, defaults or liens, charges or encumbrances that would not have 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 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 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 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.

14. The Agreement as to Expenses and Liabilities 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 Agreement as to Expenses and Liabilities 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).

15. The Remarketing Agreement has been duly authorized, executed and delivered by the Company.

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. 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 Deloitte & Touche 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 December 5, 2002, 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 of the Form 10-K (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) contained, as of its date, or contains, on the date hereof, any untrue statement therein of a material fact or omitted, as of its date, or omits, on the date hereof, 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 and with respect to information set forth in the Final Supplemented Prospectus under the caption "Description of the Preferred Securities -- Book-Entry Only Issuance -- The Depository Trust Company."

We are members of the Florida Bar and we do not express any opinion herein concerning any law other than the law of the State of Florida and, to the extent set forth herein, the laws of the States of Delaware, Georgia, Maine, Mississippi and 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 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 Maine, Florida and Mississippi law and Dewey Ballantine LLP 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 Maine, Florida and Mississippi law.

Yours very truly,

Beggs & Lane

BEGGS & LANE

TROUTMAN SANDERS LLP
ATTORNEYS AT LAW
A LIMITED LIABILITY PARTNERSHIP

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December 13, 2002

Lehman Brothers Inc.,
As Representative of the Underwriters
745 Seventh Avenue
New York, New York 10019

GULF POWER CAPITAL TRUST IV
FLEXIBLE TRUST PREFERRED SECURITIES
(Five Year Initial Fixed Rate Period)

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 IV, a Delaware statutory trust (the "Trust"), pursuant to the Amended and Restated Trust Agreement dated as of December 1, 2002 among the Company and the trustees named therein (the "Trust Agreement"); (ii) the Trust's issuance and sale of Flexible Trust Preferred Securities evidencing approximately 97% undivided interest in the assets of the Trust (the "Preferred Securities"); (iii) the Trust's issuance and sale of Common Securities evidencing approximately 3% undivided interest in the assets of the Trust; (iv) the Company's issuance and sale to the Trust of $41,238,000 aggregate principal amount of its Series E Junior Subordinated Notes due November 30, 2042 (the "Notes") pursuant to a Subordinated Note Indenture dated as of January 1, 1997, by and between the Company and JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank), as Trustee (the "Debt Trustee"), as heretofore supplemented and as further supplemented by the Fifth Supplemental Indenture dated as of December 13, 2002 (collectively, the "Indenture"); (v) the Agreement as to Expenses and Liabilities dated as of December 1, 2002, between the Company and the Trust (the "Agreement as to Expenses and Liabilities"); (vi) the Remarketing Agreement, dated as of December 13, 2002, among the Company, the Trust and Lehman Brothers Inc., as remarketing agent (the "Remarketing Agreement"); (vii) the Calculation Agent Agreement dated as of December 13, 2002 (the "Calculation Agent Agreement") among the Company, the Trust and JPMorgan Chase Bank, as calculation agent (the "Calculation Agent"); and (viii) its issuance of a guarantee (the "Guarantee") of the Preferred Securities pursuant to a Guarantee Agreement dated as of December 1, 2002 (the "Guarantee Agreement") between the Company and JPMorgan Chase Bank, as trustee (the "Guarantee Trustee"). The Preferred Securities are being sold to you

today pursuant to the terms of an Underwriting Agreement dated December 5, 2002 (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 (File Nos. 333-59942, 333-59942-01 and 333-59942-02) pertaining to the Preferred Securities (the "Registration Statement") filed 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 June 1, 2001, as supplemented by a final prospectus supplement dated December 5, 2002 (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, 2001 (the "Form 10-K"), the Quarterly Reports on Form 10-Q of the Company for the quarters ended March 31, 2002, June 30, 2002 and September 30, 2002 and the Current Reports on Form 8-K of the Company dated January 18, 2002, February 13, 2002, March 28, 2002 and December 5, 2002 (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, the Remarketing Agreement, the Underwriting Agreement, the Agreement as to Expenses and Liabilities and the Calculation Agent 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, Maine and Mississippi law upon the opinion dated the date hereof rendered to you by Beggs & Lane, a Registered Limited Liability Partnership ("Beggs & Lane"), relying as to matters of New York law upon the opinion dated the date hereof rendered to you by Dewey Ballantine LLP and relying as to matters of

Delaware law upon the opinion dated the date hereof rendered to you by Richards, Layton & Finger, P.A., 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 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 Securities and Exchange Commission (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. Each of the Indenture and the Calculation Agent Agreement has been duly authorized, executed and delivered by the Company and, assuming the due authorization, execution and delivery thereof by the Debt Trustee and the Calculation Agent, respectively, 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 and the Calculation Agent 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 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

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, assuming the due authorization, execution and delivery thereof by the Guarantee 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 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. The Trust Agreement has been duly authorized, executed and delivered by the Company and, assuming the due authorization, execution and delivery thereof by the trustees named therein, the Trust Agreement 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 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).

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.

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. The statements and legal conclusions contained in the Final Supplemented Prospectus under the caption "Certain Federal Income Tax Consequences" 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, the Trust Agreement, the Remarketing Agreement and the Calculation Agent 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 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, defaults or liens, charges or encumbrances that would not have 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 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 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 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.

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.

15. The Agreement as to Expenses and Liabilities 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 Agreement as to Expenses and Liabilities 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).

16. The Remarketing Agreement has been duly authorized, executed and delivered by the Company.

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 Deloitte & Touche 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 December 5, 2002, 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 of the Form 10-K (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) contained, as of its date, or contains, on the date hereof, any untrue statement therein of a material fact or omitted, as of its date, or omits, on the date hereof, 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 and with respect to information set forth in the Final Supplemented Prospectus under the caption

"Description of the Preferred Securities -- Book-Entry Only Issuance -- The Depository Trust Company."

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, Florida, Maine, Mississippi 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 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 the federal law of the United States and Dewey Ballantine LLP 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.

Yours very truly,

Troutman Sanders LLP

TROUTMAN SANDERS LLP

RICHARDS, LAYTON & FINGER
A PROFESSIONAL ASSOCIATION
ONE RODNEY SQUARE
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WILMINGTON, DELAWARE 19899
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December 13, 2002

Lehman Brothers Inc.,
as Representative
745 7th Avenue
New York, NY 10019

Re: Gulf Power Capital Trust IV—Flexible Trust Preferred Securities
(Five Year Initial Fixed Rate Period)

Ladies and Gentlemen:

We have acted as special Delaware counsel for Gulf Power Company, a Maine corporation (the "Company"), and Gulf Power Capital Trust IV, a Delaware statutory 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 December 5, 2002 (the "Underwriting Agreement"), among the Company, the Trust, Lehman Brothers Inc. and the other Underwriter 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 April 25, 2001 (the "Certificate"), as filed in the office of the Secretary of State of the State of Delaware (the "Secretary of State") on April 25, 2001;

(b) The Certificate of Amendment Pursuant to 3807(E) of the Delaware Statutory Trust Act, filed with the Secretary of State on July 9, 2001;

(c) The Trust Agreement of the Trust, dated as of April 25, 2001, between the Company and the trustee of the Trust named therein;

(d) The Amended and Restated Trust Agreement of the Trust, dated as of December 1, 2002 (including Exhibits A and C thereto), 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");

(e) The Underwriting Agreement;

(f) The Prospectus, dated June 1, 2001 (the "Prospectus"), and the Prospectus Supplement, dated December 5, 2002 (the "Prospectus Supplement"), relating to the Flexible Trust 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");

(g) The Remarketing Agreement, dated as of December 13, 2002, among the Trust, the Company and Lehman Brothers Inc., as remarketing agent (the "Remarketing Agreement");

(h) The Calculation Agent Agreement, dated as of December 13, 2002, among the Company, the Trust and JPMorgan Chase Bank, as calculation agent (the "Calculation Agent Agreement"); and

(i) A Certificate of Good Standing for the Trust, dated December 13, 2002, 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 (i) above. In particular, we have not reviewed any document (other than the documents listed in paragraphs (a) through (i) 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 New York laws and 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 statutory trust under the Delaware Statutory Trust Act, 12 Del. C. § 3801, et seq. (the "Statutory 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 statutory trust have been made.

2. Under the Statutory 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, the Remarketing Agreement and the Calculation Agent 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 Statutory Trust Act and the Trust Agreement, the Trust Securities are not subject to any preemptive or other similar rights.

4. Under the Statutory Trust Act and the Trust Agreement, the Underwriting Agreement, the Remarketing Agreement and the Calculation Agent Agreement have 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 Remarketing Agreement and the Calculation Agent Agreement, the consummation by the Trust of the transactions contemplated by the Underwriting Agreement, the Remarketing Agreement, the Calculation Agent 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 IV" 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 transfer or 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 11.05 of the Trust Agreement provides that the Trust Agreement is governed by New York law, we express no opinion

concerning Section 11.05 of the Trust Agreement or the effect of Section 11.05 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 LLP 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 PA

CDK/KAK

File No. 70-8461

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

GEORGIA POWER COMPANY
333 Piedmont Avenue, N.E.
Atlanta, Georgia 30308

GULF POWER COMPANY
500 Bayfront Parkway
Pensacola, Florida 32501

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

Judy M. Anderson, Vice President
and Corporate Secretary
Georgia Power Company
333 Piedmont Avenue, N.E.
Atlanta, Georgia 30308

Warren E. Tate, Secretary and Treasurer
Gulf Power Company
500 Bayfront Parkway
Pensacola, Florida 32501

W. Edgar Gilmore, 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

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 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 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 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 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

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[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

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.

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.

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

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 Subsidiary 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 anticipated 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

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 thereunto 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

John D. McLanahan, Esq.
Troutman Sanders LLP
600 Peachtree Street, N.E.

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	$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 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. 70-8461

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO. 7
(Post-Effective 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 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

John D. McLanahan, Esq.
Troutman Sanders LLP
600 Peachtree Street, N.E.

ITEM 1. DESCRIPTION OF PROPOSED TRANSACTIONS.

The third paragraph added to Item 1 by Amendment No. 6 (Post-Effective No. 3) is hereby deleted and replaced with the following:

"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"). The Junior Subordinated Notes will mature thirty (30) years from the initial regularly scheduled interest payment date with respect thereto (March 31, 2026). 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 eighth paragraph added to Item 1 by Amendment No. 6 (Post-Effective No. 3) is hereby deleted and replaced with the following:

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 initial regularly scheduled interest payment date with respect thereto (March 31, 2001). 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.

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 22, 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

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO. 8
(Post-Effective No. 5)
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
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:

"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 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 Georgia in connection herewith are as follows:

	Initial Issuance	Each Additional Issuance
Filing fees - Securities and Exchange Commission	$ 137,932	–
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	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	$ 500,232	$ 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 Form 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 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 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 November 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	$ 535,000	$ 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 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 4.1.)

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. 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:

"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 4.8-A, 4.8-B, 4.8-C and 4.8-D.)

C-1 - Registration Statement under the Securities Act of 1933. (Filed electronically January 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	36,600	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 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 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 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:

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

John D. McLanahan, Esq.
Troutman Sanders LLP
600 Peachtree Street, N.E.
Suite 5200

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

John D. McLanahan, Esq.
Troutman Sanders LLP
600 Peachtree Street, N.E.

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]

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[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

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

John D. McLanahan, Esq.
Troutman Sanders LLP
600 Peachtree Street, N.E.
Suite 5200

ITEM 1. DESCRIPTION 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 described 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 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 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 8.8% 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

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[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 of 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

File No. 70-8461

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO. 18
(Post-Effective No. 15)
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

John D. McLanahan, Esq.
Troutman Sanders LLP
600 Peachtree Street, N.E.
Suite 5200

ITEM 1. DESCRIPTION OF PROPOSED TRANSACTIONS.

Item 1 as heretofore amended hereby further amended by adding the following thereto:

It is further considered that the record is now complete with respect to the issuance by Savannah Electric Capital Trust I of $40,000,000 aggregate liquidation amount of Trust Preferred Securities and the related issuance by Savannah of the related series of Junior Subordinated Notes and the Guarantees.

ITEM 2. FEES, COMMISSIONS AND EXPENSES.

The estimated fees and expenses to be incurred by Savannah in connection herewith are as follows:

	Initial Issuance	Each Additional Issuance
*Filing fees - Securities and Exchange Commission	$32,450	$ —
Fees and Expenses of Trustees	10,000	10,000
*Listing on New York Stock Exchange	47,800	—
Printing charges	40,000	10,000
Rating Agency Fees	32,600	15,000
Services of Southern Company Services, Inc.	40,000	10,000
Fees and Expenses of counsel	52,500	25,000
Blue sky fees and expenses	3,500	3,500
Fees of accountants, Arthur Andersen LLP	40,000	20,000
Miscellaneous	11,150	6,500
TOTAL	$310,000	$100,000

*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 August 31, 1998, Southern's "aggregate investment," as defined in Rule 53(a)(1), in EWGs and FUCOs was approximately $2.912 billion, or about 75.38% of Southern's "consolidated retained earnings," also as defined in Rule 53(a)(1), for the four quarters ended June 30, 1998 ($3.863 billion). 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. 26501, 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, Mississippi Power Capital Trust III and Savannah Electric Capital Trust I) 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 1997, that ratio was 47.5% equity and 52.5% debt (including $4.593 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 48.1% and 51.9%, respectively, for equity and debt. The common equity component of Southern's pro forma consolidated capitalization represents 35.1% of total capitalization at June 30, 1998. 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 45.7%, which is at 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 8.6% per year from 1992 through 1996. In 1997, consolidated retained earnings increased $78,148,000, or slightly more than 2%. The reduction in the rate of earnings growth in 1997 was primarily due to a $111 million windfall profits tax assessed against South Western Electricity in the United Kingdom. The total windfall profits tax for South Western Electricity was $148 million; however, the $111 million reflects only Southern's 75% ownership. Despite the imposition of this tax, Southern's interests in EWGs and FUCOs have made a positive contribution to earnings in the two calendar years ending after the Rule 53(c) order.

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 which reflects capitalization at June 30, 1998 and the Statement of Income for the year ended June 30, 1998 for Southern and subsidiaries consolidated.

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[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%.

ITEM 6. EXHIBITS AND FINANCIAL STATEMENTS.

A. Exhibits:

A-17 - Trust Agreement of Savannah Electric Capital Trust I. (Designated in Form S-3, File No. 333-46171, as Exhibit 4.6.)

A-18 - Form of Amended and Restated Trust Agreement for Savannah Electric Capital Trust I. (Designated in Form S-3, File No. 333-46171, as Exhibit 4.7.)

B-10 - Subordinated Note Indenture between Savannah Electric and Power Company and The Bank of New York, as Trustee. (Designated in Form S-3, File No. 333-46171, as Exhibit 4.3)

B-11 - Form of Supplemental Indenture to Subordinated Note Indenture between Savannah Electric and Power Company and The Bank of New York, as Trustee. (Designated in Form S-3, File No. 333-46171, as Exhibit 4.4.)

B-12 - Form of Guarantee with respect to Preferred Securities of Savannah Electric Capital Trust I. (Designated in Form S-3 File No. 333-46171, as Exhibit 4.11.)

C-1 - Savannah's Registration Statement under the Securities Act of 1933. (Filed electronically February 12, 1998, File Nos. 333-46171 and 333-46171-01.)

F-1 - Opinion of Balch & Bingham LLP, counsel for Alabama.

F-2 - Opinion of Troutman Sanders LLP, counsel for Georgia.

F-4 - Opinion of Eaton and Cottrell, P.A., counsel for Mississippi.

F-5 - Opinion of Bouhan, Williams & Levy LLP, counsel for Savannah.

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 June 30, 1998. (Designated in Alabama's Form 10-Q for the quarter ended June 30, 1998, File No. 1-3164.)

Balance sheet of Georgia at June 30, 1998. (Designated in Georgia's Form 10-Q for the quarter ended June 30, 1998, File No. 1-6468.)

Balance sheet of Mississippi at June 30, 1998. (Designated in Mississippi's Form 10-Q for the quarter ended June 30, 1998, File No. 0-6849.)

Balance sheet of Savannah at June 30, 1998. (Designated in Savannah's Form 10-Q for the quarter ended June 30, 1998, File No. 1-5072.)

Statements of Income of Alabama for the period ended June 30, 1998. (Designated in Alabama's Form 10-Q for the quarter ended June 30, 1998, File No. 1-3164.)

Statements of Income of Georgia for the period ended June 30, 1998. (Designated in Georgia's Form 10-Q for the quarter ended June 30, 1998, File No. 1-6468.)

Statements of Income of Mississippi for the period ended June 30, 1998. (Designated in Mississippi's Form 10-Q for the quarter ended June 30, 1998, File No. 0-6849.)

Statements of Income of Savannah for the period ended June 30, 1998. (Designated in Savannah's Form 10-Q for the quarter ended June 30, 1998, File No. 1-5072.)

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 23, 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

File No. 70-8461

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO. 19
(Post-Effective No. 16)
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

John D. McLanahan, Esq.
Troutman Sanders LLP
600 Peachtree Street, N.E.
Suite 5200

ITEM 1. DESCRIPTION OF PROPOSED TRANSACTIONS.

Item 1 as heretofore amended is hereby further amended by deleting the first sentence of the third paragraph of Item 1 of Amendment No. 17 (Post-Effective Amendment No. 14) and replacing it with the following:

"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 and the Trust Common Securities and the interest rate on the Junior Subordinated Securities will not exceed rates generally obtained at the time of pricing for the issuance by companies of comparable credit quality of these types of securities, having similar maturities and other terms, conditions and features."

Item 1 as heretofore amended is hereby further amended by adding the following sentence thereto:

"It is understood that the authority hereby sought is to extend 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: December 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

File No. 70-8461

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 20
(Post-Effective No. 17)
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
One Energy Place
Pensacola, Florida 32520

GEORGIA POWER COMPANY
241 Ralph McGill Boulevard, 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)

William E. Zales, Jr., Vice President
and Corporate Secretary
Alabama Power Company
600 North 18th Street
Birmingham, Alabama 35291

Warren E. Tate, Secretary
and Treasurer
Gulf Power Company
One Energy Place
Pensacola, Florida 32520

Judy M. Anderson, Vice President
and Corporate Secretary
Georgia Power Company
241 Ralph McGill Boulevard, N.E.
Atlanta, Georgia 30308

Michael W. Southern, Vice
President, Secretary and Treasurer
Mississippi Power Company
2992 West Beach
Gulfport, Mississippi 39501

Nancy E. Frankenhauser
Corporate Secretary
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 No. 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 No. 26535).

By order dated August 26, 1996 (HCAR No. 26560) (the "August 1996 Order"), Georgia 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 No. 26644, dated January 14, 1997; HCAR No. 26657, dated January 29, 1997 and HCAR No. 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.

By post-effective amendment dated May 13, 1997, the Operating Affiliates requested new or additional authority to issue preferred securities as follows: $500,000,000 in the case of Alabama, $400,000,000 in the case of Georgia, $50,000,000 in the case of Gulf, $70,000,000 in the case of Mississippi and $5,000,000 in the case of Savannah. The Operating Affiliates requested that the Commission reserve jurisdiction over the issue and sale of preferred securities 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. The Operating Affiliates also requested that such authority be extended through December 31, 2005. Such request was noticed May 16, 1997 (HCAR No. 26718).

By order dated June 10, 1997 (HCAR No. 26727) Georgia completed the record and was authorized to issue $189,250,000 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, 2005 in the amount of $500,000,000 in the case of Alabama, $310,750,000 in the case of Georgia, $50,000,000 in the case of Gulf, $75,000,000 in the case of Mississippi and $40,000,000 in the case of Savannah.

By subsequent orders (HCAR No. 26817, dated January 16, 1998 and HCAR No. 26949, dated December 7, 1998) the record was completed and the sale of preferred securities was authorized through December 31, 2005 as follows: $500,000,000 for Alabama; $310,000,000 for Georgia; $50,000,000 for Gulf; $75,000,000 for Mississippi; and $40,000,000 for Savannah. Giving effect to issuances under these orders, the remaining authorizations are as follows: $450,000,000 for Alabama; $110,750,000 for Georgia; $5,000,000 for Gulf; $75,000,000 for Mississippi; and $0 for Savannah.

The Operating Companies now request an extension of the authorization period through June 30, 2007. New or additional authority hereunder is requested as follows: $389,250,000 for Georgia; $95,000,000 for Gulf: $25,000,000 for Mississippi; and $50,000,000 for Savannah. Upon the issuance by the Commission of an appropriate order or orders in respect of this request, the sale of preferred securities through June 30, 2007 would be authorized as follows: $450,000,000 for Alabama (no increase); $500,000,000 for Georgia; $100,000,000 for Gulf; $100,000,000 for Mississippi; and $50,000,000 for Savannah.

Item 3. APPLICABLE STATUTORY PROVISIONS.

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 EWG or 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, 2000, Southern's "aggregate investment," as defined in Rule 53(a)(1), in EWGs and FUCOs was approximately $2.748 billion, or about 65.53% of Southern's "consolidated retained earnings," also as defined in Rule 53(a)(1), for the four quarters March 31, 2000 ($4.194 billion). 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. 26501, 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 domestic utility subsidiary 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

Southern holding company

system were considered, there would be 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 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). Southern's consolidated capitalization as of March 31, 2000 was 40.3% equity, 59.7% debt including all non-recourse debt, and 53.7% equity and 46.3% debt excluding all non-recourse debt. On a pro forma basis, taking into consideration the transactions contemplated hereby, such ratios are 42.7% and 57.3%, respectively, for equity and debt. The common equity component of Southern's pro forma consolidated capitalization represents 29.6% of total capitalization at March 31, 2000.

Since the date of the Rule 53(c) Order, there has been a reduction in Southern's consolidated equity capitalization ratio; however, it remains within acceptable ranges and limits of rating agencies for strong investment grade corporate credit ratings. In addition, the affiliated operating companies, which have a significant influence on the Southern corporate rating, continue to show strong financial statistics as measured by

the rating agencies. The following table presents the senior secured ratings history for each as rated by S&P, Moody's and Duff & Phelps:

Company	Agency	1995	1996	1997	1998	1999[1]
Alabama	S&P	A+	A+	A+	A+	A+
	Moody's	A1	A1	A1	A1	A1
	Duff & Phelps	A+	AA-	AA-	AA-	AA-
Georgia	S&P	A+	A+	A+	A+	A+
	Moody's	A1	A1	A1	A1	A1
	Duff & Phelps	AA-	AA-	AA-	AA-	AA-
Gulf	S&P	A+	A+	AA-	AA-	AA-
	Moody's	A1	A1	A1	A1	A1
	Duff & Phelps	A+	AA-	AA-	AA-	AA-
Mississippi	S&P	A+	A+	AA-	AA-	AA-
	Moody's	Aa3	Aa3	Aa3	Aa3	Aa3
	Duff & Phelps	AA-	AA-	AA-	AA-	AA-
Savannah	S&P	A+	A+	AA-	AA-	AA-
	Moody's	A1	A1	A1	A1	A1
	Duff & Phelps	Not rated	Not rated	Not rated	Not rated	Not rated

Southern's consolidated retained earnings grew on average approximately 5.9% per year over the last five years. Excluding the $111 million one-time windfall profits tax imposed on SWEB in 1997, the $221 million write down of assets in 1998, the $69 million write down of the Mobile Energy investment in 1999 and the $78 million gain on the sale of the SWEB supply business in 1999, the average growth would be 7.4%. In 1999, consolidated retained earnings increased $354 million, or 9.1%. Southern's interests in EWGs and FUCOs have made a positive contribution to earnings over the four calendar years ending after the Rule 53(c) Order.

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 an adverse impact on Southern's financial integrity.

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[1] In April 2000, Moody's and Duff & Phelps reaffirmed their ratings; however, S&P placed the ratings of Southern

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 19, 2000

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. 21
(Post-Effective No. 18)
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
One Energy Place
Pensacola, Florida 32520

GEORGIA POWER COMPANY
241 Ralph McGill Boulevard, 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)

William E. Zales, Jr., Vice President
and Corporate Secretary
Alabama Power Company
600 North 18th Street
Birmingham, Alabama 35291

Warren E. Tate, Secretary
and Treasurer
Gulf Power Company
One Energy Place
Pensacola, Florida 32520

Judy M. Anderson, Vice President
and Corporate Secretary
Georgia Power Company
241 Ralph McGill Boulevard, N.E.
Atlanta, Georgia 30308

Michael W. Southern, Vice
President, Secretary and Treasurer
Mississippi Power Company
2992 West Beach
Gulfport, Mississippi 39501

Nancy E. Frankenhauser
Corporate Secretary
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:

Gale E. Klappa
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 the following paragraph thereto:

"The Operating Affiliates will use the proceeds from the sale of Preferred Securities in connection with their ongoing construction programs, to pay scheduled maturitites and/or refundings of their securities, to repay short-term indebtedness to the extent outstanding and for other general corporate purposes."

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 4, 2001

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. 22
(Post-Effective No. 19)
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
One Energy Place
Pensacola, Florida 32520

GEORGIA POWER COMPANY
241 Ralph McGill Boulevard, 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)

William E. Zales, Jr., Vice President
and Corporate Secretary
Alabama Power Company
600 North 18th Street
Birmingham, Alabama 35291

Warren E. Tate, Secretary
and Treasurer
Gulf Power Company
One Energy Place
Pensacola, Florida 32520

Janice G. Wolfe
Corporate Secretary
Georgia Power Company
241 Ralph McGill Boulevard, N.E.
Atlanta, Georgia 30308

Michael W. Southern, Vice
President, Secretary and Treasurer
Mississippi Power Company
2992 West Beach
Gulfport, Mississippi 39501

Nancy E. Frankenhauser
Corporate Secretary
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:

Gale E. Klappa
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 deleting the last paragraph added thereto by Amendment No. 20 (Post-Effective No. 17) and replacing it with the following:

"The Operating Companies now request an extension of the authorization period through December 31, 2005. New or additional authority hereunder is requested as follows: $389,250,000 for Georgia; $95,000,000 for Gulf: $25,000,000 for Mississippi; and $50,000,000 for Savannah. Upon the issuance by the Commission of an appropriate order or orders in respect of this request, the sale of preferred securities through June 30, 2005 would be authorized as follows: $500,000,000 for Georgia; $100,000,000 for Gulf; $100,000,000 for Mississippi; and $50,000,000 for Savannah."

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	$362,500
Fees and Expenses of Trustees	75,000
* Listing on New York Stock Exchange	205,200
Printing charges	200,000
Rating Agency Fees	815,000
Services of Southern Company Services, Inc.	200,000
Fees and Expenses of counsel	225,000
Blue sky fees and expenses	25,000
Fees of accountants, Arthur Andersen LLP	300,000
Miscellaneous	17,300
TOTAL	$2,425,000

*These categories of expenses are a function of the amount of issuance.

The estimated fees and expenses to be incurred by Gulf in connection herewith are as follows:

* Florida Documentary Stamp Tax	$1,225,000
* Florida intangible personal property tax	26,000
* Filing fees - Securities and Exchange Commission	87,500
Fees and Expenses of Trustees	100,000
* Listing on New York Stock Exchange	88,500
Printing charges	125,000
Rating Agency Fees	280,000
Services of Southern Company Services, Inc.	140,000
Fees and Expenses of counsel	175,000
Blue sky fees and expenses	14,000
Fees of accountants, Arthur Andersen LLP	175,000
Miscellaneous	14,000
TOTAL	$2,450,000

*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:

* Filing fees - Securities and Exchange Commission	$118,000
Fees and Expenses of Trustees	475,000
* Listing on New York Stock Exchange	86,300
Printing charges	80,000
Rating Agency Fees	208,500
Services of Southern Company Services, Inc.	80,000
Fees and Expenses of counsel	140,000
Blue sky fees and expenses	31,500
Fees of accountants, Arthur Andersen LLP	120,000
Miscellaneous	20,700
TOTAL	$1,360,000

*These categories of expenses are a function of the amount of issuance.

The estimated fees and expenses to be incurred by Savannah in connection herewith are as follows:

* Filing fees - Securities and Exchange Commission	$ 27,500
Fees and Expenses of Trustees	30,000
* Listing on New York Stock Exchange	29,500
Printing charges	75,000
Rating Agency Fees	135,000
Services of Southern Company Services, Inc.	60,000
Fees and Expenses of counsel	60,000
Blue sky fees and expenses	10,000
Fees of accountants, Arthur Andersen LLP	90,000
Miscellaneous	8,000
TOTAL	$525,000

*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). At March 31, 2001, Southern's "aggregate investment," as defined in Rule 53(a)(1), in EWGs and FUCOs was approximately $1,000, or 0% of Southern's "consolidated retained earnings," also as defined in Rule 53(a)(1), as of March 31, 2001 ($4.649 billion).[1]

[1] As discussed in Southern's Application on Form U-1 (File No. 70-9727) relating to the spin-off of Mirant Corporation ("Mirant"), Southern and Mirant reorganized certain energy-related and FUCO activities and Mirant completed a tax-free distribution to Southern of these activities on March 5, 2001 (the "Mini-Spin"). On April 2, 2001, Southern completed the spin-off of its remaining ownership interest in Mirant to Southern's shareholders. Therefore, the four indirect subsidiaries (EPZ Lease, Inc., Dutch Gas Lease, Inc., GAMOG Lease, Inc. and NUON Lease,

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.

Southern. Although Southern now owns all of the equity in these companies as a result of the Mini-Spin, Southern has no direct or indirect investment or any aggregate investment within the meaning of Rule 53 in these FUCOs, including any direct or indirect guarantees or credit positions related to any capital or financing leases. Furthermore, the only remaining EWG investment held by Southern after the spin-off is Southern Company-Florida LLC, which was organized during the first quarter of 2001. Southern has executed limited keep-well commitments whereby Southern would be required to make capital contributions to Southern Energy Finance Capital Corp. or to Southern Energy Finance Company, Inc. in the event of a shortfall in the scheduled debt service resulting from certain changes in the payments due from Southern under the Southern Company Income Tax Allocation Agreement. The maximum potential capital contribution required under these commitments is the unamortized balance of the related loans, which totaled approximately $413 million as of March 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 5, 2001

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

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

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

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, June 10, 1997 and January 16, 1998 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. 16 (Post-Effective No. 13) herein:

1. On January 20, 1998, the issuance and sale by Gulf Power Capital Trust II , a Delaware statutory business trust (the "Trust"), of 1,800,000 of its 7.00% Cumulative Quarterly Income 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 $46,391,775 aggregate principal amount of its Series C 7.00% Junior Subordinated Notes (the 'Junior Subordinated Notes') due December 31, 2037, pursuant to the Third Supplemental Indenture dated as of January 1, 1998, 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, 1998, 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 13, 1998, and accompanying prospectus dated December 30, 1997. (Filed electronically January 14, 1998, in File Nos. 333-42033, 333-42033-01, and 333-42033-02.)

Exhibit B - Underwriting Agreement dated January 13, 1998. (Designated in Form 8-K dated January 13, 1998, as Exhibit 1.)

Exhibit C - Amended and Restated Trust Agreement dated as of January 1, 1998. (Designated in Form 8-K dated January 13, 1998, as Exhibit 4.5.)

Exhibit D - Third Supplemental Indenture to the Subordinated Note Indenture dated as of January 1, 1998, between the Company and The Chase Manhattan Bank, as trustee. (Designated in Form 8-K dated January 13, 1998, as Exhibit 4.2.)

Exhibit E - Guarantee Agreement, dated as of January 1, 1998, with respect to Trust Preferred Securities. (Designated in Form 8-K dated January 13, 1998, as Exhibit 4.8.)

Exhibit F - Opinion of Beggs & Lane dated January 29, 1998.

Dated January 29, 1998

GULF POWER COMPANY

By _____
Wayne Boston
Assistant Secretary

CERTIFICATE OF NOTIFICATION

Filed by

GULF POWER COMPANY

Pursuant to orders of the Securities and Exchange Commission (the "Commission") dated December 15, 1994, January 17, 1996, August 26, 1996, January 14, 1997, January 29, 1997, February 5, 1997, June 10, 1997, January 16, 1998, December 7, 1998 and June 8, 2001 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 herein:

1. On November 16, 2001, the issuance and sale by Gulf Power Capital Trust III, a Delaware statutory business trust (the "Trust"), of 1,200,000 of its 7.375% Trust Preferred Securities (Liquidation amount $25 per Preferred Security) (the "Trust Preferred Securities") 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 $30,927,850 aggregate principal amount of its Series D 7.375% Junior Subordinated Notes due September 30, 2041 (the "Junior Subordinated Notes"), pursuant to the Fourth Supplemental Indenture dated as of November 16, 2001, supplementing the Subordinated Note Indenture dated as of January 1, 1997, between the Company and JPMorgan Chase 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 November 1, 2001, 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 November 8, 2001, and accompanying prospectus dated June 1, 2001. (Filed electronically November 13, 2001, in File Nos. 333-59942, 333-59942-01 and 333-59942-02.)

Exhibit B - Underwriting Agreement dated November 8, 2001. (Designated in Form 8-K dated November 8, 2001, as Exhibit 1.)

Exhibit C - Amended and Restated Trust Agreement dated as of November 1, 2001. (Designated in Form 8-K dated November 8, 2001, as Exhibit 4.5.)

Exhibit D - Fourth Supplemental Indenture to the Subordinated Note Indenture dated as of November 16, 2001, between the Company and JPMorgan Chase Bank, as trustee. (Designated in Form 8-K dated November 8, 2001, as Exhibit 4.2.)

Exhibit E - Guarantee Agreement, dated as of November 1, 2001, with respect to the Trust Preferred Securities. (Designated in Form 8-K dated November 8, 2001, as Exhibit 4.8.)

Exhibit F - Opinion of Beggs & Lane dated November 19, 2001.

Dated November 19, 2001

GULF POWER COMPANY

By_____
Wayne Boston
Assistant Secretary

EXHIBIT D.11.

Description of Holder

$40,000,000 5.60% Series E Junior Subordinated Notes
40,000 Flexible Trust Preferred Securities

Name of Underwriters	**Number of Shares of Securities**
Lehman Brothers, Inc. 745 7th Avenue New York, New York 10019	32,000
SunTrust Capital Markets, Inc. 3333 Peachtree Road, N.E. Atlanta, Georgia 30326	8,000

Underwriters Fees: $400,000

EXHIBIT D.12

GULF POWER COMPANY
Summary of Debt Expenses in Conjunction with the
Issuance and Sale of $40,000,000 Principal Amount
5.60% Mandatorily Redeemable Trust Preferred Securities of
Gulf Power Capital Trust IV Holding Company Jr. Subordinated Notes Due 2042

Item Number	Issuance Expenses For:	Amount $
1	Shelf Registration-Securities & Exchange Commission	16,333.02
2	Charges of Trustee (Including Counsel)	7,540.63
3	Fees and Expenses of Counsel	44,351.24
4	Fees of Accountants	30,140.00
5	Rating Agency	7,872.00
6	Expenses of Southern Company Services, Inc.	3,446.33
7	Miscellaneous Expenses	427.57
8	Printing	21,326.53
	Total Expenses of Issue	131,437.32
	Unamortized Discount Expense	400,000.00
	Total Cost of Issue	$531,437.32

fn: h:\data\excel\debt issuance exp\PRSECSUM.xls 3/26/2003

As filed with the Securities and Exchange Commission on May 1, 2001.
Subject to Amendment. Registration Nos. 333-59942
333-59942-01
333-59942-02

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-3

EXHIBIT E.1.

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Gulf Power Company	Maine	59-0276810
Gulf Power Capital Trust III	Delaware	58-6382080
Gulf Power Capital Trust IV	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
(850) 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
(850) 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:

GALE E. KLAPPA
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 III Preferred Securities				
Gulf Power Capital Trust IV Preferred Securities				
Gulf Power Company Senior Notes				
Gulf Power Company Junior Subordinated Notes				
Gulf Power Company Guarantees with respect to Preferred Securities of Gulf Power Capital Trust III and Gulf Power Capital Trust IV(4)(5)				
Total	$350,000,000(6)	100%	$350,000,000	$87,500(7)

(1) There are being registered hereunder such presently indeterminate number of Preferred Securities of Gulf Power Capital Trust III and Gulf Power Capital Trust IV and such presently indeterminate principal amount of Senior Notes and Junior Subordinated Notes of Gulf Power Company with an aggregate initial offering price not to exceed $350,000,000. Junior Subordinated Notes also may be issued to Gulf Power Capital Trust III or Gulf Power Capital Trust IV 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 Preferred Securities or other similar interests), all as described in this registration statement.

(6) Includes $45,000,000 of unsold securities previously registered under Registration Statement No. 333-42033.

(7) Pursuant to Rule 429 under the Securities Act of 1933, the registration fee consists of $76,250 paid herewith and $11,250 which has been previously paid. See Note (6).

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.

The within Prospectus contains the information required by Rule 429 of the Commission under the Securities Act of 1933 with respect to the $45,000,000 of securities remaining unsold under Registration Statement No. 333-42033.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION DATED MAY 1, 2001

PROSPECTUS

$350,000,000

Gulf Power Company

Senior Notes

Junior Subordinated Notes

Gulf Power Capital Trust III
Gulf Power Capital Trust IV

Trust Preferred Securities

Fully and unconditionally guaranteed, as set forth herein, by

Gulf Power Company

a subsidiary of The Southern Company

We will provide the specific terms of these securities in supplements to this Prospectus. You should read this Prospectus and the applicable prospectus supplement carefully before you invest.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this Prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

, 2001

ABOUT THIS PROSPECTUS

This Prospectus is part of a registration statement filed with the Securities and Exchange Commission (the "Commission") using a "shelf" registration process under the Securities Act of 1933, as amended (the "1933 Act"). Under the shelf process, Gulf Power Company (the "Company") may sell, in one or more transactions,

- senior notes (the "Senior Notes")
- junior subordinated notes (the "Junior Subordinated Notes")

and Gulf Power Capital Trust III and Gulf Power Capital Trust IV (individually, a "Trust" and collectively, the "Trusts") may sell

- trust preferred securities or capital securities (the "Preferred Securities")

in one or more offerings up to a total dollar amount of $350,000,000. This Prospectus provides a general description of those securities. Each time the Company sells securities, the Company will provide a prospectus supplement that will contain specific information about the terms of that offering ("Prospectus Supplement"). The Prospectus Supplement may also add, update or change information contained in this Prospectus. You should read this Prospectus and the applicable Prospectus Supplement together with additional information under the heading "Available Information."

AVAILABLE INFORMATION

The Company and the Trusts have filed with the Commission a combined registration statement on Form S-3 (the "Registration Statement," which term encompasses any amendments thereof and exhibits thereto) under 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.

No separate financial statements of any Trust are included herein. The Company considers that such statements would not be material to holders of the Preferred 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 (as defined below) 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, 2000; and

(b) the Company's Current Report on Form 8-K dated February 28, 2001.

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, One Energy Place, Pensacola, Florida 32520, telephone: (850) 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, 2000	370,119
Generating Capacity at December 31, 2000 (kilowatts)	2,188,150
Sources of Generation during 2000 (kilowatt-hours)	Coal (98%), Gas and Oil (2%)
Sources of Generation Estimated for 2001 (kilowatt-hours)	Coal (98%), Gas and Oil (2%)

Certain Ratios

The following table sets forth the Ratios of Earnings to Fixed Charges and Earnings to Fixed Charges Plus Preferred Dividend Requirements (Pre-Income Tax Basis) for the periods indicated.

	Year Ended December 31,				
	1996	1997	1998	1999	2000
Ratio of Earnings to Fixed Charges(1)	4.29	4.18	3.83	3.62	3.38
Ratio of Earnings to Fixed Charges Plus Preferred Dividend Requirements (Pre-Income Tax Basis)(2)	3.31	3.53	3.72	3.58	3.34

(1) This ratio is computed as follows: (i) "Earnings" have been calculated by adding to "Earnings Before Interest and Income Taxes" 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.

(2) 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.

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 (850) 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, as amended. 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 November 26, 1997, with respect to Gulf Power Capital Trust III, and April 25, 2001, with respect to Gulf Power Capital Trust IV. 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"). The Company will own all of the common securities (the "Common Securities" and, together with the Preferred Securities, the "Trust Securities") of each Trust. The Trust Securities represent undivided beneficial interests in the assets of the respective Trusts. 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. The payment of periodic cash distributions on the Preferred Securities of each Trust and payments on liquidation and redemption with respect to the Preferred Securities of each Trust, in each case to the extent each Trust has funds legally and immediately available therefor, will be guaranteed by the Company (individually, a "Guarantee" and collectively, the "Guarantees") to the extent set forth under "Description of the Guarantees."

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 employees of the Company as Administrative Trustees; The Chase Manhattan Bank as Property Trustee; and Chase Manhattan Bank USA, National Association as Delaware Trustee (collectively, the "Securities Trustees"). 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 (850) 444-6111, Attn: Treasurer.

Reference is made to the Prospectus Supplement relating to the Preferred Securities of a Trust for further information concerning such Trust.

ACCOUNTING TREATMENT OF TRUSTS

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 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 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 Preferred Securities as an expense.

USE OF PROCEEDS

Each Trust will invest the proceeds received from the sale of its Preferred 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 and any proceeds received from the sale of its Senior Notes or other sales of its Junior Subordinated Notes 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.

DESCRIPTION OF THE SENIOR NOTES

Set forth below is a description of the general terms of the Senior Notes. The following description does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the Senior Note Indenture, dated as of January 1, 1998, between the Company and The Chase Manhattan Bank, as trustee (the "Senior Note Indenture Trustee"), as to be supplemented by a supplemental indenture thereto establishing the Senior Notes of each series (the Senior Note Indenture, as so supplemented, is hereinafter referred to as the "Senior 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 Senior Notes will include those stated in the Senior Note Indenture and those made a part of the Senior Note Indenture by reference to the 1939 Act. Certain capitalized terms used herein are defined in the Senior Note Indenture.

General

The Senior Notes will be issued as unsecured senior debt securities under the Senior Note Indenture and will rank *pari passu* with all other unsecured and unsubordinated debt of the Company. The Senior Notes will be effectively subordinated to all secured debt of the Company, including its first mortgage bonds, aggregating approximately $254,700,000 outstanding at December 31, 2000. The Senior Note Indenture does not limit the aggregate principal amount of Senior Notes that may be issued thereunder and provides that Senior Notes may be issued from time to time in one or more series pursuant to an indenture supplemental to the Senior Note Indenture. The Senior Note Indenture gives the Company the ability to reopen a previous issue of Senior Notes and issue additional Senior Notes of such series, unless otherwise provided.

Reference is made to the Prospectus Supplement that will accompany this Prospectus for the following terms of the series of Senior Notes being offered thereby: (i) the title of such Senior Notes; (ii) any limit on the aggregate principal amount of such Senior Notes; (iii) the date or dates on which the principal of such Senior Notes is payable; (iv) the rate or rates at which such Senior 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 Senior 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 Senior 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 Senior Notes; (viii) the denominations in which such Senior Notes shall be issuable; (ix) if other than the principal amount thereof, the portion of the principal amount of such Senior 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 Senior Note Indenture pertaining to such Senior Notes; (xi) whether such Senior Notes shall be issued in whole or in part in the form of a Global Security; and (xii) any other terms of such Senior Notes.

The Senior Note Indenture does not contain provisions that afford holders of Senior Notes protection in the event of a highly leveraged transaction involving the Company.

Events of Default

The Senior Note Indenture provides that any one or more of the following described events with respect to the Senior Notes of any series, which has occurred and is continuing, constitutes an "Event of Default" with respect to the Senior Notes of such series:

(a) failure for 10 days to pay interest on the Senior Notes of such series, when due on an interest payment date other than at maturity or upon earlier redemption; or

(b) failure to pay principal or premium, if any, or interest on the Senior Notes of such series when due at maturity or upon earlier redemption; or

(c) failure for three Business Days to deposit any sinking fund payment when due by the terms of a Senior Note of such series; or

(d) failure to observe or perform any other covenant or warranty of the Company in the Senior Note Indenture (other than a covenant or warranty which has expressly been included therein solely for the benefit of one or more series of Senior Notes other than such series) for 90 days after written notice to the Company from the Senior Note Indenture Trustee or the holders of at least 25% in principal amount of the outstanding Senior Notes of such series; or

(e) 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 Senior Notes of any series have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Senior Note Indenture Trustee with respect to the Senior Notes of such series. If a Senior Note Indenture Event of Default occurs and is continuing with respect to the Senior Notes of any series, then the Senior Note Indenture Trustee or the holders of not less than 25% in aggregate outstanding principal amount of the Senior Notes of such series may declare the principal amount thereof due and payable immediately by notice in writing to the Company (and to the Senior Note 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 Senior 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 Senior Note Indenture, the holders of not less than a majority in aggregate outstanding principal amount of the Senior 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 Senior Note Indenture Trustee a sum sufficient to pay all matured installments of interest and principal due otherwise than by acceleration and all sums paid or advanced by the Senior Note Indenture Trustee, including reasonable compensation and expenses of the Senior Note Indenture Trustee.

The holders of not less than a majority in aggregate outstanding principal amount of the Senior Notes of any series may, on behalf of the holders of all the Senior 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 Senior Note Indenture cannot be modified or amended thereunder without the consent of the holder of each outstanding Senior Note of such series affected thereby.

Registration and Transfer

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

Payment and Paying Agent

Unless otherwise indicated in an applicable Prospectus Supplement, payment of principal of any Senior Notes will be made only against surrender to the Paying Agent of such Senior Notes. Principal of and interest on Senior 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 Senior Notes. Payment of interest on Senior Notes on any interest payment date will be made to the person in whose name the Senior Notes (or predecessor security) are registered at the close of business on the record date for such interest payment.

Unless otherwise indicated in an applicable Prospectus Supplement, the Senior Note Indenture Trustee will act as Paying Agent with respect to the Senior 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 Senior 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 Senior Notes will thereafter look only to the Company for payment thereof.

Modification

The Senior Note Indenture contains provisions permitting the Company and the Senior Note Indenture Trustee, with the consent of the holders of not less than a majority in principal amount of the outstanding Senior Notes of each series affected thereby, to modify the Senior Note Indenture or the rights of the holders of the Senior Notes of such series; provided, that no such modification may, without the consent of the holder of each outstanding Senior Note affected thereby, (i) change the stated maturity of the principal of, or any installment of principal of or interest on, any Senior Note, or reduce the principal amount thereof or the rate of 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 Senior 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 Senior Note Indenture or certain defaults thereunder and their consequences) provided for in the Senior Note Indenture, or (iii) modify any of the provisions of the Senior 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 Senior Note Indenture cannot be modified or waived without the consent of the holder of each outstanding Senior Note affected thereby.

In addition, the Company and the Senior Note Indenture Trustee may execute, without the consent of any holders of Senior Notes, any supplemental indenture for certain other usual purposes, including the creation of any new series of senior 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 Senior Note Indenture Trustee, the payment of the principal of (and premium, if any) and interest on all the Senior Notes and the performance of every covenant of the Senior 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 Senior Note Indenture Trustee an officers' certificate and an opinion of counsel, each stating that such transaction complies with the provisions of the Senior Note Indenture governing consolidation, merger, conveyance, transfer or lease and that all conditions precedent thereto have been complied with.

Information Concerning the Senior Note Indenture Trustee

The Senior Note Indenture Trustee, prior to an Event of Default with respect to Senior Notes of any series, undertakes to perform, with respect to Senior Notes of such series, only such duties as are specifically set forth in the Senior Note Indenture and, in case an Event of Default with respect to Senior Notes of any series has occurred and is continuing, shall exercise, with respect to Senior 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 Senior Note Indenture Trustee is under no obligation to exercise any of the powers vested in it by the Senior Note Indenture at the request of any holder of Senior Notes of any series, unless offered reasonable indemnity by such holder against the costs, expenses and liabilities which might be incurred thereby. The Senior Note 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 Senior Note Indenture Trustee reasonably believes that repayment or adequate indemnity is not reasonably assured to it.

The Chase Manhattan Bank, the Senior Note Indenture Trustee, also serves as Subordinated Note Indenture Trustee, 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 Senior Note Indenture and the Senior 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 Senior 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 Senior Note Indenture will be binding upon and inure to the benefit of the parties thereto and their respective successors and assigns.

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 "Subordinated Note 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. The Subordinated Note Indenture gives the Company the ability to reopen a previous issue of Junior Subordinated Notes and issue additional Junior Subordinated Notes of such series, unless otherwise provided.

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 Preferred Securities of such Trust as described in the Prospectus Supplement relating to such Preferred 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 below)) 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 December 31, 2000, Senior Indebtedness of the Company aggregated approximately $416,000,000.

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 reclassifications 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 Subordinated Note 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 Subordinated Note 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 Subordinated Note 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

Subordinated Note 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 had 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 Subordinated Note 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 Subordinated Note Indenture Trustee, including reasonable compensation and expenses of the Subordinated Note Indenture Trustee.

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 Junior Subordinated Notes of the related series 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 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.

Unless otherwise indicated in an applicable Prospectus Supplement, the Subordinated Note 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 Subordinated Note 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 Notes 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 Subordinated Note 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 Subordinated Note 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 Subordinated Note 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 Subordinated Note Indenture Trustee

The Subordinated Note 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 Subordinated Note 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 Subordinated Note 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 Subordinated Note Indenture Trustee reasonably believes that repayment or adequate indemnity is not reasonably assured to it.

The Chase Manhattan Bank, the Subordinated Note Indenture Trustee, also serves as Senior Note Indenture Trustee, 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 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 PREFERRED SECURITIES

Each Trust may issue only one series of Preferred 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 Preferred Securities of such Trust. The Preferred 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 Preferred Securities of a Trust for specific terms, including (i) the distinctive designation of such Preferred Securities; (ii) the number of Preferred Securities issued by such Trust; (iii) the annual distribution rate (or method of determining such rate) for Preferred Securities of such Trust and the date or dates on which such distributions shall be payable; (iv) whether distributions on such Preferred Securities shall be cumulative and, in the case of Preferred Securities having cumulative distribution rights, the date or dates, or method of determining the date or dates, from which distributions on such Preferred 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 Preferred 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 Preferred Securities and the price or prices at which, the period or periods within which, and the terms and conditions upon which such Preferred Securities shall be purchased or redeemed, in whole or in part, pursuant to such obligation; (vii) the voting rights, if any, of such Preferred Securities in addition to those required by law, including the number of votes per Preferred Security and any requirement for the approval by the holders of Preferred 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 Preferred 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 Preferred Securities not inconsistent with the Trust Agreement of such Trust or applicable law. All Preferred 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 Preferred 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 Preferred 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 Preferred 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 Preferred 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 Preferred 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 Preferred 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 Preferred 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 Preferred Securities of such Trust), the lesser of (a) the aggregate of the liquidation amount and all accrued and unpaid distributions on the Preferred 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 Preferred 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 Preferred 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 Preferred Securities from the time of issuance of such Preferred Securities, but will not apply to the payment of distributions and other payments on such Preferred 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 Preferred 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 Preferred Securities will provide that each holder of Preferred 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.

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 Preferred 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 Preferred Securities. The manner of obtaining any such approval of holders of the Preferred 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 Preferred Securities then outstanding.

Termination

Each Guarantee will terminate and be of no further force and effect as to the related Preferred Securities upon full payment of the Redemption Price of all such Preferred Securities, upon distribution of Junior Subordinated Notes to the holders of such Preferred 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 Preferred Securities must restore payment of any sums paid with respect to such Preferred 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 Preferred 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 Preferred 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 Preferred Securities of any series may, by vote, on behalf of the holders of all the Preferred 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 Preferred 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, as Senior Note Indenture Trustee and as Subordinated Note 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 Preferred Securities or other similar interests in such Trust the amounts due such holders pursuant to the terms of such Preferred Securities or such other similar interests, as the case may be.

RELATIONSHIP AMONG THE PREFERRED 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 Preferred 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 Preferred 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 Preferred 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 Preferred 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 Preferred 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 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 Junior Subordinated Notes of the related series 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 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 Preferred Securities to which such Guarantee relates 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 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 Preferred 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 Preferred 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 Preferred Securities) pursuant to the related Agreement as to Expenses and Liabilities, the positions of a holder of Preferred 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.

PLAN OF DISTRIBUTION

The Company may sell the Senior Notes and the Junior Subordinated Notes and the Trusts may sell the Preferred 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 Senior Notes, Junior Subordinated Notes or Preferred Securities will set forth the terms of the offering of such Senior Notes, Junior Subordinated Notes or Preferred Securities, including the name or names of any underwriters or agents, the purchase price of such Senior Notes, Junior Subordinated Notes or Preferred 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 Senior Notes, Junior Subordinated Notes or Preferred Securities may be listed.

If underwriters participate in the sale, such Senior Notes, Junior Subordinated Notes or Preferred 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 Senior Notes, Junior Subordinated Notes or Preferred Securities will be subject to certain conditions precedent and the underwriters will be obligated to purchase all of such series of Senior Notes, Junior Subordinated Notes or Preferred 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 Senior Notes, Junior Subordinated Notes or Preferred Securities will be a new issue of securities and will have no established trading market. Any underwriters to whom Senior Notes, Junior Subordinated Notes or Preferred Securities are sold for public offering and sale may make a market in such Senior Notes, Junior Subordinated Notes or Preferred Securities, but such underwriters will not be obligated to do so and may discontinue any market making at any time without notice. The Senior Notes, Junior Subordinated Notes or Preferred 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 Preferred 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 Senior Notes, 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 LLP, 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, 2000, 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.

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:

Florida Documentary Stamp Tax	$1,225,000
Florida intangible personal property tax	26,000
Filing Fees—Securities and Exchange Commission—registration statement	87,500
Charges of trustees (including counsel)	100,000
Listing fees of New York Stock Exchange	88,500
Printing and preparation of registration statement, prospectus, etc.	125,000
Rating Agency fees	280,000
Services of Southern Company Services, Inc.	140,000
Fees and expenses of counsel	175,000
Blue sky fees and expenses	14,000
Fees of accountants, Arthur Andersen LLP	175,000
Miscellaneous, including telephone charges and traveling expenses	14,000
Total	$2,450,000*

* Each Prospectus Supplement will reflect estimated expenses of the Company 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 Senior Notes.*
1.2	—Form of Underwriting Agreement relating to Junior Subordinated Notes.*
1.3	—Form of Underwriting Agreement relating to Preferred Securities.*
4.1	—Senior Note Indenture between Gulf Power Company and The Chase Manhattan Bank, as Trustee (Designated in the Company's Current Report on Form 8-K dated June 18, 1998, File No. 0-2429, as Exhibits 4.1 and 4.2 and in Form 8-K dated August 17, 1999, File No. 0-2429, as Exhibit 4.2).
4.2	—Form of Supplemental Indenture to Senior Note Indenture to be used in connection with the issuance of Senior Notes.*
4.3	—Subordinated Note Indenture between Gulf Power Company and The Chase Manhattan Bank, as Trustee (Designated in the Company's Current Report on Form 8-K dated January 27, 1997, File No. 0-2429, as Exhibits 4.1 and 4.2, in Form 8-K dated July 28, 1997, File No. 0-2429, as Exhibit 4.2 and in Form 8-K dated January 13, 1998, File No. 0-2429, as Exhibit 4.2).
4.4	—Form of Supplemental Indenture to Subordinated Note Indenture to be used in connection with the issuance of Junior Subordinated Notes.*
4.5-A	—Certificate of Trust of Gulf Power Capital Trust III (Designated in Registration No. 333-42033 as Exhibit 4.5-B).
4.5-B	—Certificate of Trust of Gulf Power Capital Trust IV.
4.6-A	—Trust Agreement of Gulf Power Capital Trust III (Designated in Registration No. 333-42033 as Exhibit 4.6-B).
4.6-B	—Trust Agreement of Gulf Power Capital Trust IV.
4.7-A	—Form of Amended and Restated Trust Agreement of Gulf Power Capital Trust III (Designated in Registration No. 333-42033 as Exhibit 4.7-B).
4.7-B	—Form of Amended and Restated Trust Agreement of Gulf Power Capital Trust IV.
4.8-A	—Form of Preferred Security of Gulf Power Capital Trust III (included in Exhibit 4.7-A above).
4.8-B	—Form of Preferred Security of Gulf Power Capital Trust IV (included in Exhibit 4.7-B above).
4.9	—Form of Senior Note (included in Exhibit 4.2 above).
4.10	—Form of Junior Subordinated Note (included in Exhibit 4.4 above).
4.11-A	—Form of Guarantee relating to Gulf Power Capital Trust III (Designated in Registration No. 333-42033 as Exhibit 4.11-B).
4.11-B	—Form of Guarantee relating to Gulf Power Capital Trust IV.
4.12-A	—Form of Agreement as to Expenses and Liabilities relating to Gulf Power Capital Trust III (included in Exhibit 4.7-A above).
4.12-B	—Form of Agreement as to Expenses and Liabilities relating to Gulf Power Capital Trust IV (included in Exhibit 4.7-B above).
5.1	—Opinion of Beggs & Lane.
5.2-A	—Opinion of Richards, Layton & Finger, P.A. relating to Gulf Power Capital Trust III.
5.2-B	—Opinion of Richards, Layton & Finger, P.A. relating to Gulf Power Capital Trust IV.
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 above).
23.3	—Consent of Richards, Layton & Finger, P.A. (included in Exhibits 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 Senior Note Indenture Trustee.

Exhibit Number

25.2 —Statement of Eligibility under Trust Indenture Act of 1939, as amended, of The Chase Manhattan Bank, as Subordinated Note Indenture Trustee.

25.3 —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 III.

25.4 —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 III.

25.5 —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 IV.

25.6 —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 IV.

Exhibits listed above which have heretofore been filed with the Commission and which were designated as noted above are hereby incorporated herein by reference and made a part hereof with the same effect as if filed herewith.

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* 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 1st day of May, 2001.

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 III 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 1st day of May, 2001.

GULF POWER CAPITAL TRUST III

By: GULF POWER COMPANY
Depositor

By: WAYNE BOSTON,
Assistant Secretary

Pursuant to the requirements of the Securities Act of 1933, Gulf Power Capital Trust IV 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 1st day of May, 2001.

GULF POWER CAPITAL TRUST IV

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)	
RONNIE R. LABRATO	Comptroller and Chief Financial Officer (Principal Financial and Accounting Officer)	
FRED C. DONOVAN W. DECK HULL, JR. BARBARA H. THAMES	Directors	

By WAYNE BOSTON
(Wayne Boston, Attorney-in-fact)

May 1, 2001

UNITED STATES
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, 2001
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) 506-5000	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) 241 Ralph McGill Boulevard, N.E. Atlanta, Georgia 30308 (404) 506-6526	58-0257110
0-2429	**Gulf Power Company** (A Maine Corporation) One Energy Place Pensacola, Florida 32520 (850) 444-6111	59-0276810
0-6849	**Mississippi Power Company** (A Mississippi Corporation) 2992 West Beach Gulfport, Mississippi 39501 (228) 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:[1]

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**
Company obligated mandatorily redeemable preferred securities, $25 liquidation amount	
7.75% Cumulative Quarterly Income Preferred Securities[2]	
7 1/8% Trust Originated Preferred Securities[3]	
6.875% Cumulative Quarterly Income Preferred Securities[4]	
Class A preferred, cumulative, $25 stated capital	**Alabama Power Company**
5.20% Series	5.83% Series
Senior Notes	
7 1/8% Series A	7% Series C
7% Series B	6.75% Series J
Company obligated mandatorily redeemable preferred securities, $25 liquidation amount	
7.375% Trust Preferred Securities[5]	
7.60% Trust Originated Preferred Securities[6]	
Senior Notes	**Georgia Power Company**
6 7/8% Series A	6 5/8% Series D
6.60% Series B	
Company obligated mandatorily redeemable preferred securities, $25 liquidation amount	
7.75% Trust Preferred Securities[7]	7.60% Trust Preferred Securities[8]
7.75% Cumulative Quarterly Income Preferred Securities[9]	6.85% Trust Preferred Securities[10]

[1] As of December 31, 2001.
[2] Issued by Southern Company Capital Trust III and guaranteed by The Southern Company.
[3] Issued by Southern Company Capital Trust IV and guaranteed by The Southern Company.
[4] Issued by Southern Company Capital Trust V and guaranteed by The Southern Company.
[5] Issued by Alabama Power Capital Trust I and guaranteed by Alabama Power Company.
[6] Issued by Alabama Power Capital Trust II and guaranteed by Alabama Power Company.
[7] Issued by Georgia Power Capital Trust I and guaranteed by Georgia Power Company.
[8] Issued by Georgia Power Capital Trust II and guaranteed by Georgia Power Company.
[9] Issued by Georgia Power Capital Trust III and guaranteed by Georgia Power Company.
[10] Issued by Georgia Power Capital Trust IV and guaranteed by Georgia Power Company.

Company obligated mandatorily redeemable preferred securities, $25 liquidation amount — **Gulf Power Company**

7.625% Cumulative Quarterly Income Preferred Securities[11]
7.00% Cumulative Quarterly Income Preferred Securities[12]
7.375% Trust Preferred Securities[13]

Depositary preferred shares, each representing one-fourth of a share of preferred stock, cumulative, $100 par value — **Mississippi Power Company**

6.32% Series 6.65% Series

Company obligated mandatorily redeemable preferred securities, $25 liquidation amount
7.75% Trust Originated Preferred Securities[14]

Company obligated mandatorily redeemable preferred securities, $25 liquidation amount — **Savannah Electric and Power Company**

6.85% Trust Preferred Securities[15]

Securities registered pursuant to Section 12(g) of the Act:[16]

Title of each class	**Registrant**
Preferred stock, cumulative, $100 par value	**Alabama Power Company**
4.20% Series, 4.60% Series, 4.72% Series	
4.52% Series, 4.64% 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 (1954)	

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[11] Issued by Gulf Power Capital Trust I and guaranteed by Gulf Power Company.
[12] Issued by Gulf Power Capital Trust II and guaranteed by Gulf Power Company.
[13] Issued by Gulf Power Capital Trust III and guaranteed by Gulf Power Company.
[14] Issued by Mississippi Power Capital Trust I and guaranteed by Mississippi Power Company.
[15] Issued by Savannah Electric Capital Trust I and guaranteed by Savannah Electric and Power Company.
[16] As of December 31, 2001.

Preferred stock, cumulative, $100 par value — **Gulf Power Company**

4.64% Series 5.44% Series
5.16% Series

Preferred stock, cumulative, $100 par value — **Mississippi Power Company**

4.40% Series 4.60% Series
4.72% Series 7.00% Series

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. ( )

Aggregate market value of voting stock held by non-affiliates of The Southern Company at February 28, 2002: $17.8 billion. Each of such other registrants is a wholly-owned subsidiary of The Southern Company. A description of registrants' common stock follows:

Registrant	Description of Common Stock	Shares Outstanding at February 28, 2002
The Southern Company	Par Value $5 Per Share	700,085,336
Alabama Power Company	Par Value $40 Per Share	6,000,000
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 2002 Annual Meeting of Stockholders are incorporated by reference into PART III. In addition, specified portions of the Information Statements of Alabama Power Company, Georgia Power Company, Gulf Power Company and Mississippi Power Company relating to each of their respective 2002 Annual Meeting of Shareholders 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.

Term	Meaning
AEC	Alabama Electric Cooperative, Inc.
AFUDC	Allowance for Funds Used During Construction
ALABAMA	Alabama Power Company
AMEA	Alabama Municipal Electric Authority
Clean Air Act	Clean Air Act Amendments of 1990
Dalton	City of Dalton, Georgia
DOE	United States Department of Energy
EMF	Electromagnetic field
Energy Act	Energy Policy Act of 1992
Energy Solutions	Southern Company Energy Solutions, Inc.
Entergy Gulf States	Entergy Gulf States Utilities Company
EPA	United States Environmental Protection Agency
FERC	Federal Energy Regulatory Commission
FPC	Florida Power Corporation
FP&L	Florida Power & Light Company
GEORGIA	Georgia Power Company
GULF	Gulf Power Company
Holding Company Act	Public Utility Holding Company Act of 1935, as amended
IBEW	International Brotherhood of Electrical Workers
IPP	Independent power producer
IRP	Integrated Resource Plan
IRS	Internal Revenue Service
JEA	Jacksonville Electric Authority
MEAG	Municipal Electric Authority of Georgia
MESH	Mobile Energy Services Holdings
Mirant	Mirant Corporation (formerly Southern Energy, Inc.)
MISSISSIPPI	Mississippi Power Company
NRC	Nuclear Regulatory Commission
OPC	Oglethorpe Power Corporation
operating companies	ALABAMA, GEORGIA, GULF, MISSISSIPPI and SAVANNAH
PPA	Purchased Power Agreements
PSC	Public Service Commission
RFP	Request for Proposal
RTO	Regional Transmission Organization
RUS	Rural Utility Service (formerly Rural Electrification Administration)

DEFINITIONS
(continued)

SAVANNAH	Savannah Electric and Power Company
SCS	Southern Company Services, Inc. (the system service company)
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 LINC	Southern Communications Services, Inc.
Southern Management Development	Southern Management Development, Inc.
Southern Nuclear	Southern Nuclear Operating Company, Inc.
Southern Power	Southern Power Company
SOUTHERN system	SOUTHERN, the operating companies, Southern Power, SEGCO, Southern Nuclear, SCS, Southern LINC, Energy Solutions and other subsidiaries
Southern Telecom	Southern Telecom, Inc.
TVA	Tennessee Valley Authority

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This Annual Report on Form 10-K contains forward-looking and historical information. Forward-looking information includes, among other things, statements concerning the strategic goals for SOUTHERN's new wholesale business and also SOUTHERN's goals for dividend payout ratio, earnings per share and earnings growth. In some cases, forward-looking statements can be identified by terminology such as "may," "will," "could," "should," "expects," "plans," "anticipates," "believes," "estimates," "projects," "predicts," "potential" or "continue" or the negative of these terms or other comparable terminology. SOUTHERN cautions that there are various important factors that could cause actual results to differ materially from those indicated in the forward-looking statements; accordingly, there can be no assurance that such indicated results will be realized. These factors include the impact of recent and future federal and state regulatory change, including legislative and regulatory initiatives regarding deregulation and restructuring of the electric utility industry and also changes in environmental and other laws and regulations to which SOUTHERN and its subsidiaries are subject, as well as changes in application of existing laws and regulations; current and future litigation, including the pending EPA civil action against certain SOUTHERN subsidiaries and the race discrimination litigation against certain SOUTHERN subsidiaries; the effects, extent and timing of the entry of additional competition in the markets in which SOUTHERN's subsidiaries operate; the impact of fluctuations in commodity prices, interest rates and customer demand; state and federal rate regulations; political, legal and economic conditions and developments in the United States; the performance of projects undertaken by the non-traditional business and the success of efforts to invest in and develop new opportunities; internal restructuring or other restructuring options that may be pursued; potential business strategies, including acquisitions or dispositions of assets or businesses, which cannot be assured to be completed or beneficial to SOUTHERN or its subsidiaries; the effects of, and changes in, economic conditions in the areas in which SOUTHERN's subsidiaries operate; the direct or indirect effects on SOUTHERN's business resulting from the terrorist incidents on September 11, 2001, or any similar such incidents or responses to such incidents; financial market conditions and the results of financing efforts; the timing and acceptance of SOUTHERN's new product and service offerings; the ability of SOUTHERN to obtain additional generating capacity at competitive prices; weather and other natural phenomena; and other factors discussed elsewhere herein and in other reports filed from time to time with the SEC.

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. The operating companies supply electric service in the states of Alabama, Georgia, Florida, Mississippi and Georgia, respectively. More particular information relating to each of the operating companies 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 LINC, Southern Nuclear, SCS, Southern Management Development (formerly Energy Solutions), Southern Telecom, Southern Power and other direct and indirect subsidiaries. Southern LINC provides digital wireless communications services to SOUTHERN's operating companies and also markets these services to the public within the Southeast. Southern Nuclear provides services to ALABAMA's and GEORGIA's nuclear plants. Southern Management Development focuses on new and existing programs to enhance customer satisfaction, efficiency and stockholder value. Southern Telecom provides wholesale fiber optic solutions to telecommunication providers in the Southeastern United States.

In January 2001, SOUTHERN formed a new subsidiary, Southern Power. This subsidiary constructs, owns and manages wholesale generating assets in the Southeast. Southern Power will be the primary growth engine for SOUTHERN's competitive wholesale market-based energy business.

ALABAMA and GEORGIA each own 50% of the outstanding common stock of SEGCO. 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.

Reference is made to Note 12 to the financial statements of SOUTHERN in Item 8 herein for additional information regarding SOUTHERN's segment and related information.

Mirant Corporation

In April 2000, SOUTHERN announced an initial public offering of up to 19.9 percent of Mirant and its intentions to spin off the remaining ownership of Mirant to SOUTHERN stockholders within 12 months of the initial stock offering. On October 2,

2000, Mirant completed its initial public offering of 66.7 million shares of common stock priced at $22 per share. This represented 19.7 percent of the 338.7 million shares outstanding. As a result of the stock offering, SOUTHERN recorded a $560 million increase in paid-in capital with no gain or loss being recognized.

On February 19, 2001, SOUTHERN's board of directors approved the spin off of its remaining ownership of 272 million Mirant shares. On April 2, 2001, the tax-free distribution of Mirant shares was completed at a ratio of approximately 0.4 for every share of SOUTHERN common stock held at record date.

The distribution resulted in charges of approximately $3.2 billion and $0.4 billion to SOUTHERN's paid-in capital and retained earnings, respectively.

As a result of the spin off, SOUTHERN's financial statements reflect Mirant's results of operations, balance sheets and cash flows as discontinued operations.

The SOUTHERN System

Operating Companies

The transmission facilities of each of the operating companies 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 companies 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 by the Operating Companies" 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 companies 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 Energy Corporation, 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 companies 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 companies 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 companies 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 companies to provide the most economical sources of power consistent with good operation. The resulting benefits and savings are apportioned among the operating companies.

SCS has contracted with SOUTHERN, each operating company, various of the other subsidiaries, Southern Nuclear, Southern Power and SEGCO to furnish, at cost and upon request, the following services: general executive and advisory services, power pool operations, general and design engineering, purchasing, accounting and statistical, finance and treasury, tax, information resources, marketing, auditing, insurance and pensions, corporate, rates, budgeting, public relations, human resources, systems and procedures and other services with respect to business and operations and power pool operations. Southern Management Development and Southern LINC have also secured from the operating companies certain services which are furnished at cost.

Southern Nuclear has contracts with ALABAMA to operate the Farley Nuclear Plant, and with GEORGIA to operate Plants Hatch and Vogtle. See Item 1 - BUSINESS - "Regulation - Atomic Energy Act of 1954" herein.

Southern Power

As stated above, Southern Power will be the primary growth engine for SOUTHERN's competitive wholesale market-based energy business. Southern Power intends to sell the output of its generating assets under long-

term, market-based contracts both to unaffiliated wholesale purchasers as well as the operating companies (under power purchase agreements approved by the respective public service commissions). Southern Power's wholesale generating assets will not be placed in the operating companies' rate bases, and Southern Power will only be able to recover costs from the operating companies based on the terms of the market-based contracts for its wholesale generating assets. The market-based contracts typically pass the cost of fuel to the wholesale energy purchasers and reduce Southern Power's business risks, but its overall profit will depend on the parameters of the wholesale market and its efficient operation of its wholesale generating assets. By the end of 2003, Southern Power plans to have approximately 4,700 megawatts of generating capacity in commercial operation. At December 31, 2001, 800 megawatts were in commercial operation and some 3,900 megawatts of capacity are under construction.

Other Business

In March 2001, Energy Solutions changed its name to Southern Management Development. Southern Management Development then created a separate entity, Southern Company Energy Solutions LLC (SCES LLC) for its energy business. SCES LLC provides energy related services such as energy outsourcing, energy conservation, facility maintenance, energy management and turnkey services for industrial, commercial, and governmental customers. Southern Management Development focuses on new and existing programs to enhance customer satisfaction, efficiency and stockholder value. Examples are: Bill Payment Protection, an insurance product that protects a residential customer by paying the electric bill in the event the customer becomes involuntarily unemployed, disabled or goes on unpaid leave; and Electric Vehicle Chargers, a program to supply electric vehicle charging units to industrial customers.

In 1996, Southern LINC began serving SOUTHERN's operating companies and marketing its services to non-affiliates within the Southeast. Its system covers approximately 127,000 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 2002-2004 in these and other new businesses.

In 1999, MESH, a subsidiary of SOUTHERN, filed a petition for Chapter 11 bankruptcy relief in the U.S. Bankruptcy Court. On August 4, 2000, MESH filed a proposed plan of reorganization with the U.S. Bankruptcy Court. The proposed plan of reorganization was most recently amended on October 15, 2001. SOUTHERN expects that approval of a plan of reorganization would result in either a termination of SOUTHERN's ownership interest in MESH or the exchange of all assets of MESH for the cancellation of securities held by the bondholders, but would not affect SOUTHERN's continuing guarantee obligations. Reference is made to Item 3 - "Legal Proceedings" herein for additional information relating to this matter.

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 - "Other Business", "Competition" and "Environmental Regulation." See also "Cautionary Statement Regarding Forward-Looking Information."

In December 1999, the FERC issued its final rule on RTOs. The order encouraged utilities owning transmission systems to form RTOs on a voluntary basis. SOUTHERN has submitted a series of status reports informing the FERC of progress toward the development of a Southeastern RTO. In these status reports, SOUTHERN explained that it is developing a for-profit RTO known as SeTrans with a number of non-jurisdictional cooperative and public power entities. Recently, Entergy Corporation and Cleco Power joined the SeTrans development process. In January 2002, the sponsors of SeTrans held a public meeting to form a

Stakeholder Advisory Committee, which will participate in the development of the RTO. SOUTHERN continues to work with the other sponsors to develop the SeTrans RTO. The creation of SeTrans is not expected to have a material impact on SOUTHERN's financial statements. The outcome of this matter cannot now be determined.

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 2002 through 2004 by the operating companies, SEGCO, SCS, Southern LINC, Southern Power and other subsidiaries are estimated as follows: (in millions)

	2002	2003	2004
ALABAMA	$ 671	$ 592	$673
GEORGIA	971	752	809
GULF	103	72	107
MISSISSIPPI	84	72	85
SAVANNAH	35	38	43
SEGCO	15	17	23
SCS	27	23	25
Southern LINC	29	28	23
Southern Power	834	488	473
Other	29	14	2
SOUTHERN system	$2,798	$2,096	$ 2,263

Estimated construction costs in 2002 are expected to be apportioned approximately as follows: (in millions)

	SOUTHERN system*	ALABAMA	GEORGIA	GULF	MISSISSIPPI	SAVANNAH	Southern Power
New generation	$ 833	$ -	$ -	$24	$ -	$ -	$809
Other generating facilities including associated plant substations	703	248	383	24	25	8	-
New business	365	127	182	23	15	18	-
Transmission	378	141	210	9	16	2	-
Joint line and substation	55	-	45	7	3	-	-
Distribution	162	68	61	10	17	6	-
Nuclear fuel	123	63	60	-	-	-	-
General plant	179	24	30	6	8	1	25
	$2,798	$671	$971	$103	$84	$35	$834

* SCS, Southern LINC and other businesses plan capital additions to general plant in 2002 of $27 million, $29 million and $29 million, respectively, while SEGCO plans capital additions of $15 million to generating facilities. (See Item 1 - BUSINESS - "Other Business" 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; acquisitions of additional generating assets; 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. In addition, there can be no assurance that costs related to capital expenditures will be fully recovered.

SOUTHERN has approximately 4,500 megawatts of new generating capacity scheduled to be placed in service by 2003. Approximately 3,900 megawatts of additional new capacity will be dedicated to the wholesale market and owned by Southern Power. Significant construction of transmission and distribution facilities and upgrading of generating plants will be continuing.

Under Georgia law, GEORGIA and SAVANNAH each are required 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, GEORGIA's and Southern Power's joint ownership of certain generating units and related facilities with certain non-affiliated utilities.

Financing Programs

The amount and timing of additional equity capital to be raised in 2002, as well as in subsequent years, will be contingent on SOUTHERN's investment opportunities. Equity capital can be provided from any combination of public offerings, private placements or SOUTHERN's stock 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 were primarily from internal sources and by the issuances of new debt and preferred equity securities, term loans and short-term borrowings. However, the type and timing of any financings -- if needed -- will depend on market conditions and regulatory approval. In recent years, financings primarily have utilized unsecured debt and trust preferred securities.

Southern Power will use both external funds and equity capital from SOUTHERN to finance its construction program. In addition, Southern Power has an $850 million revolving credit facility which extends through November 2004.

Short-term debt is often utilized as appropriate at SOUTHERN, the operating companies, SEGCO and Southern Power.

The maximum amounts of short-term and term-loan indebtedness authorized by the appropriate regulatory authorities are shown on the following table:

	Amount Authorized	Outstanding at December 31, 2001
	(in millions)	
ALABAMA	$1,000(1)	$ 10
GEORGIA	1,700(2)	748
GULF	300(1)	87
MISSISSIPPI	350(1)	16
SAVANNAH	205(2)	32
Southern Power	2,500(3)	1
SOUTHERN	2,000(1)	950

Notes:

(1) ALABAMA's authority is based on authorization received from the Alabama PSC, which expires December 31, 2003. 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 December 31, 2004, respectively.

(2) 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 the Georgia PSC. SAVANNAH received authority from the Georgia PSC for $115 million in term loans expiring December 31, 2003. As a part of a financing request from the Georgia PSC, GEORGIA has asked for financing authority of $1.765 billion in term loans.

(3) Southern Power has been authorized by the SEC to enter into various financing arrangements, including short-term loans, through June 30, 2005, which in the aggregate may not exceed $2.5 billion.

Reference is made to Note 8 to the financial statements for SOUTHERN, Note 8 to the financial statements for ALABAMA, GULF and MISSISSIPPI and Note 6 to the financial statements for SAVANNAH and Note 9 to the financial statements for GEORGIA in Item 8 herein for information regarding the registrants' bank credit arrangements.

Fuel Supply

The operating companies' and SEGCO's supply of electricity is derived predominantly from coal. The sources of generation for the years 1999 through 2001 are shown below:

	Coal	Nuclear	Hydro	Oil and Gas
ALABAMA				
1999	72	20	5	3
2000	72	19	3	6
2001	64	18	6	12
GEORGIA				
1999	75	22	1	2
2000	76	21	1	2
2001	75	23	1	1
GULF				
1999	97	**	**	3
2000	98	**	**	2
2001	99	**	**	1
MISSISSIPPI				
1999	81	**	**	19
2000	83	**	**	17
2001	59	**	**	41
SAVANNAH				
1999	78	**	**	22
2000	88	**	**	12
2001	93	**	**	7
SEGCO				
1999	100	**	**	*
2000	100	**	**	*
2001	100	**	**	*
SOUTHERN system* **				
1999	78	17	2	3
2000	78	16	2	4
2001	72	16	3	9

*Less than 0.5%.

**Not applicable.

*** Amounts shown for the SOUTHERN system are weighted averages of the operating companies, Southern Power and SEGCO.

The average costs of fuel in cents per net kilowatt-hour generated for 1999 through 2001 are shown below:

	1999	2000	2001
ALABAMA	1.44	1.54	1.56
GEORGIA	1.34	1.39	1.38
GULF	1.60	1.68	1.76
MISSISSIPPI	1.65	1.80	1.89
SAVANNAH	2.20	2.28	2.16
SEGCO	1.77	1.51	1.44
SOUTHERN System*	1.45	1.51	1.56

* Amounts shown for the SOUTHERN system are weighted averages of the operating companies, Southern Power and SEGCO.

The operating companies have long-term agreements in place from which they expect to receive approximately 78% of their coal burn requirements in 2002. These agreements cover remaining terms up to 9 years. In 2001, the weighted average sulfur content of all coal burned by the operating companies was 0.76% sulfur. This sulfur level, along with banked sulfur dioxide allowances, allowed the operating companies to remain within limits as set forth by Phase II of the Clear Air Act. As more and more strict environmental regulations are proposed that impact the utilization of coal, the fuel mix will be monitored to insure that sufficient quantities of the proper type of coal or natural gas are in place to remain in compliance with applicable laws and regulations. See Item 1 - BUSINESS - "Regulation - Environmental Regulation" herein.

The operating companies and Southern Power also have long-term agreements in place for their natural gas burn requirements. For 2002, the operating companies and Southern Power have contracted for 163.6 billion cubic feet of natural gas supply. These agreements cover remaining terms up to 5 years. In addition to gas supply, the operating companies have contracts in place for both firm gas transportation and firm gas storage. Management believes that these contracts provide sufficient natural gas supplies, transportation and storage to ensure normal operations of the SOUTHERN system's natural gas generating units.

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 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. The DOE failed to begin disposing of spent fuel in January 1998, as required by the contracts, and the companies are pursuing legal remedies against the government for breach of contract. Sufficient pool storage capacity is available at Plant Farley to maintain full-core discharge capability until the refueling outages scheduled for 2006 and 2008 for units 1 & 2, respectively. Sufficient pool storage capacity currently for spent fuel is available at Plant Vogtle to maintain full-core discharge capability for both units into 2014. To maintain pool discharge capability at Plant Hatch, effective June 2000, an on-site dry storage facility became operational. Sufficient dry storage capacity is believed to be available to continue dry storage operations at Plant Hatch through the life of the plant. Procurement of on-site dry storage capacity at Plant Vogtle will begin in sufficient time to maintain pool full-core discharge capability.

The Energy Act required the establishment of a Uranium Enrichment Decontamination and Decommissioning Fund, which is funded in part by a special assessment on utilities with nuclear plants, including ALABAMA and GEORGIA. 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.

Territory Served by the Operating Companies

The territory in which the operating companies 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 companies. 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 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, as well as in rural areas, and at wholesale currently to OPC, MEAG, Dalton and the City of Hampton.

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.

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.

For information relating to kilowatt-hour sales by classification for each registrant, reference is made to "Management's Discussion and Analysis-Results of Operations" in Item 7 herein. Also, for information relating to the sources of revenues for the SOUTHERN system and each of the operating companies, reference is made to Item 6 herein.

A portion of the area served by the operating companies 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 companies 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 federal power marketing agency). A non-affiliated utility also operates within GULF's service area and purchases its full requirements from GULF.

ALABAMA and GULF have entered into separate agreements with AEC involving interconnection between the respective systems. The delivery of capacity and energy from AEC to certain distributing cooperatives in the service areas of ALABAMA and GULF is governed by the SOUTHERN/AEC Network Transmission Service Agreement. The rates for this service to AEC are based on the negotiated agreement on file with the FERC. See Item 2 - PROPERTIES - "Jointly-Owned Facilities" herein for details of ALABAMA's joint-ownership with AEC of a portion of Plant Miller.

MISSISSIPPI has an interchange agreement with SMEPA, a generating and transmitting cooperative, pursuant to which various services are provided, including the furnishing of protective capacity by MISSISSIPPI to SMEPA. SMEPA has a generating

capacity of 1,947 megawatts and a transmission system estimated to be 1,549 miles in length.

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. OPC has a wholesale power contract with the remaining 39 of these cooperative organizations. OPC utilizes self-owned generation acquired from GEORGIA, megawatt capacity purchases from GEORGIA under power supply agreements, and other arrangements to meet its power supply obligations. Pursuant to the latest agreement entered into in April 1999, OPC will purchase 250 megawatts of steam capacity through March 2006.

There are 65 municipally-owned electric distribution systems operating in the territory in which the operating companies 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 sales contract with AMEA entitling AMEA to scheduled amounts of capacity (to a maximum of 100 megawatts) for a period of 15 years (1986 Contract). 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 (1991 Contract). 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. The 1986 Contract expired in July 2001, however, the payments for the 1991 Contract will continue as scheduled capacity is made available over the terms of the 1991 Contract. See Note 6 to ALABAMA's financial statements in Item 8 herein for further information on these contracts.

Forty-eight municipally-owned electric distribution systems and one county-owned system 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, power purchased from GEORGIA and purchases from other resources. In August 1997, a pseudo scheduling and services agreement was implemented between GEORGIA and MEAG that replaced the partial requirements tariff pursuant to which GEORGIA previously sold wholesale energy to MEAG. Since 1977, Dalton has filled its requirements from self-owned generation facilities acquired from GEORGIA and through purchases from GEORGIA pursuant to their partial requirements tariff. 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.)

GEORGIA has entered into substantially similar agreements with Georgia Transmission Corporation (formerly OPC's transmission division), 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 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 and 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 public 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 and Lease Agreements

The operating companies have long-term contractual agreements for the sale and lease of capacity to certain non-affiliated utilities located outside the SOUTHERN system service area. These agreements are firm and related to specific generating units. Because the energy is generally provided at cost under these agreements, profitability is primarily affected by capacity revenues.

Unit power from specific generating plants is currently being sold to FP&L, FPC and JEA. Under these agreements, approximately 1,500 megawatts of capacity is scheduled to be sold annually unless reduced by FP&L, FPC and JEA for the periods after 2001 with a minimum of three years notice, until the expiration of the contracts in 2010.

Southern Power and MISSISSIPPI have operating leases for portions of their generating unit capacity.

Reference is made to Note 5 to the financial statements for SOUTHERN; Note 6 to the financial statements for ALABAMA, GULF and MISSISSIPPI and Note 7 to the financial statements for GEORGIA in Item 8 herein for additional information regarding contracts for the sales and lease of capacity and energy to non-territorial customers.

Competition

The electric utility industry in the United States is continuing to evolve as a result of regulatory and competitive factors. Among the primary agents of change has been the Energy Act. The Energy Act allows 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 affected by wholesale transmission access and numerous potential new energy suppliers, including power marketers and brokers.

Although the Energy Act does not permit retail customer access, it has been a major catalyst for the recent restructuring and consolidations taking place within the utility industry. Numerous federal and state initiatives are in varying stages that promote wholesale and retail competition. Among other things, these initiatives allow customers to choose their electricity provider. Some states have approved initiatives that result in a separation of the ownership and/or operation of generating facilities from the ownership and/or operation of transmission and distribution facilities. While various restructuring and competition initiatives have been discussed in Alabama, Florida, Georgia and Mississippi, none have been enacted. Enactment would require numerous issues to be resolved, including

significant ones relating to recovery of any stranded investments, full cost recovery of energy produced and other issues related to the energy crisis that occurred in California. As a result of that crisis, many states have either discontinued or delayed implementation of initiatives involving retail deregulation.

Reference is made to Item 1 - BUSINESS - "Certain Factors Affecting the Industry" herein for information relating to SOUTHERN's RTO filing with the FERC.

Continuing to be a low-cost producer could provide opportunities to increase market share and profitability in markets that evolve with changing regulation. Conversely, if SOUTHERN's electric utilities do not remain low-cost producers and provide quality service, then energy sales growth could be limited, and this could significantly erode earnings. Reference is made to ALABAMA, GEORGIA, GULF, MISSISSIPPI and SAVANNAH, "Management's Discussion and Analysis - Future Earnings Potential" in Item 7 herein for further discussion of rate matters.

To adapt to a less regulated, more competitive environment, SOUTHERN continues to evaluate and consider a wide array of potential business strategies. These strategies may include business combinations, acquisitions involving other utility or non-utility businesses or properties, internal restructuring, disposition of certain assets or some combination thereof. Furthermore, SOUTHERN may engage in new business ventures that 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. (See Item 1 - BUSINESS - "Southern Power" and "Other Business" 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.

SOUTHERN is working to maintain and expand its share of wholesale energy sales in the Southeastern power markets. In January 2001, SOUTHERN formed a new subsidiary – Southern Power. This subsidiary constructs, owns and manages wholesale generating assets in the Southeast. Southern Power will be the primary growth engine for SOUTHERN's competitive wholesale market-based energy business. By the end of 2003, Southern Power plans to have approximately 4,700 megawatts of generating capacity in commercial operation. At December 31, 2001, 800 megawatts were in commercial operation and some 3,900 megawatts of capacity are under construction.

ALABAMA currently has cogeneration contracts in effect with 10 industrial customers. Under the terms of these contracts, ALABAMA purchases excess generation of such companies. During 2001, ALABAMA purchased approximately 154 million kilowatt-hours from such companies at a cost of $5.5 million.

GEORGIA currently has contracts in effect with nine small power producers whereby GEORGIA purchases their excess generation. During 2001, GEORGIA purchased 13.6 million kilowatt-hours from such companies at a cost of $355,000. GEORGIA has purchased power agreements for electricity with two cogeneration facilities. Payments are subject to reductions for failure to meet minimum capacity output. During 2001, GEORGIA purchased 621.7 million kilowatt-hours at a cost of $52.3 million from these facilities. Reference is made to Note 4 to the financial statements for GEORGIA in Item 8 herein for information regarding purchased power commitments.

GULF currently has agreements in effect with four industrial customers pursuant to which GULF purchases "as available" energy from customer-owned generation. During 2001, GULF purchased 114 million kilowatt-hours from such companies for $3.4 million.

SAVANNAH currently has cogeneration contracts in effect with four large customers. Under the terms of these contracts, SAVANNAH purchases excess generation of such companies. During 2001, SAVANNAH purchased 41.2 million kilowatt-hours from such companies at a cost of $1.4 million.

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 companies 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 by the Operating Companies" herein for information concerning suppliers of electricity operating within or near the areas served at retail by the operating companies.)

Regulation

State Commissions

The operating companies 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 by the Operating Companies" 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 other subsidiaries.

While various proposals have been introduced in Congress regarding the Holding Company Act, the prospects for legislative reform or repeal are uncertain at this time.

Federal Power Act

The Federal Power Act subjects the operating companies, Southern Power 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 1,593,600 kilowatts and 18 existing GEORGIA generating stations having an aggregate installed capacity of 1,074,696 kilowatts.

GEORGIA started the relicensing process for the Middle Chattahoochee Project in 1998. This project consists of the Goat Rock, Oliver and North Highlands facilities.

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.)

Licenses for all projects, excluding those discussed above, expire in the period 2007-2033 in the case of ALABAMA's projects and in the period 2005-2039 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.

NRC operating licenses currently expire in June 2017 and March 2021 for Plant Farley units 1 and 2, respectively, and in January 2027 and February 2029 for Plant Vogtle units 1 and 2, respectively. In January 2002, the NRC granted GEORGIA a 20-year extension of the licenses for both units at Plant Hatch which permits the operation of units 1 and 2 until 2034 and 2038, respectively.

Reference is made to Notes 1 and 10 to SOUTHERN's financial statements, Notes 1 and 9 to ALABAMA's financial statements 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 companies' and SEGCO's operations 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 companies 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.

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 – significantly affected SOUTHERN. Reductions in sulfur dioxide and nitrogen oxide emissions from fossil-fired generating plants were required in two phases. Phase I compliance began in 1995. SOUTHERN achieved Phase I compliance at its affected plants by primarily switching to low-sulfur coal and with some equipment upgrades. Construction expenditures for Phase I nitrogen oxide and sulfur dioxide emissions compliance totaled approximately $300 million. Phase II sulfur dioxide compliance was required in 2000. SOUTHERN used emission allowances and fuel switching to comply with Phase II requirements. Also, equipment to control nitrogen oxide emissions was installed on additional system fossil-fired units as necessary to meet Phase II limits and ozone non-attainment requirements for metropolitan Atlanta through 2000. Compliance for Phase II and initial ozone non-attainment requirements increased total construction expenditures through 2000 by approximately $100 million.

Respective state plans to address the one-hour ozone non-attainment standards for the Atlanta and Birmingham areas have been established and must be implemented in May 2003. Seven generating plants in the Atlanta area and two plants in the Birmingham area will be affected. Construction expenditures for compliance with these new rules are currently estimated at approximately $940 million, of which $520 million remains to be spent.

A significant portion of costs related to the acid rain and ozone non-attainment provisions of the Clean Air Act is expected to be recovered through existing ratemaking provision. However, there can be no assurance that all Clean Air Act costs will be recovered.

In July 1997, the EPA revised the national ambient air quality standards for ozone and particulate matter. This revision made the standards significantly more stringent. In the subsequent litigation of these standards, the U.S. Supreme Court found the EPA's implementation program for the new ozone standard unlawful and remanded it to the EPA. In addition, the Federal District of Columbia Circuit Court of Appeals is considering other legal challenges to these standards. A court decision is expected in the spring of 2002. If the standards are eventually upheld, implementation could be required by 2007 to 2010.

In September 1998, the EPA issued regional nitrogen oxide reduction rules to the states for implementation. The final rule affects 21 states, including Alabama and Georgia. Compliance is required by May 31, 2004, for most states, including Alabama. For Georgia, further

rulemaking was required, and proposed compliance was delayed until May 1, 2005. Additional construction expenditures for compliance with these new rules are currently estimated at approximately $190 million.

In December 2000, having completed its utility studies for mercury and other hazardous air pollutants (HAPS), the EPA issued a determination that an emission control program for mercury and, perhaps, other HAPS is warranted. The program is being developed under the Maximum Achievable Control Technology provisions of the Clear Air Act, and the regulations are scheduled to be finalized by the end of 2004 with implementation to take place around 2007. In January 2001, the EPA proposed guidance for the determination of Best Available Retrofit Technology (BART) emission controls under the Regional Haze Regulations. Installation of BART controls is expected to take place around 2010. Litigation of the Regional Haze Regulations, including the BART provisions, is ongoing in the Federal District of Columbia Circuit Court of Appeals. A court decision is expected in mid-2002.

Implementation of the final state rules for these initiatives could require substantial further reduction in nitrogen oxide and sulfur dioxide and reductions in mercury and other HAPS emission from fossil-fired generating facilities and other industries in these states. Additional compliance costs and capital expenditures resulting from the implementation of these rules and standards cannot be determined until the results of legal challenges are known, and the states have adopted their final rules.

In October 1997, the EPA issued regulations setting forth requirements for Compliance Assurance Monitoring in its state and federal operating permit programs. These regulations were amended by the EPA in March 2001 in response to a court order resolving challenges to the rules brought by environmental groups and the utility industry. Generally, this rule affects the operation and maintenance of electrostatic precipitators and could involve significant additional ongoing expense.

The EPA and state environmental regulatory agencies are reviewing and evaluating various other matters including: control strategies to reduce regional haze; limits on pollutant discharges to impaired waters; cooling water intake restrictions; and hazardous waste disposal requirements. The impact of any new standards will depend on the development and implementation of applicable regulations.

SOUTHERN 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 and have recognized in their respective financial statements costs to clean up known sites. These costs for SOUTHERN amounted to $1 million in 2001 and $4 million in both 2000 and 1999. Additional sites may require environmental remediation for which the subsidiaries may be liable for a portion or all required cleanup costs.

Several major pieces of environmental legislation are periodically 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'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. 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 a result of lawsuits alleging damages caused by electromagnetic fields.

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. Also see Item 3 - "Legal Proceedings", herein for information about a lawsuit brought on behalf of the EPA.

The operating companies' and SEGCO's estimated capital expenditures for environmental quality control

facilities for the years 2002, 2003 and 2004 are as follows: (in millions)

	2002	2003	2004
ALABAMA	$157	$95	$112
GEORGIA	320	93	66
GULF	5	15	26
MISSISSIPPI	4	9	1
SAVANNAH	4	6	2
SEGCO	*	*	*
Total	$490	$218	$207

* Amounts are less than $1 million.

The foregoing estimates are included in the current construction programs. (See Item 1 - BUSINESS - "Construction Programs" herein.)

Additionally, each operating company and SEGCO has 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.

The operating companies 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 companies 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 companies 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. ALABAMA, GEORGIA and SAVANNAH 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 recovers from retail customers costs of fuel, net purchased power, energy conservation and environmental compliance through provisions which are adjusted to reflect increases or decreases in such costs. GULF's recovery of these costs is based upon an annual projection - any over/under recovery during such period is reflected in a subsequent annual period with interest. With respect to MISSISSIPPI's retail rates, fuel and purchased power costs are billed to such customers under the fuel adjustment clause and energy costs management clause. The adjustment factors for MISSISSIPPI's retail and wholesale rates are generally 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 MISSISSIPPI's "Management's Discussion and Analysis" in Item 7 and to Note 3 to each

registrant's financial statements in Item 8 herein for a discussion of rate matters.

In February 2002, MISSISSIPPI reached an agreement with certain of its wholesale customers to increase its wholesale tariff rates effective June 2002. MISSISSIPPI filed the settlement agreement with the FERC on March 5, 2002. The FERC has 60 days to either set the issue for hearing with the proposed rates subject to refund or let the new rates go into effect as filed. The agreement results in an annual increase of approximately $10.5 million and the adoption of an Energy Cost Management Clause similar to the one approved by MISSISSIPPI's retail jurisdiction (see Note 1 to MISSISSIPPI's financial statements in Item 8 herein). In addition, MISSISSIPPI and its customers agreed that neither party would seek a unilateral change to the new rates prior to December 31, 2003, except for changes due to the operation of the fuel adjustment and energy cost management clauses. Though the FERC has accepted settlement agreements as filed in the past, the ultimate outcome of this matter before the FERC cannot now be determined.

On March 5, 2002, the Alabama PSC approved a revision to ALABAMA's rates that provide for periodic adjustments based upon ALABAMA's earned return on end-of-period retail common equity. This revision provides for an annual, rather than quarterly, adjustment and imposes a 3 percent limit on any such annual adjustment. A 2 percent increase in retail rates will become effective in April 2002 in accordance with the Rate Stabilization Equalization Plan. The return on common equity range of 13.0 to 14.5 percent remains unchanged. The Alabama PSC also accepted ALABAMA's proposal to lower the energy cost recovery factor for the billing months April 2002 through December 2002.

Integrated Resource Planning

In July 2001, the Georgia PSC approved the GEORGIA and SAVANNAH 2001 Integrated Resource Plan, which was filed on January 31, 2001. The plans specify how GEORGIA and SAVANNAH each intends to meet the future electrical needs of its 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 purchase power costs will be recoverable through rates.

In July 2001, the Georgia PSC approved GEORGIA's 2003/04 certification request, which was filed December 15, 2000, for approximately 1,800 megawatts of purchased power and 12 megawatts of upgraded hydro generation. This certification request included a seven-year PPA with Southern Power for two gas-fired combined cycle units that will be constructed at Plant Goat Rock. The first unit is designed to produce approximately 570 megawatts starting in 2003, with approximately 370 megawatts being available by June 2002. The second unit is designed to produce approximately 610 megawatts starting in 2004, with approximately 400 megawatts being available by June 2003. Also, a capacity upgrade of 12 megawatts was approved for the existing Goat Rock hydro units 1 and 2. In addition, this certification request included a seven-year PPA with Southern Power for a gas fired combined cycle generating unit to be constructed at Plant Autaugaville in Alabama. The unit is designed to produce approximately 610 megawatts starting in 2004. Based on an agreement with the Georgia PSC, the seven-year term of the PPA was modified to be 15 years.

In April 2001, GEORGIA and SAVANNAH issued an RFP for their 2005/06 resource needs of approximately 2,500 megawatts. At the request of the Georgia PSC, this RFP requested all types of generation resources including coal and nuclear. The bids received from this RFP totaled more than 25,000 megawatts including over 1,800 megawatts of coal offers. As required by the Georgia PSC's 2001 IRP order, GEORGIA developed a self-build coal offer to be compared to the bid received through the RFP. In conjunction with the Georgia PSC, an economic analysis of the coal proposals was completed and the results indicated that the coal resources were not economical as compared to gas-fired generation at this point in time. Therefore, the Georgia PSC relieved GEORGIA of its obligation to continue to develop a coal self-build proposal. At the present time, the bids from this RFP are being analyzed and the best-cost projects will be selected. Once the PPAs have been completed for the selected projects, GEORGIA and SAVANNAH will file for certification of these PPAs by summer of 2002. GEORGIA and SAVANNAH expect the Georgia PSC to approve the certification request in the fall of 2002.

Environmental Cost Recovery Plans

In 1993, the Florida Legislature adopted legislation for an Environmental Cost Recovery Clause (ECRC), which allows a utility, including GULF, to petition the Florida PSC for recovery of 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 1992, the Mississippi PSC approved MISSISSIPPI's Environmental Compliance Overview Plan (ECO Plan). The ECO Plan establishes procedures to facilitate the Mississippi PSC's overview of MISSISSIPPI's environmental strategy and provides for recovery of costs (including costs of capital associated with environmental projects approved by the Mississippi PSC). Under the ECO Plan, any increase in the annual revenue requirement is limited to 2 percent of retail revenues. However, the ECO Plan also provides for carryover of any amount over the 2 percent limit into the next year's revenue requirement. MISSISSIPPI conducts studies, when possible, to determine the extent of any required environmental remediation. Should such remediation be determined to be probable, reasonable estimates of costs to clean up such sites are developed and recognized in the financial statements. MISSISSIPPI recovers such costs under the ECO Plan as they are incurred, as provided for in MISSISSIPPI's 1995 ECO Plan order. MISSISSIPPI filed its 2002 ECO Plan in January 2002, which, if approved as filed, will result in a slight increase in customer prices.

Employee Relations

The SOUTHERN system had a total of 26,122 employees on its payroll at December 31, 2001.

	Employees at December 31, 2001
ALABAMA	6,706
GEORGIA	9,048
GULF	1,309
MISSISSIPPI	1,316
SAVANNAH	550
SCS	3,569
Southern Nuclear	3,045
Other	579
Total	26,122

The operating companies 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 14, 2005. 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, 2002.

GULF has an agreement with the IBEW on a three-year contract extending to August 15, 2005.

MISSISSIPPI has an agreement with the IBEW on a four-year contract extending to August 16, 2002.

SAVANNAH has four-year labor agreements with the IBEW and the Office and Professional Employees International Union that expire April 15, 2003 and December 1, 2003, respectively.

Southern Nuclear has agreements with the IBEW on a five-year contract extending to August 15, 2006 for Plant Farley and a three-year contract extending to June

30, 2002 for Plants Hatch and Vogtle. Upon notice given at least 60 days prior to these dates, negotiations may be initiated with respect to agreement terms to be effective after such dates.

Southern Nuclear is currently in negotiations with the Security, Police and Fire Professionals of America (formerly the United Plant Guard Workers of America) at Plant Hatch. The prior contract with the United Plant Guard Workers of America which extended to September 30, 2001 was not terminated, so the terms of the existing agreement have continued as negotiations of the new agreement continues. The parties will have the opportunity to terminate the agreement 60 days prior to October 1, 2002 if no agreement is reached prior to that time.

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 Electric Utilities

The operating companies, Southern Power and SEGCO, at December 31, 2001, owned and/or operated 34 hydroelectric generating stations, 34 fossil fuel generating stations, three nuclear generating stations and five combined cycle/cogeneration stations. The amounts of capacity for 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
Greene County	Demopolis, AL	300,000 (2)
Gaston Unit 5	Wilsonville, AL	880,000
Miller	Birmingham, AL	2,532,288 (3)
ALABAMA Total		6,578,538
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	Wilsonville, AL	
SEGCO Total		1,000,000 (7)
Total Fossil Steam		21,660,243
Nuclear Steam		
Farley	Dothan, AL	
ALABAMA Total		1,720,000
Hatch	Baxley, GA	899,612 (8)
Vogtle	Augusta, GA	1,060,240 (9)
GEORGIA Total		1,959,852
Total Nuclear Steam		3,679,852
Combustion Turbines		
Greene County	Demopolis, AL	
ALABAMA Total		720,000
Arkwright	Macon, GA	30,580
Atkinson	Atlanta, GA	78,720
Bowen	Cartersville, GA	39,400
Intercession City	Intercession City, FL	47,333 (10)
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		1,895,155
Lansing Smith Unit A	Panama City, FL	39,400
Pea Ridge Units 1-3	Pea Ridge, FL	14,250
GULF Total		53,650
Chevron Cogenerating Station	Pascagoula, MS	147,292 (11)
Sweatt	Meridian, MS	39,400
Watson	Gulfport, MS	39,360
MISSISSIPPI Total		226,052

Generating Station	Location	Nameplate Capacity (Kilowatts)
Boulevard	Savannah, GA	59,100
Kraft	Port Wentworth, GA	22,000
McIntosh Units 5&6	Effingham County, GA	160,000
SAVANNAH Total		241,100
Dahlberg		800,000
Southern Power Total		800,000
Gaston **(SEGCO)**	Wilsonville, AL	19,680 (7)
Total Combustion Turbines		3,955,637
Cogeneration		
Washington County	Washington County, AL	123,428
GE Plastics Project	Burkeville, AL	104,800
Theodore	Theodore, AL	236,418
Total Cogeneration		464,646
Combined Cycle		
Barry	Mobile, AL	
ALABAMA Total		1,070,424
Daniel (Leased)	Pascagoula, MS	
Mississippi Total		1,070,424
Total Combined Cycle		2,140,848
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	60,000
Lewis Smith	Jasper, AL	157,500
Bankhead	Holt, AL	54,000
Holt	Holt, AL	46,000
ALABAMA Total		1,599,600
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 (12)
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		2,677,336
Total Generating Capacity		34,578,562

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) Capacity shown represents 33-1/3% of total plant capacity. GEORGIA owns a 1/3 interest in the unit with 100% use of the unit from June through September. FPC operates the unit.

(11) Generation is dedicated to a single industrial customer.

(12) 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 companies, Southern Power 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 Entergy Gulf States. The line, completed in 1984, extends from Plant Daniel to the Louisiana state line. Entergy 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, 2001, the unamortized portion of this cost was approximately $33.3 million.

The all-time maximum demand on the operating companies and SEGCO was 31,359,000 kilowatts and occurred in August 2000. 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. The reserve margin for the operating companies and SEGCO at that time was 8.1%. 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.)

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	1,796	-	-	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	142	-	-	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 addition, GEORGIA has commitments regarding a portion of a 5 percent interest in Plant Vogtle owned by MEAG that 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.

Additionally jointly-owned facilities also include Southern Power's 65% undivided interest in Stanton Unit A and related facilities jointly owned with the Orlando Utilities Commission, the Kissimmee Utility Authority and the Florida Municipal Power Agency. Currently under construction near Orlando, Florida, this project will be a 610 megawatt combined cycle unit and is scheduled for commerical operation in October 2003.

Titles to Property

The operating companies', Southern Power's and SEGCO's interests in the principal plants (other than certain pollution control facilities, one small hydroelectric generating station leased by GEORGIA, MISSISSIPPI's combined cycle units at Plant Daniel 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 of ALABAMA, GULF, MISSISSIPPI and SAVANNAH and to excepted encumbrances as defined therein. The operating companies 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.

Item 3. LEGAL PROCEEDINGS

(1) **United States of America v. ALABAMA**
(United States District Court for the Northern District of Alabama)

On November 3, 1999, the EPA brought a civil action in the U.S. District Court in Georgia against ALABAMA. The complaint alleges violations of the New Source Review provisions of the Clean Air Act with respect to coal-fired generating facilities at ALABAMA's Plants Miller, Barry and Gorgas. The civil action requests penalties and injunctive relief, including an order requiring the installation of the best available control technology at the affected units. The Clean Air Act authorizes civil penalties of up to $27,500 per day, per violation at each generating unit. Prior to January 30, 1997, the penalty was $25,000 per day. The EPA concurrently issued a notice of violation relating to these specific facilities, as well as Plants Greene County and Gaston. On August 1, 2000, the U.S. District Court granted ALABAMA's motion to dismiss for lack of jurisdiction in Georgia. On January 12, 2001, the EPA re-filed its claims against ALABAMA in federal district court in Birmingham, Alabama. ALABAMA's case has been stayed since the spring of 2001, pending a ruling by the U.S. Court of Appeals for the Eleventh Circuit in the appeal of a very similar New Source Review enforcement action against the TVA. The TVA case involves many of the same legal issues raised by the actions against ALABAMA. Because the outcome of the TVA case could have a significant adverse impact on ALABAMA, ALABAMA is party to that case as well.

ALABAMA believes that it complied with applicable laws and the EPA's regulations and interpretations in effect at the time the work in question took place. An adverse outcome of this matter could require substantial capital expenditures that cannot be determined at this time and possibly require payment of substantial penalties.

(2) **United States of America v. GEORGIA and SAVANNAH**
(United States District Court for the Northern District of Georgia)

On November 3, 1999, the EPA brought a civil action in the U.S. District Court in Georgia against GEORGIA. The complaint alleges violation of the New Source Review provisions of the Clean Air Act with respect to coal-fired generating facilities at GEORGIA's Plants Bowen and Scherer. The civil action requests penalties and injunctive relief, including an order requiring the installation of the best available control technology at the affected units. The Clean Air Act authorizes civil penalties of up to $27,500 per day, per violation at each generating unit. Prior to January 30, 1997, the penalty was $25,000 per day. On March 27, 2001, the U.S. District Court granted the EPA's motion to amend its complaint to add the alleged violations at SAVANNAH's Plant Kraft and to add SAVANNAH as a defendant. The EPA concurrently issued a notice of violation relating to these two GEORGIA plants and SAVANNAH's Plant Kraft.

The case has been stayed since the spring of 2001, pending a ruling by the U.S. Court of Appeals for the Eleventh Circuit in the appeal of a very similar New Source Review enforcement action against the TVA. The TVA case involves many of the same legal issues raised by the actions against GEORGIA and SAVANNAH. Because the outcome of the TVA case could have a significant adverse impact on GEORGIA and SAVANNAH, both GEORGIA and SAVANNAH are party to that case as well.

GEORGIA and SAVANNAH believe that they complied with applicable laws and the EPA's regulations and interpretations in effect at the time the work in question took place. An adverse outcome of this matter could require substantial capital expenditures that cannot be determined at this time and possibly require payment of substantial penalties.

Item 3. LEGAL PROCEEDINGS (continued)

(3) **Cooper et al. v. GEORGIA, SOUTHERN, SCS and Energy Solutions**
(Superior Court of Fulton County, Georgia)

On July 28, 2000, a lawsuit alleging race discrimination was filed by three GEORGIA employees against GEORGIA, SOUTHERN, and SCS in the Superior Court of Fulton County, Georgia. Shortly thereafter, the lawsuit was removed to the United States District Court for the Northern District of Georgia. The lawsuit also raised claims on behalf of a purported class. The plaintiffs seek compensatory and punitive damages in an unspecified amount, as well as injunctive relief. On August 14, 2000, the lawsuit was amended to add four more plaintiffs. Also, an additional subsidiary of SOUTHERN, Energy Solutions (now Southern Management Development), was named a defendant.

On October 11, 2001, the district court denied the plaintiffs' motion for class certification. The plaintiffs filed a motion to reconsider the order denying class certification, and the court denied the plaintiffs' motion to reconsider. On December 28, 2001, the plaintiffs filed a petition in the United States Court of Appeals for the Eleventh Circuit seeking permission to file an appeal of the October 11 decision. On March 15, 2002, the Eleventh Circuit denied the plaintiffs' petition; thus, the plaintiffs may not appeal the October 11 decision until the seven individual cases are resolved in the district court. Discovery on the seven named plaintiffs' individual claims that remain in the case is ongoing. The final outcome of the case cannot now be determined.

(4) GEORGIA has been designated as a potentially responsible party at sites governed by the Georgia Hazardous Site Response Act and/or by the federal Comprehensive Environmental Response, Compensation and Liability Act.

In addition, in 1995 the EPA designated GEORGIA and four other unrelated entities as potentially responsible parties at a site in Brunswick, Georgia that is listed on the federal National Priorities List. GEORGIA has contributed to the removal and remedial investigation and feasibility study costs for the site. Additional claims for recovery of natural resource damages at the site are anticipated.

The final outcome of these matters cannot now be determined.

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 "Other Environmental Contingencies," respectively.

(5) **In re: Mobile Energy Services Company, LLC; In re: Mobile Energy Services Holdings, Inc.**
(U.S. Bankruptcy Court for the Southern District of Alabama).

On August 4, 2000, MESH filed a proposed plan of reorganization with the U.S. Bankruptcy Court. The proposed plan of reorganization was most recently amended on October 15, 2001. SOUTHERN expects that approval of a plan of reorganization would result in either a termination of SOUTHERN's ownership interest in MESH or the exchange of all assets of MESH for the cancellation of securities held by the bondholders, but would not affect SOUTHERN's continuing guarantee obligations. The final outcome of this matter cannot now be determined.

Reference is made to Note 3 to SOUTHERN's financial statements in Item 8 herein under the caption "Mobile Energy Services' Petition for Bankruptcy."

Item 3. LEGAL PROCEEDINGS (continued)

(6) **Gordon v. SOUTHERN et al.**
(United States District Court for the Southern District of California)

and

(7) **Pier 23 Restaurant v. SOUTHERN et al.**
(United States District Court for the Northern District of California)

Prior to the spin off of Mirant, SOUTHERN was named as a defendant in two lawsuits filed in the superior courts of California alleging that certain owners of electric generation facilities in California, including SOUTHERN, engaged in various unlawful and anticompetitive acts that served to manipulate wholesale power markets and inflate wholesale electricity prices in California. One lawsuit naming SOUTHERN, Mirant and other generators as defendants alleged that, as a result of the defendants' conduct, customers paid approximately $4 billion more for electricity that they otherwise would have and sought an award of treble damages, as well as other injunctive and equitable relief. The other suit likewise sought treble damages and equitable relief. The allegations in the two lawsuits in which SOUTHERN was named seemed to be directed to activities of subsidiaries of Mirant. On September 28 and November 6, 2001, the plaintiffs voluntarily dismissed SOUTHERN without prejudice from the two lawsuits in which it had been named as a defendant. Prior to being dismissed, SOUTHERN had notified Mirant of its claim for indemnification for costs associated with the lawsuits under the terms of the master separation agreement that governs the spin off of Mirant. Mirant had undertaken the defense of the lawsuits. Plaintiffs would not be barred by their own dismissal from naming SOUTHERN in some future lawsuit, but management believes that the likelihood of SOUTHERN having to pay damages in any such lawsuit is remote.

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 companies, SCS, Southern Nuclear, Southern Power, Energy Solutions and Southern LINC 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.

ALABAMA

ALABAMA held a special meeting of shareholders on November 21, 2001 for the purpose of amending its charter to effect certain changes in the Auction Procedures for ALABAMA's 1988 Auction Series Class A Preferred Stock and 1993 Auction Series Class A Preferred Stock. The amendment was passed and the vote tabulation was as follows:

	Votes		
	For	**Against**	**Abstain**
Common Stock	6,000,000	0	0
Preferred Stock	377,000	0	0
Total	6,377,000	0	0

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, 2001.

H. Allen Franklin
Chairman, President, Chief Executive Officer and Director
Age 57
Elected Director in 1988 and Chief Executive Officer effective March 1, 2001. Previously served as President and Chief Operating Officer of SOUTHERN from June 1999 to March 2001; and as President and Chief Executive Officer of GEORGIA from January 1994 to June 1999.

Dwight H. Evans
Executive Vice President
Age 53
Elected in 2001. Previously served as President and Chief Executive Officer of MISSISSIPPI from March 1995 to May 2001.

David M. Ratcliffe
Executive Vice President
Age 53
Elected in 1999. He also has served as President and Chief Executive Officer of GEORGIA since June 1999. Previously served as Executive Vice President, Treasurer and Chief Financial Officer of GEORGIA from March 1998 to June 1999; and as Senior Vice President of SOUTHERN from March 1995 to March 1998.

Leonard J. Haynes
Executive Vice President and Chief Marketing Officer
Age 51
Elected in 2001. Previously served as Senior Vice President of GEORGIA from October 1998 to May 2001; and Vice President of GEORGIA from October 1992 to October 1998.

G. Edison Holland, Jr.
Executive Vice President
Age 49
Elected in 2001. Previously served as President and Chief Executive Officer of SAVANNAH from 1997 until 2001.

Gale E. Klappa
Executive Vice President, Chief Financial Officer and Treasurer
Age 51
Elected in 2001. Previously served as Financial Vice President, Chief Financial Officer and Treasurer form March 2001 to May 2001; Senior Vice President and Chief Strategic Officer of SOUTHERN from October 1999 to March 2001; President of Mirant's North America Group and Senior Vice President of Mirant from December 1998 to October 1999; and as President and Chief Executive Officer of Western Power Distribution, a subsidiary of Mirant located in Bristol, England, from September 1995 to December 1998.

Charles D. McCrary
Executive Vice President
Age 50
Elected in 1998; serves as President and Chief Executive Officer of ALABAMA. Previously served as President and Chief Operating Officer of ALABAMA from May 2001 to October 2001; Vice President of SOUTHERN from February 1998 to April 2001; and as Executive Vice President of ALABAMA from 1994 through February 1998.

W. Paul Bowers
Age 44
Executive Vice President of SCS and President and Chief Executive Officer of Southern Power since May 2001. Previously served as Senior Vice President of SCS and Chief Marketing Officer of SOUTHERN from March 2000 to May 2001; President and Chief Executive Officer of Western Power Distribution, a subsidiary of Mirant located in Bristol, England, from December 1998 to 2000; and Senior Vice President of Retail Marketing for GEORGIA from 1995 to 1998.

W. G. Hairston, III
Age 57
President and Chief Executive Officer of Southern Nuclear since 1993.

The officers of SOUTHERN were elected for a term running from the first meeting of the directors following the last annual meeting (May 23, 2001) for one year until the first board meeting after the next annual meeting or until their successors are elected and have qualified.

EXECUTIVE OFFICERS OF ALABAMA

(Identification of executive officers of ALABAMA 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, 2001.

Elmer B. Harris
Chairman and Director*
Age 62
Elected in 1989. Served as President and Chief Executive Officer from 1989 to 2001. Elected Executive Vice President of SOUTHERN in 1991. Served as a Director of SOUTHERN since 1989.

Charles D. McCrary
President, Chief Executive Officer and Director
Age 50
Elected in 2001. Served as President and Chief Operating Officer of ALABAMA from April 2001 to October 2001 and Vice President of SOUTHERN from February 1998 to April 2001. Previously served as Executive Vice President of External Affairs at ALABAMA from April 1994 through February 1998.

William B. Hutchins, III
Executive Vice President, Chief Financial Officer and Treasurer
Age 58
Elected in 1991. Served as Treasurer since 1998 in addition to Executive Vice President and Chief Financial Officer since 1991.

C. Alan Martin
Executive Vice President
Age 53
Elected in 1999. Served as Executive Vice President of External Affairs since January 2000. Previously served as Executive Vice President and Chief Marketing Officer for SOUTHERN from 1998 to 1999; and Vice President of Human Resources for SOUTHERN from May 1995 to March 1998.

Steve R. Spencer
Executive Vice President
Age 46
Elected in 2001. Served as Senior Vice President of External Affairs from July 2000 to April 2001. Previously served as Vice President of SOUTHERN's external affairs organization from 1998 to 2001.

Jerry L. Stewart
Senior Vice President
Age 52
Elected in 1999. Served as Senior Vice President of Fossil and Hydro Generation since 1999. Previously served as Vice President of SCS from 1992 to 1999.

The officers of ALABAMA were elected for a term running from the last annual meeting of the directors (April 27, 2001) for one year until the next annual meeting or until their successors are elected and have qualified, except for Mr. McCrary who was elected Chief Executive Officer on October 25, 2001.

*Retired effective January 11, 2002.

EXECUTIVE OFFICERS OF GEORGIA

(Identification of executive officers of GEORGIA 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, 2001.

David M. Ratcliffe
President, Chief Executive Officer and Director
Age 53
Elected as an Executive Officer in 1998 and as Director in 1999. Served as President and Chief Executive Officer since June 1999. Previously served as Executive Vice President, Treasurer and Chief Financial Officer of GEORGIA from 1998 to 1999; and as Senior Vice President of SOUTHERN from March 1995 to March 1998.

William C. Archer, III
Executive Vice President
Age 53
Elected in 1995. Served as Executive Vice President of External Affairs since 1995.

Thomas A. Fanning
Executive Vice President, Treasurer and
Chief Financial Officer
Age 44
Elected in 1999. Previously served as Senior Vice President of SCS and Chief Information Officer for SOUTHERN from March 1995 to June 1999.

Judy M. Anderson
Senior Vice President
Age 53
Elected in 2001. Served as Senior Vice President of Charitable Giving since 2001. Previously served as Vice President and Corporate Secretary of GEORGIA from 1989 to 2001.

Ronnie L. Bates
Senior Vice President
Age 47
Elected in 2001. Served as Senior Vice President, Marketing since 2001. Previously served as Vice President, Transmission from 2000 to 2001; and as General Manager, Transmission and Construction from 1995 to 2000.

Mickey A. Brown
Senior Vice President
Age 54
Elected in 2001. Served as Senior Vice President of Distribution since 2001. Previously served as Vice President, Distribution from 2000 to 2001; and as Vice President, Northern Region from 1993 to 2000.

James K. Davis
Senior Vice President
Age 61
Elected in 1993. Served as Senior Vice President of Corporate Relations since 1993, with Employee Relations being added to his responsibilities in 2000.

Fred D. Williams
Senior Vice President
Age 57
Elected in 1992. Served as Senior Vice President of Resource Policy and Planning since 1997. Previously served as Senior Vice President of Wholesale Energy from 1995 to 1997.

Leslie R. Sibert
Vice President
Age 39
Elected in 2001. Served as Vice President, Transmission since 2001. Previously served as Decatur Region Manager from 1999 to 2001; and as Assistant to Senior Vice President, Southern Wholesale Energy from 1996 to 1999.

Christopher C. Womack
Senior Vice President
Age 43
Elected in 2001. Served as Senior Vice President of Fossil and Hydro since 2001. Previously served as Vice President and Chief People Officer of SOUTHERN from 1998 to 2001; and as Senior Vice President of Public Relations and Corporate Services at ALABAMA from 1995 to 1998.

The officers of GEORGIA were elected for a term running from the last annual meeting of the directors (May 16, 2001) for one year until the next annual meeting or until their successors are elected and have qualified, except for Ms. Anderson, whose election was effective June 1, 2001; Mr. Bates, whose election was effective October 8, 2001; Ms. Sibert, whose election was effective November 14, 2001; and Mr. Womack, whose election was effective December 17, 2001.

EXECUTIVE OFFICERS OF GULF

(Identification of executive officers of GULF 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, 2001.

Travis J. Bowden
President, Chief Executive Officer and Director
Age 63
Elected in 1994. Served as President and Chief Executive Officer since 1994.

Francis M. Fisher, Jr.
Vice President
Age 53
Elected in 1989. Served as Vice President of Power Delivery and Customer Operations since 1996.

John E. Hodges, Jr.
Vice President
Age 58
Elected in 1989. Served as Vice President of Marketing and Employee/External Affairs since 1996.

Ronnie R. Labrato
Vice President, Chief Financial Officer and Comptroller
Age 48
Elected in 2000. Served as Vice President, Chief Financial Officer and Comptroller since 2001. Previously served as Comptroller and Chief Financial Officer from 2000 to 2001 and Controller from 1992 to 2000.

Robert G. Moore
Vice President
Age 52
Elected in 1997. Served as Vice President of Power Generation and Transmission of GULF and Vice President of Fossil Generation of SCS since 1997. Previously served as Plant Manager of Plant Bowen at GEORGIA from March 1993 to August 1997.

Warren E. Tate
Vice President, Secretary/Treasurer and Regional Chief Information Officer
Age 59
Elected in 2000. Served as Vice President since 2001, also serves as Secretary/Treasurer and Regional Chief Information Officer since 1996.

The officers of GULF were elected for a term running from the last annual meeting of the directors (July 27, 2001) for one year until the next annual meeting or until their successors are elected and have qualified.

EXECUTIVE OFFICERS OF MISSISSIPPI

(Identification of executive officers of MISSISSIPPI 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, 2001.

Michael D. Garrett
President, Chief Executive Officer and Director
Age 52
Elected in 2001. Previously served as Executive Vice President - Customer Service of ALABAMA from January 2000 to May 2001; Executive Vice President of External Affairs of ALABAMA from March 1998 to January 2000; and Senior Vice President of External Affairs of ALABAMA from February 1994 to March 1998.

H. E. Blakeslee
Vice President
Age 61
Elected in 1984. Served as Vice President of Customer Services and Retail Marketing since 1984.

Don E. Mason
Vice President
Age 60
Elected in 1983. Served as Vice President of External Affairs and Corporate Services since 1983.

Michael W. Southern
Vice President, Treasurer and
Chief Financial Officer
Age 49
Elected in 1995. Served as Vice President, Treasurer and Chief Financial Officer since 2001. Previously served as Vice President, Secretary, Treasurer and Chief Financial Officer from 1995 to 2001.

Gene L. Ussery, Jr.
Vice President
Age 52
Elected in 2000. Served as Vice President of Power Generation and Delivery since September 2000. Previously served as Northern Cluster Manager at GEORGIA for Plants Hammond, Bowen and McDonough-Atkinson from July 2000 to September 2000. He served as Manager of Plant Bowen at GEORGIA from 1997 to 2000; and Manager of Plant McDonough at GEORGIA from 1996 to 1997.

The officers of MISSISSIPPI were elected for a term running from the last annual meeting of the directors (April 25, 2001) for one year until the next annual meeting or until their successors are elected and have 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
2001		
First Quarter (Note)	$21.650	$16.152
Second Quarter	23.880	20.890
Third Quarter	26.000	22.050
Fourth Quarter	25.980	22.300
2000		
First Quarter	$25.875	$20.375
Second Quarter	27.875	21.688
Third Quarter	35.000	23.406
Fourth Quarter	33.880	27.500

Note: The common stock high and low prices have been adjusted to give effect to the Mirant spin off. Reference is made to Note 11 to the financial statements for SOUTHERN in Item 8 herein for additional information.

There is no market for the other registrants' common stock, all of which is owned by SOUTHERN. On February 28, 2002, the closing price of SOUTHERN's common stock was $25.40.

(b) Number of SOUTHERN's common stockholders of record at December 31, 2001: 150,242

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 declared by SOUTHERN and the operating companies to their stockholder(s) for the past two years were as follows: (in thousands)

Registrant	Quarter	2001	2000
SOUTHERN	First	$228,320	$220,557
	Second	229,611	217,289
	Third	231,192	217,289
	Fourth	232,935	218,098
ALABAMA	First	101,200	103,600
	Second	97,600	105,200
	Third	97,600	104,400
	Fourth	97,500	103,900
GEORGIA	First	134,500	136,500
	Second	130,900	138,600
	Third	130,900	137,600
	Fourth	131,000	136,900
GULF	First	13,500	14,600
	Second	13,300	14,900
	Third	13,300	14,800
	Fourth	13,175	14,700
MISSISSIPPI	First	12,800	13,600
	Second	12,500	13,800
	Third	12,500	13,700
	Fourth	12,400	13,600
SAVANNAH	First	5,500	6,100
	Second	5,400	6,200
	Third	5,400	6,000
	Fourth	5,400	6,000

The dividend paid per share by SOUTHERN was 33.5¢ for each quarter of 2000 and 2001. The dividend paid on SOUTHERN's common stock for the first quarter of 2002 was 33.5¢ per share.

The amount of dividends on their common stock that may be paid by the subsidiary registrants (except GEORGIA effective February 27, 2002) is restricted in accordance with their respective first mortgage bond indenture. The amounts of earnings retained in the

business and the amounts restricted against the payment of cash dividends on common stock at December 31, 2001 were as follows:

	Retained Earnings	Restricted Amount
	(in millions)	
ALABAMA	$1,220	$ 796
GEORGIA	1,871	1,037
GULF	161	127
MISSISSIPPI	186	118
SAVANNAH	110	68
Consolidated	4,517	2,145

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-43 and II-44.

ALABAMA. Reference is made to information under the heading "Selected Financial and Operating Data," contained herein at pages II-78 and II-79.

GEORGIA. Reference is made to information under the heading "Selected Financial and Operating Data," contained herein at pages II-114 and II-115.

GULF. Reference is made to information under the heading "Selected Financial and Operating Data," contained herein at pages II-145 and II-146.

MISSISSIPPI. Reference is made to information under the heading "Selected Financial and Operating Data," contained herein at pages II-178 and II-179.

SAVANNAH. Reference is made to information under the heading "Selected Financial and Operating Data," contained herein at pages II-207 and II-208.

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-18.

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-48 through II-57.

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-83 through II-92.

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-119 through II-128.

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-150 through II-159.

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-183 through II-191.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Reference is made to information in SOUTHERN's "Management's Discussion and Analysis - Market Price Risk" and to Note 1 to SOUTHERN's financial statements under the heading "Financial Instruments" contained herein on pages II-14 and II-29 through II-30, respectively.

Reference is also made to "Management's Discussion and Analysis – Exposure to Market Risks" in Item 7 of ALABAMA, GEORGIA, GULF, MISSISSIPPI and SAVANNAH contained herein at pages II-53, II-87 through II-88, II-124, II-155 and II-187, respectively.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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None.

THE SOUTHERN COMPANY
AND SUBSIDIARY COMPANIES

FINANCIAL SECTION

MANAGEMENT'S REPORT
Southern Company and Subsidiary Companies 2001 Annual Report

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 accounting principles generally accepted in the United States 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.

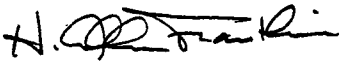
The company maintains a system of internal accounting controls to provide reasonable assurance that assets are safeguarded and that the accounting records reflect only authorized transactions of the company. Limitations exist in any system of internal controls, however, based on a recognition that the 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.

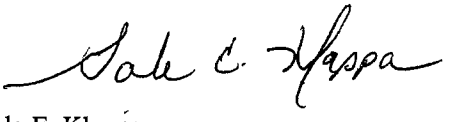
The audit committee of the board of directors, composed of four independent directors, provides a broad overview of management's financial reporting and control functions. Periodically, this committee meets with management, the internal auditors, and the independent public accountants to ensure that 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 accounting principles generally accepted in the United States.



H. Allen Franklin
Chairman, President, and Chief Executive Officer



Gale E. Klappa
Executive Vice President, Chief Financial Officer, and Treasurer
February 13, 2002

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To 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, 2001 and 2000, and the related consolidated statements of income, comprehensive income, common stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2001. 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 auditing standards generally accepted in the United States. 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-19 through II-42) referred to above present fairly, in all material respects, the financial position of Southern Company and subsidiary companies as of December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

As explained in Note 1 to the financial statements, effective January 1, 2001, Southern Company changed its method of accounting for derivative instruments and hedging activities.

Arthur Andersen LLP

Atlanta, Georgia
February 13, 2002

RESULTS OF OPERATIONS

Overview of Consolidated Earnings and Dividends

Earnings

Southern Company's basic earnings per share from continuing operations increased 6.6 percent in 2001. This increase was achieved by cost containment and lower interest rates despite the mild temperatures and the economic downturn. Basic earnings per share from continuing operations were $1.62 in 2001 compared with $1.52 in 2000. Dilution -- which factors in additional shares related to stock options -- decreased earnings per share by 1 cent in 2001 and had no impact in 2000.

In April 2000, Southern Company announced an initial public offering of up to 19.9 percent of Mirant Corporation -- formerly Southern Energy, Inc. -- and intentions to spin off its remaining ownership of 272 million Mirant shares. On April 2, 2001, the tax-free distribution of Mirant shares was completed at a ratio of approximately 0.4 for every share of Southern Company common stock.

As a result of the spin off, Southern Company's financial statements and related information reflect Mirant as discontinued operations. Therefore, the focus of Management's Discussion and Analysis is on Southern Company's continuing operations. The following chart shows earnings from continuing and discontinued operations:

	Consolidated Net Income		Basic Earnings Per Share	
	2001	2000	**2001**	2000
	(in millions)			
Earnings from --				
Continuing operations	**$1,120**	$ 994	**$1.62**	$1.52
Discontinued operations	**142**	319	**0.21**	0.49
Total earnings	**$1,262**	$1,313	**$1.83**	$2.01

Dividends

Southern Company has paid dividends on its common stock since 1948. Dividends paid on common stock in 2001 and 2000 were $1.34 per share or 33 1/2 cents per quarter. In January 2002, Southern Company declared a quarterly dividend of 33 1/2 cents per share. This is the 217th consecutive quarter that Southern Company has paid a dividend equal to or higher than the previous quarter. Our dividend payout ratio goal is 75 percent.

Southern Company Business Activities

Discussion of the results of continuing operations is focused on Southern Company's primary business of electricity sales by the operating companies -- Alabama Power, Georgia Power, Gulf Power, Mississippi Power, and Savannah Electric -- and Southern Power. Southern Power is a new electric wholesale generation subsidiary with market-based rates. The remaining portion of Southern Company's other business activities include telecommunications, energy products and services, leveraged leasing activities, and the parent holding company. The net impact of these other business activities on the consolidated results of operations is not significant. See Note 12 to the financial statements for additional information.

Electricity Business

Southern Company's electric utilities generate and sell electricity to retail and wholesale customers in the Southeast. A condensed income statement for these six companies is as follows:

	Amount	Increase (Decrease) From Prior Year	
	2001	**2001**	2000
		(in millions)	
Operating revenues	**$9,906**	**$ 46**	$735
Fuel	**2,577**	**13**	236
Purchased power	**718**	**41**	268
Other operation and maintenance	**2,489**	**19**	40
Depreciation and amortization	**1,144**	**9**	89
Taxes other than income taxes	**533**	**1**	11
Total operating expenses	**7,461**	**83**	644
Operating income	**2,445**	**(37)**	91
Other income, net	**15**	**51**	2
Earnings before interest and taxes	**2,460**	**14**	93
Interest expenses and other, net	**609**	**(25)**	29
Income taxes	**702**	**(1)**	28
Net income	**$1,149**	**$ 40**	$ 36

Revenues

Operating revenues for the core business of selling electricity in 2001 and the amount of change from the prior year are as follows:

	Amount	Increase (Decrease) From Prior Year	
	2001	**2001**	2000
		(in millions)	
Retail --			
Base revenues	**$5,921**	**$ (93)**	$174
Fuel cost recovery and other	**2,519**	**(67)**	336
Total retail	**8,440**	**(160)**	510
Sales for resale --			
Within service area	**338**	**(39)**	27
Outside service area	**836**	**236**	127
Total sales for resale	**1,174**	**197**	154
Other operating revenues	**292**	**9**	71
Operating revenues	**$9,906**	**$ 46**	$735
Percent change		**0.5%**	8.1%

Base revenues declined by $93 million in 2001 because of mild temperatures and the economic downturn. Total base revenues of $6.0 billion in 2000 increased as a result of continued customer growth in the service area and the positive impact of weather on energy sales.

Electric rates -- for the operating companies -- include provisions to adjust billings for fluctuations in fuel costs, the energy component of purchased power costs, and certain other costs. Under these fuel cost recovery provisions, fuel revenues generally equal fuel expenses -- including the fuel component of purchased energy -- and do not affect net income. However, cash flow is affected by the economic loss from untimely recovery of these receivables.

Sales for resale revenues within the service area were $338 million in 2001, down 10.2 percent from the prior year. This sharp decline resulted primarily from the mild weather experienced in the Southeast during 2001, which significantly reduced energy requirements from these customers. Sales for resale within the service area for 2000 were up from the prior year as a result of additional demand for electricity during the hot summer.

Revenues from energy sales for resale outside the service area have increased sharply the past two years with a 39 percent and 27 percent increase in 2001 and 2000, respectively. This growth was primarily driven by new contracts. As Southern Company increases its competitive wholesale generation business, sales for resale outside the service area should reflect steady increases over the near term. Recent wholesale contracts have shorter contract periods, and many are market priced compared with the traditional cost-based contracts entered into in the 1980s. Those long-term cost-based contracts are principally unit power sales to Florida utilities. Revenues from long-term unit power contracts have both 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 of the unit power contracts were as follows:

	2001	2000	1999
		(in millions)	
Capacity	**$170**	$177	$174
Energy	**201**	178	157
Total	**$371**	$355	$331

Capacity revenues in 2001 and 2000 varied slightly compared with the prior year as a result of adjustments and true-ups related to contractual pricing. No significant declines in the amount of capacity are scheduled until the termination of the contracts in 2010.

Energy Sales

Changes in revenues are influenced heavily by the amount of energy sold each year. Kilowatt-hour sales for 2001 and the percent change by year were as follows:

(billions of kilowatt-hours)	Amount	Percent Change		
	2001	**2001**	2000	1999
Residential	**44.5**	**(3.6)%**	6.5%	(0.2)%
Commercial	**46.9**	**1.5**	6.6	4.0
Industrial	**52.9**	**(6.8)**	1.0	1.6
Other	**1.0**	**0.7**	2.7	1.6
Total retail	**145.3**	**(3.2)**	4.3	1.7
Sales for resale --				
Within service area	**9.4**	**(2.0)**	1.5	(4.1)
Outside service area	**21.4**	**24.4**	33.0	(0.4)
Total	**176.1**	**(0.5)**	6.4	1.2

Although the number of residential customers increased 43,000 in 2001, retail energy sales registered a 3.2 percent decline. This is the first decrease since 1982. Reduced retail sales in 2001 were driven by extremely mild weather and the sluggish economy, which severely impacted industrial sales. In 2000, the rate of growth in total retail energy sales was very strong. Residential energy sales reflected a substantial increase as a result of the hotter-than-normal summer weather and the increase in customers served. Also in 2000, commercial sales continued to reflect the strong economy in the Southeast. Energy sales to retail customers are projected to increase at an average annual rate of 1.8 percent during the period 2002 through 2012.

Sales to customers outside the service area under long-term contracts for unit power sales increased 2.7 percent in 2001 and increased 21 percent in 2000. These changes in sales were influenced by weather -- discussed earlier -- and fluctuations in prices for oil and natural gas. These are the primary fuel sources for utilities with which the company has long-term contracts. However, these fluctuations in energy sales under long-term contracts have minimal effects on earnings because the energy is generally sold at variable cost.

Expenses

In 2001, operating expenses of $7.5 billion increased only $83 million compared with the prior year. The moderate increase reflected flat energy sales and tighter cost containment measures. The costs to produce electricity for the core business in 2001 increased $96 million. However, non-production operation and maintenance declined by $23 million.

In 2000, operating expenses of $7.4 billion increased $644 million compared with the prior year. The costs to produce electricity in 2000 increased by $498 million to meet higher energy requirements. Non-production operation and maintenance expenses increased $46 million in 2000. Depreciation and amortization expenses in 2000 increased $89 million, of which $50 million resulted from additional accelerated amortization by Georgia Power.

Fuel costs constitute the single largest expense for the six electric utilities. 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 service area -- were as follows:

	2001	2000	1999
Total generation (billions of kilowatt-hours)	**174**	174	165
Sources of generation (percent) --			
Coal	**72**	78	78
Nuclear	**16**	16	17
Oil and gas	**9**	4	3
Hydro	**3**	2	2
Average cost of fuel per net kilowatt-hour generated (cents) --	**1.56**	1.51	1.45

In 2001, fuel and purchased power costs of $3.3 billion increased $54 million. Continued efforts to control energy costs combined with additional efficient gas-fired generating units helped to hold the increase in fuel expense to $13 million in 2001.

Total fuel and purchased power costs increased $504 million in 2000 as a result of 10.6 billion more kilowatt-hours being sold than in 1999. Demand was met with some 2.5 billion additional kilowatt-hours being purchased and using generation with higher unit fuel cost than in 1999.

Total interest charges and other financing costs in 2001 decreased $25 million from amounts reported in the previous year. The decline reflected substantially lower short-term interest rates that offset new financing costs. Total interest charges and other financing costs in 2000 increased $29 million reflecting some additional external financing for new generating units.

Effects of Inflation

The operating companies are 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 utility plant with long economic lives. 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 securities. Any recognition of inflation by regulatory authorities is reflected in the rate of return allowed.

Future Earnings Potential

General

The results of continuing operations for the past three years are not necessarily indicative of future earnings potential. The level of Southern Company's future earnings depends on numerous factors. The two major factors are the ability of the operating companies to achieve energy sales growth while containing cost in a more competitive environment and the profitability of the new competitive market-based wholesale generating facilities being added.

Future earnings for the electricity business in the near term will depend upon growth in energy sales, which is subject to a number of factors. These factors include weather, competition, new short and long-term contracts with neighboring utilities, energy conservation practiced by customers, the elasticity of demand, and the rate of economic growth in the service area.

The operating companies operate as vertically integrated companies providing electricity to customers within the service area of the southeastern United States. Prices for electricity provided to retail customers are set by state public service commissions under cost-based regulatory principles. Retail rates and earnings are reviewed and adjusted periodically within certain limitations based on earned return on equity. See Note 3 to the financial statements for additional information about these and other regulatory matters.

In accordance with Financial Accounting Standards Board (FASB) Statement No. 87, Employers' Accounting for Pensions, Southern Company recorded non-cash income of approximately $124 million in 2001. Future pension income is dependent on several factors including trust earnings and changes to the plan. For the operating companies, pension income is a component of the regulated rates and does not have a significant effect on net income. For more information, see Note 2 to the financial statements.

Southern Company currently receives tax benefits related to investments in alternative fuel partnerships and leveraged lease agreements for energy generation, distribution, and transportation assets that contribute significantly to the economic results for these projects. Changes in Internal Revenue Service interpretations of existing regulations or challenges to the company's positions could result in reduced availability or changes in the timing of such tax benefits. The net income impact of these investments totaled $52 million, $28 million, and $11 million in 2001, 2000, and 1999, respectively. See Note 1 to the financial statements under "Leveraged Leases" and Note 6 for additional information and related income taxes.

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 current and future environmental laws and regulations 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."

Industry Restructuring

The electric utility industry in the United States is continuing to evolve as a result of regulatory and competitive factors. Among the primary agents of change has been the Energy Policy Act of 1992 (Energy Act). 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 affected by wholesale transmission access and numerous potential new energy suppliers, including power marketers and brokers.

Although the Energy Act does not permit retail customer access, it has been a major catalyst for recent restructuring and consolidations taking place within the utility industry. Numerous federal and state initiatives are in varying stages that promote wholesale and retail competition. Among other things, these initiatives allow customers to choose their electricity provider. Some states have approved initiatives that result in a separation of the ownership and/or operation of generating facilities from the ownership and/or operation of transmission and distribution facilities. While various restructuring and competition initiatives have been discussed in Alabama, Florida, Georgia, and Mississippi, none have been enacted. Enactment would require numerous issues to be resolved, including significant ones relating to recovery of any stranded investments, full cost recovery of energy produced, and other issues related to the energy crisis that occurred in California. As a result of that crisis, many

states have either discontinued or delayed implementation of initiatives involving retail deregulation.

Continuing to be a low-cost producer could provide opportunities to increase market share and profitability in markets that evolve with changing regulation. Conversely, if Southern Company's electric utilities do not remain low-cost producers and provide quality service, then energy sales growth could be limited, and this could significantly erode earnings.

To adapt to a less regulated, more competitive environment, Southern Company continues to evaluate and consider a wide array of potential business strategies. These strategies may include business combinations, acquisitions involving other utility or non-utility businesses or properties, internal restructuring, disposition of certain assets, or some combination thereof. Furthermore, Southern Company may engage in new business ventures that 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 Company.

The Energy Act amended the Public Utility Holding Company Act of 1935 (PUHCA) to allow holding companies to form exempt wholesale generators and foreign utilities to sell power largely free from regulation under PUHCA. These entities are able to own and operate power generating facilities and sell power to affiliates -- under certain restrictions.

Southern Company is working to maintain and expand its share of wholesale energy sales in the Southeastern power markets. In January 2001, Southern Company formed a new subsidiary -- Southern Power Company. This subsidiary constructs, owns, and manages wholesale generating assets in the Southeast. Southern Power will be the primary growth engine for Southern Company's competitive wholesale market-based energy business. By the end of 2003, Southern Power plans to have approximately 4,700 megawatts of generating capacity in commercial operation. At December 31, 2001, 800 megawatts are in commercial operation and some 3,900 megawatts of capacity are under construction.

In December 1999, the Federal Energy Regulatory Commission (FERC) issued its final rule on Regional Transmission Organizations (RTOs). The order encouraged utilities owning transmission systems to form RTOs on a voluntary basis. Southern Company has submitted a series of status reports informing the FERC of progress toward the development of a Southeastern RTO. In these status reports, Southern Company explained that it is developing a for-profit RTO known as SeTrans with a number of non-jurisdictional cooperative and public power entities. Recently, Entergy Corporation and Cleco Power joined the SeTrans development process. In January 2002, the sponsors of SeTrans held a public meeting to form a Stakeholder Advisory Committee, which will participate in the development of the RTO. Southern Company continues to work with the other sponsors to develop the SeTrans RTO. The creation of SeTrans is not expected to have a material impact on Southern Company's financial statements. The outcome of this matter cannot now be determined.

Accounting Policies

Critical Policy

Southern Company's significant accounting policies are described in Note 1 to the financial statements. The company's most critical accounting policy involves rate regulation. 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 that are not specifically recoverable and determine if any other assets have been impaired. See Note 1 to the financial statements under "Regulatory Assets and Liabilities" for additional information.

New Accounting Standards

Effective January 2001, Southern Company adopted FASB Statement No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended. Statement No. 133 establishes accounting and reporting standards for derivative instruments and for hedging activities. This statement requires that certain derivative instruments be recorded in the balance sheet as either an asset or liability measured at fair value and that changes in the fair value be recognized currently in earnings unless specific hedge accounting criteria are met. See Note 1 to the financial statements under "Financial Instruments" for additional information. The impact on net income in 2001 was not material. An additional interpretation of Statement No. 133 will result in a change -- effective April 1, 2002 -- in accounting for certain contracts related to fuel supplies that contain quantity options. These contracts will be accounted for as derivatives and marked to market. However, due to

the existence of specific cost-based fuel recovery clauses for the operating companies, this change is not expected to have a material impact on net income.

In June 2001, the FASB issued Statement No. 142, Goodwill and Other Intangible Assets, which establishes new accounting and reporting standards for acquired goodwill and other intangible assets and supersedes Accounting Principles Board Opinion No. 17. Statement No. 142 addresses how intangible assets that are acquired individually or with a group of other assets -- but not those acquired in a business combination -- should be accounted for upon acquisition and on an ongoing basis. Goodwill and intangible assets that have indefinite useful lives will not be amortized but rather will be tested at least annually for impairment. Intangible assets that have finite useful lives will continue to be amortized over their useful lives, which are no longer limited to 40 years. Southern Company adopted Statement No. 142 in January 2002 with no material impact on the financial statements.

Also in June 2001, the FASB issued Statement No. 143, Asset Retirement Obligations, which establishes new accounting and reporting standards for legal obligations associated with retiring assets, including decommissioning of nuclear plants. The liability for an asset's future retirement must be recorded in the period in which the liability is incurred. The cost must be capitalized as part of the related long-lived asset and depreciated over the asset's useful life. Changes in the liability resulting from the passage of time will be recognized as operating expenses. Statement No. 143 must be adopted by January 1, 2003. Southern Company has not yet quantified the impact of adopting Statement No. 143 on its financial statements.

FINANCIAL CONDITION

Overview

Southern Company's financial condition continues to remain strong. In 2001, most of the operating companies' earnings were at the high end of their respective allowed range of return on equity. Also, earnings from new business activities made a solid contribution. These factors drove consolidated net income from continuing operations to a record $1.12 billion in 2001. The quarterly dividend declared in January 2002 was 33 1/2 cents per share, or $1.34 on an annual basis. Southern Company is committed to a goal of increasing the dividend over time consistent with growth in earnings. Southern Company's target is to grow earnings per share at an average annual rate of 5 percent or more. The dividend payout ratio goal is 75 percent.

Gross property additions to utility plant from continuing operations were $2.6 billion in 2001. The majority of funds needed for gross property additions since 1998 has been provided from operating activities. The Consolidated Statements of Cash Flows provide additional details.

Off-Balance Sheet Financing Arrangements

At December 31, 2001, Southern Company utilized two separate financing arrangements that are not required to be recorded on the balance sheet. In May 2001, Mississippi Power began the initial 10-year term of an operating lease agreement signed in 1999 with Escatawpa Funding, Limited Partnership, a special purpose entity, to use a combined-cycle generating facility located at Mississippi Power's Plant Daniel. The facility cost approximately $370 million. The lease provides for a residual value guarantee -- approximately 71 percent of the completion cost -- by Mississippi Power that is due upon termination of the lease in certain circumstances. See Note 9 to the financial statements under "Operating Leases" for additional information regarding this lease.

Southern Power in 2001 entered into a financial arrangement with Westdeutsche Landesbank Girozentrale (WestLB) that is in effect until September 2002. Under this agreement, Southern Power may assign up to $125 million in vendor contracts for equipment to WestLB. For accounting purposes, WestLB is the owner of the contracts. Southern Power acts as an agent for WestLB and instructs WestLB when to make payments to the vendors. At December 31, 2001, approximately $47 million of such vendor equipment contracts had been assigned to WestLB. Southern Power currently anticipates terminating this arrangement and reacquiring these assets in the first quarter of 2002.

Credit Rating Risk

Southern Company and its subsidiaries do not have any credit agreements that would require material changes in payment schedules or terminations as a result of a credit rating downgrade. There are contracts that could require collateral -- but not accelerated payment -- in the event of a credit rating change to below investment grade. These contracts are primarily for physical electricity sales, fixed-price physical gas purchases, and agreements covering interest rate swaps and currency swaps. At December 31, 2001, the maximum potential collateral requirements under the electricity sale contracts were approximately $230 million. Generally, collateral may be provided for by a Southern Company guaranty, a letter of credit, or cash. At December 31, 2001, there were no

material collateral requirements for the gas purchase contracts or other financial instrument agreements.

Market Price Risk

Southern Company is exposed to market risks, including changes in interest rates, currency exchange rates, and certain commodity prices. To manage the volatility attributable to these exposures, the company nets the exposures to take advantage of natural offsets and enters into various derivative transactions for the remaining exposures pursuant to the company's policies in areas such as counterparty exposure and hedging practices. Company policy is that derivatives are to be used primarily for hedging purposes. Derivative positions are monitored using techniques that include market valuation and sensitivity analysis.

The company's market risk exposures relative to interest rate changes have not changed materially compared with the previous reporting period. In addition, the company is not aware of any facts or circumstances that would significantly affect such exposures in the near term.

If the company sustained a 100 basis point change in interest rates for all variable rate long-term debt, the change would affect annualized interest expense by approximately $22 million at December 31, 2001. Based on the company's overall interest rate exposure at December 31, 2001, including derivative and other interest rate sensitive instruments, a near-term 100 basis point change in interest rates would not materially affect the consolidated financial statements.

Due to cost-based rate regulations, the operating companies have limited exposure to market volatility in interest rates, commodity fuel prices, and prices of electricity. To mitigate residual risks relative to movements in electricity prices for the operating companies, they and Southern Power enter into fixed price contracts for the purchase and sale of electricity through the wholesale electricity market and to a lesser extent similar contracts for gas purchases. Also, some of the operating companies have implemented fuel-hedging programs at the instruction of their respective public service commissions. Realized gains and losses are recognized in the income statement as incurred. At December 31, 2001, exposure from these activities was not material to the consolidated financial statements. Fair value of changes in energy trading contracts and year-end valuations are as follows:

Changes During the Year

	Fair Value
	(in millions)
Contracts beginning of year	$ 1.7
Contracts realized or settled	(1.4)
New contracts	–
Changes in valuation techniques	–
Current period changes	1.0
Contracts end of year	$ 1.3

Source of Year-End Valuation Prices

	Total Fair Value	Maturity	
		Year 1	1-3 Years
		(in millions)	
Actively quoted	$(3.8)	$(5.1)	$1.3
External sources	5.1	5.1	–
Models and other methods	–	–	–
Contracts end of year	$ 1.3	$ –	$1.3

For additional information, see Note 1 to the financial statements under "Financial Instruments."

Capital Structure

During 2001, the operating companies issued $1.2 billion of senior notes. The majority of these proceeds was used to retire long-term debt. The companies continued to reduce financing costs by retiring higher-cost securities. Retirements of bonds and senior notes, including maturities, totaled $1.2 billion in 2001, $298 million during 2000, and $1.2 billion during 1999.

Southern Company issued through the company's stock plans 17 million treasury shares of common stock in 2001. Proceeds were $395 million and were primarily used to reduce short-term debt. At December 31, 2001, approximately 2 million treasury shares remain unissued.

At the close of 2001, the company's common stock market value was $25.35 per share, compared with book value of $11.44 per share. The market-to-book value ratio was 222 percent at the end of 2001, compared with 212 percent at year-end 2000.

Capital Requirements for Construction

The construction program of Southern Company is budgeted at $2.8 billion for 2002, $2.1 billion for 2003, and $2.3 billion for 2004. 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 will be fully recovered.

Southern Company has approximately 4,500 megawatts of new generating capacity scheduled to be placed in service by 2003. Approximately 3,900 megawatts of additional new capacity will be dedicated to the wholesale market and owned by Southern Power. 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 $2.4 billion will be required by the end of 2004 for present improvement 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.

These capital requirements, lease obligations, and purchase commitments -- discussed in Notes 8 and 9 to the financial statements -- are as follows:

	2002	2003	2004
		(in millions)	
Bonds –			
First mortgage	$ 7	$ –	$ –
Pollution control	8	–	–
Notes	410	1,072	890
Leases –			
Capital	4	4	4
Operating	74	71	70
Purchase commitments –			
Fuel	2,399	2,185	1,541
Purchased power	97	100	95

At the beginning of 2002, Southern Company had used $293 million of its available credit arrangements. Credit arrangements are as follows:

		Expires	
Total	Unused	2002	2003 & Beyond
		(in millions)	
$5,423	$5,130	$3,658	$1,472

Environmental Matters

On November 3, 1999, the Environmental Protection Agency (EPA) brought a civil action in the U.S. District Court in Georgia against Alabama Power, Georgia Power, and the system service company. The complaint alleges violations of the New Source Review provisions of the Clean Air Act with respect to five coal-fired generating facilities in Alabama and Georgia. The civil action requests penalties and injunctive relief, including an order requiring the installation of the best available control technology at the affected units. The EPA concurrently issued to the operating companies a notice of violation related to 10 generating facilities, which includes the five facilities mentioned previously. In early 2000, the EPA filed a motion to amend its complaint to add the violations alleged in its notice of violation, and to add Gulf Power, Mississippi Power, and Savannah Electric as defendants. The complaint and notice of violation are similar to those brought against and issued to several other electric utilities. These complaints and notices of violation allege that the utilities failed to secure necessary permits or install additional pollution control equipment when performing maintenance and construction at coal burning plants constructed or under construction prior to 1978. The U.S. District Court in Georgia granted Alabama Power's motion to dismiss for lack of jurisdiction in Georgia and granted the system service company's motion to dismiss on the grounds that it neither owned nor operated the generating units involved in the proceedings. The court granted the EPA's motion to add Savannah Electric as a defendant, but it denied the motion to add Gulf Power and Mississippi Power based on lack of jurisdiction over those companies. The court directed the EPA to refile its amended complaint limiting claims to those brought against Georgia Power and Savannah Electric. The EPA refiled those claims as directed by the court. Also, the

EPA refiled its claims against Alabama Power in U.S. District Court in Alabama. It has not refiled against Gulf Power, Mississippi Power, or the system service company. The Alabama Power, Georgia Power, and Savannah Electric cases have been stayed since the spring of 2001, pending a ruling by the U.S. Court of Appeals for the Eleventh Circuit in the appeal of a very similar New Source Review enforcement action against the Tennessee Valley Authority (TVA). The TVA case involves many of the same legal issues raised by the actions against Alabama Power, Georgia Power, and Savannah Electric. Because the outcome of the TVA case could have a significant adverse impact on Alabama Power and Georgia Power, both companies are parties to that case as well. The U.S. District Court in Alabama has indicated that it will revisit the issue of a continued stay in April 2002. The U.S. District Court in Georgia is currently considering a motion by the EPA to reopen the Georgia case. Georgia Power and Savannah Electric have opposed that motion.

Southern Company believes that its operating companies complied with applicable laws and the EPA's regulations and interpretations in effect at the time the work in question took place. The Clean Air Act authorizes civil penalties of up to $27,500 per day per violation at each generating unit. Prior to January 30, 1997, the penalty was $25,000 per day. An adverse outcome in any one of these cases could require substantial capital expenditures that cannot be determined at this time and could possibly require payment of substantial penalties. This could affect future results of operations, cash flows, and possibly financial condition if such costs are not recovered through regulated rates.

In November 1990, the Clean Air Act Amendments of 1990 (Clean Air Act) were signed into law. Title IV of the Clean Air Act -- the acid rain compliance provision of the law -- significantly affected Southern Company. Reductions in sulfur dioxide and nitrogen oxide emissions from fossil-fired generating plants were required in two phases. Phase I compliance began in 1995. Southern Company achieved Phase I compliance at its affected plants by primarily switching to low-sulfur coal and with some equipment upgrades. Construction expenditures for Phase I nitrogen oxide and sulfur dioxide emissions compliance totaled approximately $300 million. Phase II sulfur dioxide compliance was required in 2000. Southern Company used emission allowances and fuel switching to comply with Phase II requirements. Also, equipment to control nitrogen oxide emissions was installed on additional system fossil-fired units as necessary to meet Phase II limits and ozone non-attainment requirements for metropolitan Atlanta through 2000. Compliance for Phase II and initial ozone non-attainment requirements increased total construction expenditures through 2000 by approximately $100 million.

Respective state plans to address the one-hour ozone non-attainment standards for the Atlanta and Birmingham areas have been established and must be implemented in May 2003. Seven generating plants in the Atlanta area and two plants in the Birmingham area will be affected. Construction expenditures for compliance with these new rules are currently estimated at approximately $940 million, of which $520 million remains to be spent.

A significant portion of costs related to the acid rain and ozone non-attainment provisions 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.

In July 1997, the EPA revised the national ambient air quality standards for ozone and particulate matter. This revision made the standards significantly more stringent. In the subsequent litigation of these standards, the U.S. Supreme Court found the EPA's implementation program for the new ozone standard unlawful and remanded it to the EPA. In addition, the Federal District of Columbia Circuit Court of Appeals is considering other legal challenges to these standards. A court decision is expected in the spring of 2002. If the standards are eventually upheld, implementation could be required by 2007 to 2010.

In September 1998, the EPA issued regional nitrogen oxide reduction rules to the states for implementation. The final rule affects 21 states, including Alabama and Georgia. Compliance is required by May 31, 2004, for most states, including Alabama. For Georgia, further rulemaking was required, and proposed compliance was delayed until May 1, 2005. Additional construction expenditures for compliance with these new rules are currently estimated at approximately $190 million.

In December 2000, having completed its utility studies for mercury and other hazardous air pollutants (HAPS), the EPA issued a determination that an emission control program for mercury and, perhaps, other HAPS is warranted. The program is being developed under the Maximum Achievable Control Technology provisions of the Clean Air Act, and the regulations are scheduled to be finalized by the end of 2004 with implementation to take place around 2007. In January 2001, the EPA

proposed guidance for the determination of Best Available Retrofit Technology (BART) emission controls under the Regional Haze Regulations. Installation of BART controls is expected to take place around 2010. Litigation of the Regional Haze Regulations, including the BART provisions, is ongoing in the Federal District of Columbia Circuit Court of Appeals. A court decision is expected in mid-2002.

Implementation of the final state rules for these initiatives could require substantial further reductions in nitrogen oxide and sulfur dioxide and reductions in mercury and other HAPS emissions from fossil-fired generating facilities and other industries in these states. Additional compliance costs and capital expenditures resulting from the implementation of these rules and standards cannot be determined until the results of legal challenges are known, and the states have adopted their final rules.

In October 1997, the EPA issued regulations setting forth requirements for Compliance Assurance Monitoring in its state and federal operating permit programs. These regulations were amended by the EPA in March 2001 in response to a court order resolving challenges to the rules brought by environmental groups and the utility industry. Generally, this rule affects the operation and maintenance of electrostatic precipitators and could involve significant additional ongoing expense.

The EPA and state environmental regulatory agencies are reviewing and evaluating various other matters including: control strategies to reduce regional haze; limits on pollutant discharges to impaired waters; cooling water intake restrictions; and hazardous waste disposal requirements. The impact of any 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 and have recognized in their respective financial statements costs to clean up known sites. These costs for Southern Company amounted to $1 million in 2001 and $4 million in both 2000 and 1999. 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 sites in Georgia.

Several major pieces of environmental legislation are periodically 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

The amount and timing of additional equity capital to be raised in 2002 -- 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 plan to obtain the funds required for construction and other purposes from sources similar to those used in the past, which were primarily from internal sources. However, the type and timing of any financings -- if needed -- will depend on market conditions and regulatory approval. In recent years, financings primarily have utilized unsecured debt and trust preferred securities.

Southern Power will use both external funds and equity capital from Southern Company to finance its construction program.

To meet short-term cash needs and contingencies, Southern Company had at the beginning of 2002 approximately $354 million of cash and cash equivalents and $5.1 billion of unused credit arrangements with banks.

Cautionary Statement Regarding Forward-Looking Information

Southern Company's 2001 Annual Report includes forward-looking statements in addition to historical information. Forward-looking information includes, among other things, statements concerning the strategic goals for Southern Company's new wholesale business and also Southern Company's goals for dividend payout ratio, earnings per share, and earnings growth. In some cases, forward-looking statements can be identified by terminology such as "may," "will," "could," "should," "expects," "plans," "anticipates," "believes," "estimates," "projects," "predicts," "potential," or "continue" or the negative of these terms or other comparable terminology. Southern Company cautions that there are various important factors that could cause actual results to differ materially from those indicated in the forward-looking statements; accordingly, there can be no assurance that such indicated results will be realized. These factors include the impact of recent and future federal and state regulatory change, including legislative and regulatory initiatives regarding deregulation and restructuring of the electric utility industry, and also changes in environmental and other laws and regulations to which Southern Company and its subsidiaries are subject, as well as changes in application of existing laws and regulations; current and future litigation, including the pending EPA civil action against certain Southern Company subsidiaries and the race discrimination litigation against certain Southern Company subsidiaries; the effects, extent, and timing of the entry of additional competition in the markets in which Southern Company's subsidiaries operate; the impact of fluctuations in commodity prices, interest rates, and customer demand; state and federal rate regulations; political, legal, and economic conditions and developments in the United States; the performance of projects undertaken by the non-traditional business and the success of efforts to invest in and develop new opportunities; internal restructuring or other restructuring options that may be pursued; potential business strategies, including acquisitions or dispositions of assets or businesses, which cannot be assured to be completed or beneficial to Southern Company or its subsidiaries; the effects of, and changes in, economic conditions in the areas in which Southern Company's subsidiaries operate; the direct or indirect effects on Southern Company's business resulting from the terrorist incidents on September 11, 2001, or any similar such incidents or responses to such incidents; financial market conditions and the results of financing efforts; the timing and acceptance of Southern Company's new product and service offerings; the ability of Southern Company to obtain additional generating capacity at competitive prices; weather and other natural phenomena; and other factors discussed elsewhere herein and in other reports (including the Form 10-K) filed from time to time by Southern Company with the Securities and Exchange Commission.

CONSOLIDATED STATEMENTS OF INCOME
For the Years Ended December 31, 2001, 2000, and 1999
Southern Company and Subsidiary Companies 2001 Annual Report

	2001	2000	1999
		(in millions)	
Operating Revenues:			
Retail sales	**$ 8,440**	$ 8,600	$8,090
Sales for resale	**1,174**	977	823
Other revenues	**541**	489	404
Total operating revenues	**10,155**	10,066	9,317
Operating Expenses:			
Fuel	**2,577**	2,564	2,328
Purchased power	**718**	677	409
Other operations	**1,852**	1,861	1,838
Maintenance	**909**	852	829
Depreciation and amortization	**1,173**	1,171	1,139
Taxes other than income taxes	**535**	536	523
Total operating expenses	**7,764**	7,661	7,066
Operating Income	**2,391**	2,405	2,251
Other Income:			
Interest income	**27**	29	30
Other, net	**3**	(21)	(45)
Earnings From Continuing Operations Before Interest and Income Taxes	**2,421**	2,413	2,236
Interest and Other:			
Interest expense, net	**557**	643	527
Distributions on capital and preferred securities of subsidiaries	**169**	169	175
Preferred dividends of subsidiaries	**18**	19	20
Total interest and other	**744**	831	722
Earnings From Continuing Operations Before Income Taxes	**1,677**	1,582	1,514
Income taxes	**558**	588	599
Earnings From Continuing Operations Before Cumulative Effect of Accounting Change	**1,119**	994	915
Cumulative effect of accounting change -- less income taxes of less than $1	**1**	–	–
Earnings From Continuing Operations	**1,120**	994	915
Earnings from discontinued operations, net of income taxes of $93, $86, and $127 for 2001, 2000, and 1999, respectively	**142**	319	361
Consolidated Net Income	**$ 1,262**	$ 1,313	$1,276
Common Stock Data:			
Earnings per share from continuing operations –			
Basic	**$1.62**	$1.52	$1.33
Diluted	**1.61**	1.52	1.33
Earnings per share including discontinued operations –			
Basic	**$1.83**	$2.01	$1.86
Diluted	**1.82**	2.01	1.86
Average number of shares of common stock outstanding – (in millions)			
Basic	**689**	653	685
Diluted	**694**	654	686
Cash dividends paid per share of common stock	**$1.34**	$1.34	$1.34

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2001, 2000, and 1999
Southern Company and Subsidiary Companies 2001 Annual Report

	2001	2000	1999
		(in millions)	
Operating Activities:			
Consolidated net income	**$ 1,262**	$ 1,313	$ 1,276
Adjustments to reconcile consolidated net income to net cash provided from operating activities --			
Less income from discontinued operations	**142**	319	361
Depreciation and amortization	**1,358**	1,337	1,216
Deferred income taxes and investment tax credits	**(22)**	97	10
Other, net	**(192)**	18	118
Changes in certain current assets and liabilities --			
Receivables, net	**344**	(379)	(141)
Fossil fuel stock	**(199)**	78	(41)
Materials and supplies	**(43)**	(15)	(37)
Accounts payable	**(51)**	180	(65)
Other	**69**	66	244
Net cash provided from operating activities of continuing operations	**2,384**	2,376	2,219
Investing Activities:			
Gross property additions	**(2,617)**	(2,225)	(1,881)
Other	**(119)**	(81)	(362)
Net cash used for investing activities of continuing operations	**(2,736)**	(2,306)	(2,243)
Financing Activities:			
Increase (decrease) in notes payable, net	**223**	(275)	831
Proceeds --			
Long-term senior notes	**1,242**	650	840
Other long-term debt	**757**	93	629
Capital and preferred securities	**30**	–	250
Common stock	**395**	910	24
Redemptions --			
First mortgage bonds	**(616)**	(211)	(890)
Other long-term debt	**(569)**	(204)	(483)
Capital and preferred securities	**–**	–	(100)
Preferred stock	**–**	–	(86)
Common stock repurchased	**–**	(415)	(862)
Payment of common stock dividends	**(922)**	(873)	(921)
Other	**(33)**	(54)	(50)
Net cash provided from (used for) financing activities of continuing operations	**507**	(379)	(818)
Cash provided from (used for) discontinued operations	**–**	354	684
Net Increase (Decrease) in Cash and Cash Equivalents	**155**	45	(158)
Cash and Cash Equivalents at Beginning of Year	**199**	154	312
Cash and Cash Equivalents at End of Year	**$ 354**	$ 199	$ 154
Supplemental Cash Flow Information From Continuing Operations:			
Cash paid during the year for --			
Interest (net of amount capitalized)	**$624**	$802	$684
Income taxes	**$721**	$666	$656

The accompanying notes are an integral part of these statements.

CONSOLIDATED BALANCE SHEETS
At December 31, 2001 and 2000
Southern Company and Subsidiary Companies 2001 Annual Report

Assets	2001	2000
	(in millions)	
Current Assets:		
Cash and cash equivalents	**$ 354**	$ 199
Special deposits	**23**	6
Receivables, less accumulated provisions for uncollectible accounts of $24 in 2001 and $22 in 2000	**1,132**	1,312
Under recovered retail fuel clause revenue	**280**	418
Fossil fuel stock, at average cost	**394**	195
Materials and supplies, at average cost	**550**	507
Other	**223**	188
Total current assets	**2,956**	2,825
Property, Plant, and Equipment:		
In service	**35,813**	34,188
Less accumulated depreciation	**15,020**	14,350
	20,793	19,838
Nuclear fuel, at amortized cost	**202**	215
Construction work in progress	**2,089**	1,569
Total property, plant, and equipment	**23,084**	21,622
Other Property and Investments:		
Nuclear decommissioning trusts, at fair value	**682**	690
Net assets of discontinued operations	**–**	3,320
Leveraged leases	**655**	596
Other	**193**	161
Total other property and investments	**1,530**	4,767
Deferred Charges and Other Assets:		
Deferred charges related to income taxes	**924**	957
Prepaid pension costs	**547**	398
Debt expense, being amortized	**103**	99
Premium on reacquired debt, being amortized	**280**	280
Other	**400**	312
Total deferred charges and other assets	**2,254**	2,046
Total Assets	**$29,824**	$31,260

The accompanying notes are an integral part of these balance sheets.

CONSOLIDATED BALANCE SHEETS (continued)
At December 31, 2001 and 2000
Southern Company and Subsidiary Companies 2001 Annual Report

Liabilities and Stockholders' Equity	**2001**	2000
		(in millions)
Current Liabilities:		
Securities due within one year	**$ 429**	$ 67
Notes payable	**1,902**	1,680
Accounts payable	**847**	869
Customer deposits	**153**	140
Taxes accrued --		
Income taxes	**160**	88
Other	**193**	208
Interest accrued	**118**	121
Vacation pay accrued	**125**	119
Other	**445**	426
Total current liabilities	**4,372**	3,718
Long-term debt (See accompanying statements)	**8,297**	7,843
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	**4,088**	4,074
Deferred credits related to income taxes	**500**	551
Accumulated deferred investment tax credits	**634**	664
Employee benefits provisions	**450**	401
Prepaid capacity revenues	**41**	58
Other	**814**	647
Total deferred credits and other liabilities	**6,527**	6,395
Company or subsidiary obligated mandatorily redeemable capital and preferred securities (See accompanying statements)	**2,276**	2,246
Cumulative preferred stock of subsidiaries (See accompanying statements)	**368**	368
Common stockholders' equity (See accompanying statements)	**7,984**	10,690
Total Liabilities and Stockholders' Equity	**$29,824**	$31,260
Commitments and Contingent Matters (Notes 1, 2, 3, 5, 8, 9, and 10)		

The accompanying notes are an integral part of these balance sheets.

CONSOLIDATED STATEMENTS OF CAPITALIZATION

At December 31, 2001 and 2000

Southern Company and Subsidiary Companies 2001 Annual Report

		2001	2000	2001	2000
		(in millions)		(percent of total)	
Long-Term Debt of Subsidiaries:					
First mortgage bonds --					
Maturity	Interest Rates				
2003	6.13% to 6.63%	$ –	$ 325		
2004	6.60%	–	35		
2005	6.07%	2	10		
2006	6.50% to 6.90%	45	45		
2007 through 2011	6.88%	–	50		
2021 through 2025	6.88% to 9.00%	437	635		
2026 through 2030	6.88%	30	30		
Total first mortgage bonds		514	1,130		
Long-term senior notes payable --					
4.69% to 9.75% due 2002-2005		1,834	766		
5.38% to 8.58% due 2006-2009		595	744		
6.10% to 7.63% due 2010-2017		305	170		
6.38% to 8.12% due 2018-2038		788	793		
6.63% to 7.13% due 2039-2048		1,029	1,029		
Adjustable rates (1.98% to 3.44% at 1/1/02) due 2002-2005		1,078	734		
Total long-term senior notes payable		5,629	4,236		
Other long-term debt --					
Pollution control revenue bonds --					
Collateralized:					
5.00% to 6.75% due 2005-2026		168	539		
Variable rates (1.61% to 1.95% at 1/1/02) due 2015-2025		90	90		
Non-collateralized:					
4.20% to 6.75% due 2015-2034		726	406		
Variable rates (1.75% to 2.05% at 1/1/02) due 2011-2037		1,566	1,475		
Total other long-term debt		2,550	2,510		
Capitalized lease obligations		92	95		
Unamortized debt (discount), net		(59)	(61)		
Total long-term debt (annual interest requirement -- $443 million)		8,726	7,910		
Less amount due within one year		429	67		
Long-term debt excluding amount due within one year		8,297	7,843	43.9%	37.1%

CONSOLIDATED STATEMENTS OF CAPITALIZATION (continued)

At December 31, 2001 and 2000

Southern Company and Subsidiary Companies 2001 Annual Report

	2001	2000	2001	2000
		(in millions)		(percent of total)
Company or Subsidiary Obligated Mandatorily Redeemable Capital and Preferred Securities:				
$25 liquidation value --				
6.85% to 7.00%	**435**	435		
7.13% to 7.38%	**327**	297		
7.60% to 7.63%	**415**	415		
7.75%	**649**	649		
8.14% to 8.19%	**400**	400		
Auction rate (3.60% at 1/1/02)	**50**	50		
Total company or subsidiary obligated mandatorily redeemable capital and preferred securities (annual distribution requirement -- $170 million)	**2,276**	2,246	**12.0**	10.6
Cumulative Preferred Stock of Subsidiaries:				
$100 par or stated value --				
4.20% to 7.00%	**98**	98		
$25 par or stated value --				
5.20% to 5.83%	**200**	200		
Adjustable and auction rates -- at 1/1/02:				
3.10% to 3.56%	**70**	70		
Total cumulative preferred stock of subsidiaries (annual dividend requirement -- $18 million)	**368**	368	**1.9**	1.7
Common Stockholders' Equity:				
Common stock, par value $5 per share --				
Authorized -- 1 billion shares				
Issued -- 2001: 701 million shares				
-- 2000: 701 million shares				
Treasury -- 2001: 2 million shares				
-- 2000: 19 million shares				
Par value	**3,503**	3,503		
Paid-in capital	**14**	3,153		
Treasury, at cost	**(57)**	(545)		
Retained earnings	**4,517**	4,672		
Accumulated other comprehensive income --				
From continuing operations	**7**	–		
From discontinued operations	**–**	(93)		
Total common stockholders' equity	**7,984**	10,690	**42.2**	50.6
Total Capitalization	**$18,925**	$21,147	**100.0%**	100.0%

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF COMMON STOCKHOLDERS' EQUITY
For the Years Ended December 31, 2001, 2000, and 1999
Southern Company and Subsidiary Companies 2001 Annual Report

	Common Stock				Accumulated Other Comprehensive Income From		
	Par Value	Paid-In Capital	Treasury	Retained Earnings	Continuing Operations	Discontinued Operations	Total
				(in millions)			
Balance at December 31, 1998	$3,499	$ 2,463	$ (58)	$3,878	$ -	$ 15	$ 9,797
Net income	-	-	-	1,276	-	-	1,276
Other comprehensive income	-	-	-	-	-	(107)	(107)
Stock issued	4	17	1	-	-	-	22
Stock repurchased, at cost	-	-	(861)	-	-	-	(861)
Cash dividends	-	-	-	(921)	-	-	(921)
Other	-	-	(1)	(1)	-	-	(2)
Balance at December 31, 1999	3,503	2,480	(919)	4,232	-	(92)	9,204
Net income	-	-	-	1,313	-	-	1,313
Other comprehensive income	-	-	-	-	-	(1)	(1)
Stock issued	-	121	789	-	-	-	910
Stock repurchased, at cost	-	-	(414)	-	-	-	(414)
Cash dividends	-	-	-	(873)	-	-	(873)
Other	-	552	(1)	-	-	-	551
Balance at December 31, 2000	**3,503**	**3,153**	**(545)**	**4,672**	**-**	**(93)**	**10,690**
Net income	-	-	-	**1,262**	-	-	**1,262**
Other comprehensive income	-	-	-	-	**7**	**93**	**100**
Stock issued	-	-	**488**	**(93)**	-	-	**395**
Mirant spin off distribution	-	**(3,168)**	-	**(391)**	-	-	**(3,559)**
Cash dividends	-	-	-	**(922)**	-	-	**(922)**
Other	-	**29**	-	**(11)**	-	-	**18**
Balance at December 31, 2001	**$3,503**	**$ 14**	**$ (57)**	**$4,517**	**$7**	**$ -**	**$ 7,984**

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2001, 2000, and 1999
Southern Company and Subsidiary Companies 2001 Annual Report

	2001	2000	1999
		(in millions)	
Consolidated Net Income	**$1,262**	$1,313	$1,276
Other comprehensive income -- continuing operations:			
Changes in fair value of qualifying cash flow hedges, net of tax of $4	**7**	–	–
Total other comprehensive income -- continuing operations	**7**	–	–
Other comprehensive income -- discontinued operations:			
Cumulative effect of accounting change for qualifying hedges, net of tax of $(121)	**(249)**	–	–
Changes in fair value of qualifying hedges, net of tax of $(51)	**(104)**	–	–
Less reclassification adjustment for amounts included in net income, net of tax of $29	**60**	–	–
Foreign currency translation adjustments, net of tax of $(22), $(1), and $(58) for the years 2001, 2000, and 1999, respectively	**(22)**	(1)	(107)
Total other comprehensive income -- discontinued operations	**(315)**	(1)	(107)
Consolidated Comprehensive Income	**$ 954**	$1,312	$1,169

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 LINC), Southern Nuclear Operating Company (Southern Nuclear), Southern Power Company (Southern Power), 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 -- related to jointly owned generating facilities, interconnecting transmission lines, and the exchange of electric power -- are regulated by the Federal Energy Regulatory Commission (FERC) and/or the Securities and Exchange Commission. The system service company provides, at cost, specialized services to Southern Company and subsidiary companies. Southern LINC provides digital wireless communications services to the operating companies and also markets these services to the public within the Southeast. Southern Nuclear provides services to Southern Company's nuclear power plants. Southern Power was established in 2001 to construct, own, and manage Southern Company's competitive generation assets and sell electricity at market-based rates in the wholesale market.

On April 2, 2001, the spin off of Mirant Corporation (Mirant) was completed. As a result of the spin off, Southern Company's financial statements and related information reflect Mirant as discontinued operations. For additional information, see Note 11.

The financial statements reflect Southern Company's investments in the subsidiaries on a consolidated basis. All material intercompany items have been eliminated in consolidation. Certain prior years' data presented in the consolidated financial statements have been reclassified to conform with the current year presentation.

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 public service commissions. The companies follow accounting principles generally accepted in the United States and comply with the accounting policies and practices prescribed by their respective commissions. The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires the use of estimates, and the actual results may differ from those estimates.

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 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 expected 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:

	2001	2000
	(in millions)	
Deferred income tax charges	**$ 924**	$ 957
Premium on reacquired debt	**280**	280
Department of Energy assessments	**39**	46
Vacation pay	**95**	92
Postretirement benefits	**28**	30
Deferred income tax credits	**(500)**	(551)
Accelerated amortization	**(311)**	(220)
Storm damage reserves	**(34)**	(34)
Other, net	**125**	121
Total	**$ 646**	$ 721

In the event that a portion of a company's operations is no longer subject to the provisions of FASB Statement No. 71, the company would be required to write off related regulatory assets and liabilities that are not specifically recoverable through regulated rates. In addition, the company would be required to determine if any impairment to other assets exists, including plant, and write down the assets, if impaired, to their fair value.

Revenues and Fuel Costs

Revenues are recognized as services are rendered. Unbilled revenues are accrued at the end of each fiscal period. Fuel costs are expensed as the fuel is used. Electric rates for the operating companies include provisions to adjust billings for fluctuations in fuel costs, the energy component of purchased power costs, and certain other costs. Revenues are adjusted for

differences between recoverable fuel costs and amounts actually recovered in current regulated rates.

Southern Company has a diversified base of customers. No single customer or industry comprises 10 percent or more of revenues. For all periods presented, 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 $133 million in 2001, $136 million in 2000, and $137 million in 1999. 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. The DOE failed to begin disposing of spent nuclear fuel in January 1998 as required by the contracts, and the companies are pursuing legal remedies against the government for breach of contract. Sufficient pool storage capacity for spent fuel is available at Plant Farley to maintain full-core discharge capability until the refueling outages scheduled for 2006 and 2008 for units 1 and 2, respectively. Sufficient pool storage capacity for spent fuel is available at Plant Vogtle to maintain full-core discharge capability for both units into 2014. At Plant Hatch, an on-site dry storage facility became operational in 2000. Sufficient dry storage capacity is believed to be available to continue dry storage operations at Plant Hatch through the life of the plant. Procurement of on-site dry storage capacity at Plant Farley is in progress, with the intent to place the capacity in operation in 2005. Procurement of on-site dry storage capacity at Plant Vogtle will begin in sufficient time to maintain pool full-core discharge capability.

Also, the Energy Policy Act of 1992 required the establishment of a Uranium Enrichment Decontamination and Decommissioning Fund, which is 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, 2001, under this law to be approximately $21 million and $16 million. These obligations are recorded in the Consolidated Balance Sheets.

Depreciation and Nuclear Decommissioning

Depreciation of the original cost of plant in service is provided primarily by using composite straight-line rates, which approximated 3.4 percent a year in 2001, 2000, and 1999. When property subject to depreciation is retired or otherwise disposed of in the normal course of business, its original cost -- together with the cost of removal, less salvage -- is charged to accumulated 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 accelerated amortization and depreciation amounting to $91 million in 2001, $135 million in 2000, and $85 million in 1999. See Note 3 under "Georgia Power Retail Rate Orders" for additional information.

The Nuclear Regulatory Commission (NRC) requires all licensees operating commercial nuclear 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 its retirement date. The estimated costs of decommissioning -- both site study costs and ultimate costs -- based on the most current study as of December 31, 2001, 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)	1998	2000	2000
Decommissioning periods:			
Beginning year	2017	2014	2027
Completion year	2031	2042	2045
		(in millions)	
Site study costs:			
Radiated structures	$629	$486	$420
Non-radiated structures	60	37	48
Total	$689	$523	$468
		(in millions)	
Ultimate costs:			
Radiated structures	$1,868	$1,004	$1,468
Non-radiated structures	178	79	166
Total	$2,046	$1,083	$1,634
Significant assumptions:			
Inflation rate	4.5%	4.7%	4.7%
Trust earning rate	7.0	6.5	6.5

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 these estimates.

Annual provisions for nuclear decommissioning are based on an annuity method as approved by the respective state public service commissions. The amount expensed in 2001 and fund balances were as follows:

	Plant Farley	Plant Hatch	Plant Vogtle
		(in millions)	
Amount expensed in 2001	**$ 18**	**$ 20**	**$ 9**
Accumulated provisions:			
External trust funds, at fair value	$318	$229	$135
Internal reserves	36	20	12
Total	$354	$249	$147

Alabama Power's decommissioning costs for ratemaking are based on the site study. Effective January 1, 2002, the Georgia Public Service Commission (GPSC) decreased Georgia Power's annual provision for decommissioning expenses to $8 million. This amount is based on the NRC generic estimate to decommission the radioactive portion of the facilities as of 2000. The estimates are $383 million and $282 million for plants Hatch and Vogtle, respectively. The ultimate costs associated with the 2000 NRC minimum funding requirements are $823 million and $1.03 billion for plants Hatch and Vogtle, respectively. 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.

In January 2002, Georgia Power received NRC approval for a 20-year extension of the license at Plant Hatch, which would permit the operation of units 1 and 2 until 2034 and 2038, respectively. The decommissioning costs disclosed above do not reflect this extension.

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.

Property, Plant, and Equipment

Property, plant, and equipment is stated at original cost less regulatory disallowances and impairments. 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 funds capitalized was $67 million in 2001, $71 million in 2000, and $36 million in 1999. The cost of maintenance, repairs, and replacement of minor items of property is charged to maintenance expense as incurred or performed. The cost of replacements of property -- exclusive of minor items of property -- is capitalized.

Leveraged Leases

Southern Company has several leveraged lease agreements -- ranging up to 30 years -- that relate to international energy generation, distribution, and transportation assets. Southern Company receives federal income tax deductions for depreciation and amortization and for interest on long-term debt related to these investments.

Southern Company's net investment in leveraged leases consists of the following at December 31:

	2001	2000
	(in millions)	
Net rentals receivable	$1,430	$1,430
Unearned income	(775)	(834)
Investment in leveraged leases	655	596
Deferred taxes arising from leveraged leases	(193)	(128)
Net investment in leveraged leases	$ 462	$ 468

A summary of the components of income from leveraged leases is as follows:

	2001	2000	1999
		(in millions)	
Pretax leveraged lease income	$59	$61	$28
Income tax expense	21	21	10
Income from leveraged leases	$38	$40	$18

Impairment of Long-Lived Assets and Intangibles

Southern Company evaluates long-lived assets for impairment when events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. The determination of whether an impairment has occurred is based on an estimate of undiscounted future cash flows attributable to the assets, as compared with the carrying value of the assets. If an impairment has occurred, the amount of the impairment recognized is determined by estimating the fair value of the assets and recording a provision for loss if the carrying value is greater than the fair value. For assets identified as held for sale, the carrying value is compared to the estimated fair value less the cost to sell in order to determine if an impairment provision is required. Until the assets are disposed of, their estimated fair value is reevaluated when circumstances or events change.

Cash and Cash Equivalents

For purposes of the consolidated financial statements, temporary cash investments are considered cash equivalents. Temporary cash investments are securities with original maturities of 90 days or less.

Materials and Supplies

Generally, materials and supplies include the costs 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.

Comprehensive Income

Comprehensive income -- consisting of net income and changes in the fair value of marketable securities and qualifying cash flow hedges, net of income taxes -- is presented in the consolidated financial statements. Also, comprehensive income from discontinued operations includes foreign currency translation adjustments, net of income taxes. The objective of comprehensive income is to report a measure of all changes in common stock equity of an enterprise that result from transactions and other economic events of the period other than transactions with owners.

Financial Instruments

Effective January 2001, Southern Company adopted FASB Statement No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended. The impact on net income was immaterial.

Southern Company uses derivative financial instruments to hedge exposures to fluctuations in interest rates, foreign currency exchange rates, and certain commodity prices. Gains and losses on qualifying hedges are deferred and recognized either in income or as an adjustment to the carrying amount of the hedged item when the transaction occurs. At December 31, 2001, Southern Company had $450 million notional amount of interest rate swaps outstanding with deferred gains of $12 million.

Southern Company is exposed to losses related to financial instruments in the event of counterparties' nonperformance. The company has established controls to determine and monitor the creditworthiness of counterparties in order to mitigate the company's exposure to counterparty credit risk.

The operating companies and Southern Power enter into commodity related forward and option contracts to limit exposure to changing prices on certain fuel purchases and electricity purchases and sales. Substantially all of Southern Company's bulk energy purchases and sales contracts meet the definition of a derivative under FASB Statement No. 133, Accounting for Derivative Instruments and Hedging Activities. In many cases, these fuel and electricity contracts qualify for normal purchase and sale exceptions under Statement No. 133 and are accounted for under the accrual method. Other contracts qualify as cash flow hedges of anticipated transactions, resulting in the deferral of related gains and losses, and are recorded in other comprehensive income until the hedged transactions occur. Any ineffectiveness

is recognized currently in net income. Contracts that do not qualify for the normal purchase and sale exception and that do not meet the hedge requirements are marked to market through current period income.

Southern Company has firm purchase commitments for equipment that require payment in euros. As a hedge against fluctuations in the exchange rate for euros, the company entered into forward currency swaps. The total notional amount is 48 million euros maturing in 2002 and 2003. At December 31, 2001, the gain on these swaps was less than $1 million.

Other Southern Company financial instruments for which the carrying amount did not equal fair value at December 31 were as follows:

	Carrying Amount	Fair Value
	(in millions)	
Long-term debt:		
At December 31, 2001	**$8,634**	**$8,693**
At December 31, 2000	7,815	7,702
Capital and preferred securities:		
At December 31, 2001	**2,276**	**2,282**
At December 31, 2000	2,246	2,190

The fair values for long-term debt and capital and preferred securities were based on either closing market price or closing price of comparable instruments.

2. RETIREMENT BENEFITS

Southern Company has a defined benefit, trusteed, pension plan that covers substantially all employees. Also, Southern Company provides certain medical care and life insurance benefits for retired employees. The operating companies fund trusts to the extent required by their respective regulatory commissions. In late 2000, Southern Company adopted several pension and postretirement benefit plan changes that had the effect of increasing benefits to both current and future retirees.

The measurement date for plan assets and obligations is September 30 for each year. The following disclosures exclude discontinued operations.

Pension Plan

Changes during the year in the projected benefit obligations and in the fair value of plan assets were as follows:

	Projected Benefit Obligations	
	2001	2000
	(in millions)	
Balance at beginning of year	**$3,397**	$3,248
Service cost	**104**	96
Interest cost	**260**	239
Benefits paid	**(176)**	(159)
Plan amendments	**173**	4
Actuarial (gain) loss	**2**	(31)
Balance at end of year	**$3,760**	$3,397

	Plan Assets	
	2001	2000
	(in millions)	
Balance at beginning of year	**$6,157**	$5,266
Actual return on plan assets	**(889)**	1,030
Benefits paid	**(159)**	(139)
Balance at end of year	**$5,109**	$6,157

The accrued pension costs recognized in the Consolidated Balance Sheets were as follows:

	2001	2000
	(in millions)	
Funded status	**$ 1,349**	$ 2,760
Unrecognized transition obligation	**(51)**	(63)
Unrecognized prior service cost	**269**	116
Unrecognized net gain	**(1,020)**	(2,415)
Prepaid asset recognized in the Consolidated Balance Sheets	**$ 547**	$ 398

Components of the pension plan's net periodic cost were as follows:

	2001	2000	1999
		(in millions)	
Service cost	**$ 104**	$ 96	$ 97
Interest cost	**260**	239	215
Expected return on plan assets	**(423)**	(384)	(348)
Recognized net gain	**(73)**	(62)	(40)
Net amortization	**8**	–	(2)
Net pension cost (income)	**$(124)**	$(111)	$ (78)

Postretirement Benefits

Changes during the year in the accumulated benefit obligations and in the fair value of plan assets were as follows:

	Accumulated Benefit Obligations	
	2001	2000
	(in millions)	
Balance at beginning of year	**$1,052**	$ 980
Service cost	**22**	18
Interest cost	**88**	76
Benefits paid	**(54)**	(43)
Plan amendments	**186**	69
Actuarial (gain) loss	**(55)**	(48)
Balance at end of year	**$1,239**	$1,052

	Plan Assets	
	2001	2000
	(in millions)	
Balance at beginning of year	**$459**	$395
Actual return on plan assets	**(59)**	47
Employer contributions	**79**	59
Benefits paid	**(54)**	(42)
Balance at end of year	**$425**	$459

The accrued postretirement costs recognized in the Consolidated Balance Sheets were as follows:

	2001	2000
	(in millions)	
Funded status	**$(814)**	$(593)
Unrecognized transition obligation	**174**	189
Unrecognized prior service cost	**239**	66
Unrecognized net loss (gain)	**(9)**	(53)
Fourth quarter contributions	**41**	35
Accrued liability recognized in the Consolidated Balance Sheets	**$(369)**	$(356)

Components of the postretirement plan's net periodic cost were as follows:

	2001	2000	1999
		(in millions)	
Service cost	**$ 22**	$ 18	$ 21
Interest cost	**88**	76	68
Expected return on plan assets	**(40)**	(34)	(26)
Recognized net gain	**–**	–	2
Net amortization	**26**	18	15
Net postretirement cost	**$ 96**	$ 78	$ 80

The weighted average rates assumed in the actuarial calculations for both the pension plan and postretirement benefits plan were:

	2001	2000
Discount	**7.50%**	7.50%
Annual salary increase	**5.00**	5.00
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 9.25 percent for 2001, decreasing gradually to 5.25 percent through the year 2010 and remaining at that level thereafter. An annual increase or decrease in the assumed medical care cost trend rate of 1 percent would affect the accumulated benefit obligation and the service and interest cost components at December 31, 2001, as follows:

	1 Percent Increase	1 Percent Decrease
	(in millions)	
Benefit obligation	**$111**	**$97**
Service and interest costs	**10**	**9**

Employee Savings Plan

Southern Company also sponsors a 401(k) defined contribution plan covering substantially all employees. The company provides a 75 percent matching contribution up to 6 percent of an employee's base salary. Total matching contributions made to the plan for the years 2001, 2000, and 1999 were $51 million, $49 million, and $46 million, respectively.

3. CONTINGENCIES AND REGULATORY MATTERS

General

Southern Company is subject to certain claims and legal actions arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel, the ultimate disposition of these matters is not expected to have a material adverse effect on Southern Company's financial condition.

Georgia Power Potentially Responsible Party Status

Georgia Power has been designated as a potentially responsible party at sites governed by the Georgia Hazardous Site Response Act and/or by the federal Comprehensive Environmental Response, Compensation and Liability Act. Georgia Power has

recognized $33 million in cumulative expenses through December 31, 2001 for the assessment and anticipated cleanup of sites on the Georgia Hazardous Sites Inventory. In addition, in 1995 the EPA designated Georgia Power and four other unrelated entities as potentially responsible parties at a site in Brunswick, Georgia, that is listed on the federal National Priorities List. Georgia Power has contributed to the removal and remedial investigation and feasibility study costs for the site. Additional claims for recovery of natural resource damages at the site are anticipated. As of December 31, 2001, Georgia Power had recorded approximately $6 million in cumulative expenses associated with Georgia Power's agreed-upon share of the removal and remedial investigation and feasibility study costs for the Brunswick site.

The final outcome of each of these matters cannot now be determined. However, based on the currently known conditions at these sites and the nature and extent of Georgia Power's activities relating to these sites, management does not believe that the company's cumulative liability at these sites would be material to the financial statements.

Environmental Litigation

On November 3, 1999, the EPA brought a civil action in U.S. District Court in Georgia against Alabama Power, Georgia Power, and the system service company. The complaint alleges violations of the New Source Review provisions of the Clean Air Act with respect to five coal-fired generating facilities in Alabama and Georgia. The civil action requests penalties and injunctive relief, including an order requiring the installation of the best available control technology at the affected units. The Clean Air Act authorizes civil penalties of up to $27,500 per day, per violation at each generating unit. Prior to January 30, 1997, the penalty was $25,000 per day.

The EPA concurrently issued to the operating companies a notice of violation related to 10 generating facilities, which includes the five facilities mentioned previously. In early 2000, the EPA filed a motion to amend its complaint to add the violations alleged in its notice of violation and to add Gulf Power, Mississippi Power, and Savannah Electric as defendants. The complaint and notice of violation are similar to those brought against and issued to several other electric utilities. These complaints and notices of violation allege that the utilities had failed to secure necessary permits or install additional pollution control equipment when performing maintenance and construction at coal-burning plants constructed or under construction prior to 1978. The U.S. District Court in Georgia granted Alabama Power's motion to dismiss for lack of jurisdiction and granted the system service company's motion to dismiss on the grounds that it neither owned nor operated the generating units involved in the proceedings. The court granted the EPA's motion to add Savannah Electric as a defendant, but it denied the motion to add Gulf Power and Mississippi Power based on lack of jurisdiction over those companies. The court directed the EPA to refile its amended complaint limiting claims to those brought against Georgia Power and Savannah Electric. The EPA refiled those claims as directed by the court. Also, the EPA refiled its claims against Alabama Power in U.S. District Court in Alabama. It has not refiled against Gulf Power, Mississippi Power, or the system service company.

The Alabama Power, Georgia Power, and Savannah Electric cases have been stayed since the spring of 2001, pending a ruling by the U.S. Court of Appeals for the Eleventh Circuit in the appeal of a very similar New Source Review enforcement action against the Tennessee Valley Authority (TVA). The TVA case involves many of the same legal issues raised by the actions against Alabama Power, Georgia Power, and Savannah Electric. Because the outcome of the TVA case could have a significant adverse impact on Alabama Power and Georgia Power, both companies are parties to that case as well. The U.S. District Court in Alabama has indicated that it will revisit the issue of a continued stay in April 2002. The U.S. District Court in Georgia is currently considering a motion by the EPA to reopen the Georgia case. Georgia Power and Savannah Electric have opposed that motion.

Southern Company believes that its operating companies complied with applicable laws and the EPA's regulations and interpretations in effect at the time the work in question took place. An adverse outcome in any one of these cases could require substantial capital expenditures that cannot be determined at this time and could possibly require payment of substantial penalties. This could affect future results of operations, cash flows, and possibly financial condition if such costs are not recovered through regulated rates.

Mobile Energy Services' Petition for Bankruptcy

Mobile Energy Services Holdings (MESH), a subsidiary of Southern Company, is the owner and operator of a facility that generates electricity, produces steam, and processes black liquor as part of a pulp and paper complex in Mobile, Alabama. On January 14, 1999, MESH filed a petition for Chapter 11 bankruptcy relief in the U.S. Bankruptcy Court. This action was in response to Kimberly-Clark Tissue Company's

(Kimberly-Clark) announcement in May 1998 of plans to close its pulp mill, effective September 1, 1999. The pulp mill had historically provided 50 percent of MESH's revenues.

As a result of settlement discussions with Kimberly-Clark and MESH's bondholders, Southern Company recorded in 1999 a $69 million after-tax write down of its investment in MESH. Southern Company recorded an additional $10 million after-tax write down in 2000. At December 31, 2001, MESH had total assets of $359 million and senior debt outstanding of $190 million of first mortgage bonds and $72 million related to tax-exempt bonds. In connection with the bond financings, Southern Company provided certain limited guarantees, in lieu of funding debt service and maintenance reserve accounts with cash. As of December 31, 2001, Southern Company had paid the full $41 million pursuant to the guarantees. Southern Company continues to have guarantees outstanding of certain potential environmental and other obligations of MESH that represent a maximum contingent liability of $19 million at December 31, 2001. Mirant has agreed to indemnify Southern Company for any future obligations incurred under such guarantees.

On August 4, 2000, MESH filed a proposed plan of reorganization with the U.S. Bankruptcy Court. The proposed plan of reorganization was most recently amended on October 15, 2001. Southern Company expects that approval of a plan of reorganization would result in either a termination of Southern Company's ownership interest in MESH or the exchange of all assets of MESH for the cancellation of securities held by the bondholders but would not affect Southern Company's continuing guarantee obligations discussed earlier. The final outcome of this matter cannot now be determined.

California Electricity Markets Litigation

Prior to the spin off of Mirant, Southern Company was named as a defendant in two lawsuits filed in the superior courts of California alleging that certain owners of electric generation facilities in California, including Southern Company, engaged in various unlawful and anticompetitive acts that served to manipulate wholesale power markets and inflate wholesale electricity prices in California. One lawsuit naming Southern Company, Mirant, and other generators as defendants alleged that, as a result of the defendants' conduct, customers paid approximately $4 billion more for electricity than they otherwise would have and sought an award of treble damages, as well as other injunctive and equitable relief. The other suit likewise sought treble damages and equitable relief. The allegations in the two lawsuits in which Southern Company was named seemed to be directed to activities of subsidiaries of Mirant. On September 28 and November 6, 2001, the plaintiffs voluntarily dismissed Southern Company without prejudice from the two lawsuits in which it had been named as a defendant. Prior to being dismissed, Southern Company had notified Mirant of its claim for indemnification for costs associated with the lawsuits under the terms of the master separation agreement that governs the spin off of Mirant. Mirant had undertaken the defense of the lawsuits. Plaintiffs would not be barred by their own dismissal from naming Southern Company in some future lawsuit, but management believes that the likelihood of Southern Company having to pay damages in any such lawsuit is remote.

Race Discrimination Litigation

On July 28, 2000, a lawsuit alleging race discrimination was filed by three Georgia Power employees against Georgia Power, Southern Company, and the system service company in the Superior Court of Fulton County, Georgia. Shortly thereafter, the lawsuit was removed to the United States District Court for the Northern District of Georgia. The lawsuit also raised claims on behalf of a purported class. The plaintiffs seek compensatory and punitive damages in an unspecified amount, as well as injunctive relief. On August 14, 2000, the lawsuit was amended to add four more plaintiffs. Also, an additional subsidiary of Southern Company, Southern Company Energy Solutions, Inc., was named a defendant.

On October 11, 2001, the district court denied the plaintiffs' motion for class certification. The plaintiffs filed a motion to reconsider the order denying class certification, and the court denied the plaintiffs' motion to reconsider. On December 28, 2001, the plaintiffs filed a petition in the United States Court of Appeals for the Eleventh Circuit seeking permission to file an appeal of the October 11 decision. The defendants filed a brief in opposition of the petition on January 18, 2002. Discovery of the seven named plaintiffs' individual claims that remain in the case is ongoing. The final outcome of the case cannot now be determined.

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. Most recently, a 2 percent increase in retail rates was effective in October 2001, in accordance with the Rate Stabilization Equalization plan. The rate

adjustment procedures allow a return on common equity range of 13 percent to 14.5 percent and limit increases or decreases in rates to 4 percent in any calendar year and prohibits two consecutive quarterly adjustments in the same direction.

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. During the years 2001, 2000, and 1999, Alabama Power did not record any such reductions.

The ratemaking procedures will remain in effect until the APSC votes to modify or discontinue them.

Georgia Power Retail Rate Orders

On December 20, 2001, the GPSC approved a three-year retail rate order for Georgia Power ending December 31, 2004. Under the terms of the order, earnings will be evaluated against a retail return on common equity range of 10 percent to 12.95 percent. Two-thirds of any earnings above the 12.95 percent return will be applied to rate refunds, with the remaining one-third retained by Georgia Power. Retail rates were decreased by $118 million effective January 1, 2002.

Under a previous three-year order ending December 2001, Georgia Power's earnings were evaluated against a retail return on common equity range of 10 percent to 12.5 percent. The order further provided for $85 million in each year, plus up to $50 million of any earnings above the 12.5 percent return during the second and third years, to be applied to accelerated amortization or depreciation of assets. Two-thirds of additional earnings above the 12.5 percent return were applied to rate refunds, with the remaining one-third retained by Georgia Power. Pursuant to the order, Georgia Power recorded $336 million of accelerated amortization and interest thereon, which has been credited to a regulatory liability account as mandated by the GPSC.

Under the new rate order, the accelerated amortization and the interest will be amortized equally over three years as a credit to expense beginning in 2002. Effective January 1, 2002, Georgia Power discontinued recording accelerated depreciation and amortization. Georgia Power will not file for a general base rate increase unless its projected retail return on common equity falls below 10 percent. Georgia Power is required to file a general rate case on July 1, 2004, in response to which the GPSC would be expected to determine whether the rate order should be continued, modified, or discontinued.

In 2000 and 1999, Georgia Power recorded $44 million and $79 million, respectively, of revenue subject to refund for estimated earnings above 12.5 percent retail return on common equity. Refunds applicable to 2000 and 1999 were made to customers in 2001 and 2000, respectively.

4. JOINT OWNERSHIP AGREEMENTS

Alabama Power owns an undivided interest in units 1 and 2 of Plant Miller and related facilities jointly with Alabama Electric Cooperative, Inc.

Georgia Power owns undivided interests in plants Vogtle, Hatch, Scherer, and Wansley in varying amounts jointly with Oglethorpe Power Corporation (OPC), the Municipal Electric Authority of Georgia, the city of Dalton, Georgia, Florida Power & Light Company (FP&L), and Jacksonville Electric Authority (JEA). In addition, Georgia Power has joint ownership agreements with OPC for the Rocky Mountain facilities and with Florida Power Corporation (FPC) for a combustion turbine unit at Intercession City, Florida. Southern Power owns an undivided interest in Stanton Unit A and related facilities jointly with the Orlando Utilities Commission, Kissimmee Utility Authority, and Florida Municipal Power Agency. The unit is scheduled to go into commercial operation in October 2003.

At December 31, 2001, 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%**	**$3,304**	**$1,793**
Plant Hatch (nuclear)	**50.1**	**881**	**668**
Plant Miller (coal) Units 1 and 2	**91.8**	**747**	**326**
Plant Scherer (coal) Units 1 and 2	**8.4**	**112**	**56**
Plant Wansley (coal)	**53.5**	**309**	**152**
Rocky Mountain (pumped storage)	**25.4**	**169**	**78**
Intercession City (combustion turbine)	**33.3**	**12**	**1**
Plant Stanton (combined cycle) Unit A	**65.0**	**31**	**–**

Alabama Power, Georgia Power, and Southern 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.

5. LONG-TERM POWER SALES AND LEASE AGREEMENTS

The operating companies have long-term contractual agreements for the sale and lease of capacity to certain non-affiliated utilities located outside the system's service area. These agreements are firm and are related to specific generating units. Because the energy is generally provided at cost under these agreements, profitability is primarily affected by capacity revenues.

Unit power from specific generating plants is currently being sold to FP&L, FPC, and JEA. Under these agreements, approximately 1,500 megawatts of capacity is scheduled to be sold annually unless reduced by FP&L, FPC, and JEA for the periods after 2001 with a minimum of three years notice -- until the expiration of the contracts in 2010. Capacity revenues from unit power sales amounted to $170 million in 2001, $177 million in 2000, and $174 million in 1999.

Southern Power and Mississippi Power have operating leases for portions of their generating unit capacity. Capacity revenues from these operating leases amounted to $53 million in 2001 and $20 million in 2000. These amounts are included in the financial statements as sales for resale. Minimum future capacity receipts from noncancelable operating leases as of December 31, 2001, are as follows:

Year	Amounts (in millions)
2002	$ 64
2003	65
2004	64
2005	23
2006	21
2007 and thereafter	97
Total	$334

6. INCOME TAXES

At December 31, 2001, the tax-related regulatory assets and liabilities were $924 million and $500 million, respectively. These assets are attributable to tax benefits flowed through to customers in prior years and to taxes applicable to capitalized interest. These liabilities are attributable to deferred taxes previously recognized at rates higher than current enacted tax law and to unamortized investment tax credits. The following tables and disclosures exclude discontinued operations.

Details of income tax provisions are as follows:

	2001	2000	1999
		(in millions)	
Total provision for income taxes:			
Federal --			
Current	**$477**	$421	$504
Deferred	**(10)**	95	11
	467	516	515
State --			
Current	**103**	71	85
Deferred	**(12)**	1	(1)
	91	72	84
Total	**$558**	$588	$599

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:

	2001	2000
		(in millions)
Deferred tax liabilities:		
Accelerated depreciation	**$3,222**	$3,199
Property basis differences	**1,059**	1,105
Other	**739**	650
Total	**5,020**	4,954
Deferred tax assets:		
Federal effect of state deferred taxes	**116**	111
Other property basis differences	**178**	206
Deferred costs	**234**	190
Pension and other benefits	**123**	125
Other	**304**	231
Total	**955**	863
Total deferred tax liabilities, net	**4,065**	4,091
Portion included in current assets (liabilities), net	**23**	(17)
Accumulated deferred income taxes in the Consolidated Balance Sheets	**$4,088**	$4,074

In accordance with regulatory requirements, deferred investment tax credits are amortized over the lives 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 $30 million a year in 2001, 2000, and 1999. At December 31, 2001, all investment tax credits available to reduce federal income taxes payable had been utilized.

The provision for income taxes differs from the amount of income taxes determined by applying the applicable U.S. Federal statutory rate to earnings before income taxes and preferred dividends of subsidiaries, as a result of the following:

	2001	2000	1999
Federal statutory rate	**35.0%**	35.0%	35.0%
State income tax, net of federal deduction	**3.7**	3.4	3.8
Alternative fuel tax credits	**(4.2)**	(1.3)	(0.7)
Non-deductible book depreciation	**1.7**	1.7	1.9
Difference in prior years' deferred and current tax rate	**(1.1)**	(1.3)	(1.3)
Other	**(2.2)**	(0.8)	0.4
Effective income tax rate	**32.9%**	36.7%	39.1%

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. In accordance with Internal Revenue Service regulations, each company is jointly and severally liable for the tax liability.

Mirant was included in the consolidated federal tax return through April 2, 2001. Under the terms of the separation agreement, Mirant will indemnify Southern Company for subsequent assessment of any additional taxes related to its transactions prior to the spin off.

7. COMMON STOCK

Stock Issued and Repurchased

Southern Company issued 17 million and 5 million treasury shares of common stock in 2001 and 2000, respectively, through various company stock plans. Proceeds were $395 million in 2001 and $140 million in 2000. The shares were issued through various company stock plans. At December 31, 2001, approximately 2 million treasury shares remain unissued.

In December 2000, Southern Company issued 28 million treasury shares of common stock through a public offering. The offering, which included an overallotment of 3 million shares, raised some $800 million and was priced at $28.50 per share. The proceeds were used to repay short-term commercial paper.

In April 1999, Southern Company's Board of Directors approved the repurchase of up to 50 million shares of Southern Company's common stock over a two-year period through open market or privately negotiated transactions. Under this program, 50 million shares were repurchased by February 2000 at an average price of $25.53 per share.

Shares Reserved

At December 31, 2001, a total of 76 million shares was reserved for issuance pursuant to the Southern Investment Plan, the Employee Savings Plan, the Outside Directors Stock Plan, and the Omnibus Incentive Compensation Plan (stock option plan).

Stock Option Plan

Southern Company provides non-qualified stock options to a large segment of its employees ranging from line management to executives. As of December 31, 2001, 5,622 current and former employees participated in the stock option plan. The maximum number of shares of common stock that may be issued under this plan may not exceed 55 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 three 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 Southern Company Board of Directors in accordance with the plan. Stock option data for the plan has been adjusted to reflect the Mirant spin off. Activity in 2000 and 2001 for the plan is summarized below:

	Shares Subject To Option	Average Option Price Per Share
Balance at December 31, 1999	13,419,978	$14.97
Options granted	11,042,626	14.67
Options canceled	(335,282)	14.87
Options exercised	(1,560,695)	13.65
Balance at December 31, 2000	22,566,627	14.92
Options granted	13,623,210	20.31
Options canceled	(3,397,152)	15.39
Options exercised	(3,161,800)	13.83
Balance at December 31, 2001	**29,630,885**	**$17.46**
Shares reserved for future grants:		
At December 31, 1999	54,684,999	
At December 31, 2000	43,955,368	
At December 31, 2001	**64,795,653**	
Options exercisable:		
At December 31, 2000	9,354,705	
At December 31, 2001	**11,965,858**	

Southern Company accounts for its stock-based compensation plans in accordance with Accounting Principles Board Opinion No. 25. Accordingly, no compensation expense has been recognized.

The following table summarizes information about options outstanding at December 31, 2001:

	Dollar Price Range of Options		
	11-15	15-20	20-24
Outstanding:			
Shares (in thousands)	**11,742**	**12,882**	**5,007**
Average remaining life (in years)	**6.7**	**7.7**	**9.1**
Average exercise price	**$14.38**	**$18.34**	**$22.43**
Exerciseable:			
Shares (in thousands)	**6,694**	**5,027**	**245**
Average exercise price	**$14.17**	**$17.46**	**$22.42**

The estimated fair values of stock options granted in 2001, 2000, and 1999 were derived using the Black-Scholes stock option pricing model. The following table shows the assumptions and the weighted average fair values of stock options:

	2001	2000	1999
Interest rate	**4.8%**	6.7%	5.8%
Average expected life of stock options (in years)	**4.3**	4.0	3.7
Expected volatility of common stock	**25.4%**	20.9%	20.7%
Expected annual dividends on common stock	**$1.34**	$1.34	$1.34
Weighted average fair value of stock options granted	**$2.82**	$3.36	$4.61

The pro forma impact of fair-value accounting for options granted on earnings is as follows:

Year	Net Income (in millions)	Earnings Per Share (cents)
2001	**$17**	**2.4**
2000	8	1.3
1999	5	0.7

Diluted Earnings Per Share

For Southern Company, the only difference in computing basic and diluted earnings per share is attributable to outstanding options under the stock option plan. The effect of the stock options was determined using the treasury stock method. Shares used to compute diluted earnings per share are as follows:

	Average Common Stock Shares		
	2001	2000	1999
		(in thousands)	
As reported shares	**689,352**	653,087	685,163
Effect of options	**4,191**	1,018	530
Diluted shares	**693,543**	654,105	685,693

Common Stock Dividend Restrictions

The income of Southern Company is derived primarily from equity in earnings of its subsidiaries. At December 31, 2001, consolidated retained earnings included $3.4 billion of undistributed retained earnings of the subsidiaries. Of this amount, $2.1 billion was restricted against the payment by the subsidiary companies of cash dividends on common stock under terms of bond indentures. However, Georgia Power expects to discharge its first mortgage bond indenture in early 2002 and to be released from all indenture requirements. The $2.1 billion restriction includes $1.0 billion for Georgia Power under the current indenture requirements.

8. FINANCING

Capital and Preferred Securities

Company or subsidiary obligated mandatorily redeemable capital and preferred securities have been issued by special purpose financing entities of Southern Company and its subsidiaries. Substantially all the assets of these special financing entities are junior subordinated notes issued by the related company seeking financing. Each of these companies considers that the mechanisms and obligations relating to the capital or preferred securities issued for its benefit, taken together, constitute a full and unconditional guarantee by it of the respective special financing entities' payment obligations with respect to the capital or preferred securities. At December 31, 2001, capital securities of $950 million and preferred securities of $1.3 billion were outstanding and recognized in the Consolidated Balance Sheets. Southern Company guarantees the notes related to $950 million of capital or preferred securities issued on its behalf.

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:

	2001	2000
	(in millions)	
Bond improvement fund requirements	$ 5	$11
Less:		
Portion to be satisfied by certifying property additions	1	11
Cash requirements	4	–
First mortgage bond maturities and redemptions	3	–
Other long-term debt maturities	422	67
Total	$429	$67

The first mortgage bond improvement 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 revenue bonds 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.

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.

Improvement fund requirements and/or serial maturities through 2006 applicable to total long-term debt are as follows: $429 million in 2002; $1.1 billion in 2003; $894 million in 2004; $399 million in 2005; and $226 million in 2006.

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. Georgia Power expects to discharge its mortgage in early 2002 and that the lien will be removed. 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 other subsidiaries.

Bank Credit Arrangements

At the beginning of 2002, unused credit arrangements with banks totaled $5.1 billion, of which $3.7 billion expires during 2002, $500 million expires during 2003, and $900 million expires during 2004. The following table outlines the credit arrangements by company:

	Amount of Credit			
			Expires	
Company	Total	Unused	2002	2003 & beyond
	(in millions)			
Alabama Power	$ 964	$ 964	$ 574	$ 390
Georgia Power	1,765	1,765	1,265	500
Gulf Power	103	103	103	-
Mississippi Power	115	115	110	5
Savannah Electric	66	66	46	20
Southern Company	1,500	1,500	1,500	–
Southern Power	850	557	–	557
Other	60	60	60	–
Total	$5,423	$5,130	$3,658	$1,472

Approximately $2.9 billion of the credit facilities expiring in 2002 allows for term loans ranging from one to three years. Most of the agreements include stated borrowing rates but also allow for competitive bid loans.

All of the credit arrangements require payment of commitment fees based on the unused portion of the commitments or the maintenance of compensating balances with the banks. These balances are not legally restricted from withdrawal. Included in the $5.1 billion of unused credit arrangements is $4.8 billion of syndicated credit arrangements that require the payment of agent fees.

A portion of the $5.1 billion unused credit with banks is allocated to provide liquidity support to the companies' variable rate pollution control bonds. The amount of variable rate pollution control bonds requiring liquidity support as of December 31, 2001 was $1.6 billion.

Southern Company and the operating companies borrow through commercial paper programs that have the liquidity support of committed bank credit arrangements. In addition, the companies from time to time borrow under uncommitted lines of credit with banks. The amount of commercial paper outstanding at December 31, 2001 was $1.8 billion.

9. COMMITMENTS

Construction Program

Southern Company is engaged in continuous construction programs, currently estimated to total $2.8 billion in 2002, $2.1 billion in 2003, and $2.3 billion in 2004. 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; acquisition of additional generating assets; 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, 2001, significant purchase commitments were outstanding in connection with the construction program. Southern Company has approximately 4,500 megawatts of additional generating capacity scheduled to be placed in service by 2003, of which 3,900 megawatts will be competitive generation assets.

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.

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. Natural gas purchases are based on various indices at the time of delivery; therefore, only the volume commitments are firm and disclosed in the following chart. Also, Southern Company has entered into various long-term commitments for the purchase of electricity. Total estimated minimum long-term obligations at December 31, 2001, were as follows:

Year	Natural Gas MMBtu	Fuel	Purchased Power
	(in millions)	(in millions)	
2002	163,595	$ 2,399	$ 97
2003	188,245	2,185	100
2004	118,245	1,541	95
2005	66,390	1,218	95
2006	49,085	1,155	95
2007 and thereafter	18,120	3,627	879
Total commitments	603,680	$12,125	$1,361

Operating Leases

In May 2001, Mississippi Power began the initial 10-year term of a lease agreement signed in 1999 for a combined cycle generating facility built at Plant Daniel. The facility cost approximately $370 million. The lease provides for a residual value guarantee -- approximately 71 percent of the completion cost -- by Mississippi Power that is due upon termination of the lease in certain circumstances. The lease also includes purchase and renewal options. Upon termination of the lease, Mississippi Power may either exercise its purchase option of the facility or allow it to be sold to a third party. Mississippi Power expects the fair market value of the leased facility to substantially reduce or eliminate its payment under the residual value guarantee. The amount of future minimum operating lease payments exclusive of any payment related to this guarantee will be approximately $25 million annually during the initial term.

Southern Company has other operating lease agreements with various terms and expiration dates. Total operating lease expenses were $64 million, $42 million, and $35 million for 2001, 2000, and 1999, respectively. At December 31, 2001, estimated minimum rental commitments for noncancelable operating leases were as follows:

Year	Amounts
	(in millions)
2002	$ 74
2003	71
2004	70
2005	66
2006	58
2007 and thereafter	317
Total minimum payments	$656

In addition to the above rental commitments, Alabama Power and Georgia Power have obligations upon expiration of certain rail car leases with respect to the residual value of the leased property. These leases expire in 2004, 2006, and 2010, and the maximum obligations are $39 million, $66 million, and $40 million, respectively. At the termination of the leases, the lessee may either exercise its purchase option or the property can be sold to a third party. Alabama Power and Georgia Power expect that the fair market value of the leased property would substantially reduce or eliminate the payments under the residual value obligations.

Guarantees

Southern Company has made separate guarantees to certain counterparties regarding performance of contractual commitments by Mirant's trading and marketing subsidiaries. At December 31, 2001, the total original notional amount of guarantees was $53 million, all of which will expire by 2007. Estimated fair value of these net contractual commitments outstanding was approximately $25 million. Under the terms of the separation agreement, Mirant may not enter into any new commitments under these guarantees after the spin off date. Based upon a statistical analysis of credit risk, Southern Company's potential exposure under these contractual commitments would not materially differ from the estimated fair value.

Mirant will pay Southern Company a fee of 1 percent annually on the average aggregate maximum principal amount of all guarantees outstanding until they are replaced or expire. Mirant must use reasonable efforts to release Southern Company from all such support arrangements and will indemnify Southern Company for any obligations incurred.

10. 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 $9.5 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 American Nuclear Insurers (ANI), 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 $88 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 buyback interests -- is $176 million and $178 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 Electric Insurance Limited (NEIL), a mutual insurer established to provide property damage insurance in an amount up to $500 million for members' nuclear generating facilities.

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 primary coverage. This excess insurance is also provided by NEIL.

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 purchase this coverage, subject to a deductible waiting period of between 8 to 26 weeks, with a maximum per occurrence per unit limit of $490 million. After this deductible period, weekly indemnity payments would be received until either the unit is operational or until the limit is exhausted in approximately three 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 current maximum annual assessments for Alabama Power and Georgia Power under the three NEIL policies would be $35 million and $39 million, respectively.

Following the terrorist attacks of September 2001, both ANI and NEIL confirmed that terrorist acts against commercial nuclear power plants would be covered under their insurance. However, both companies revised their policy terms on a prospective basis to include an industry aggregate for all terrorist acts. The NEIL aggregate, which applies to all claims stemming from terrorism within a 12-month duration, is $3.24 billion plus any amounts that would be available through reinsurance or indemnity from an outside source. The ANI cap is $200 million in a policy year.

For all on-site property damage insurance policies for commercial nuclear power plants, the NRC requires that the proceeds of such policies 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.

All retrospective assessments -- whether generated for liability, property, or replacement power -- may be subject to applicable state premium taxes.

11. DISCONTINUED OPERATIONS

In April 2000, Southern Company announced an initial public offering of up to 19.9 percent of Mirant and its intentions to spin off the remaining ownership of Mirant to Southern Company stockholders within 12 months of the initial stock offering. On October 2, 2000, Mirant completed its initial public offering of 66.7 million shares of common stock priced at $22 per share. This represented 19.7 percent of the 338.7 million shares outstanding. As a result of the stock offering, Southern Company recorded a $560 million increase in paid-in capital with no gain or loss being recognized.

On February 19, 2001, the Southern Company Board of Directors approved the spin off of its remaining ownership of 272 million Mirant shares. On April 2, 2001, the tax-free distribution of Mirant shares was completed at a ratio of approximately 0.4 for every share of Southern Company common stock held at record date.

The distribution resulted in charges of approximately $3.2 billion and $0.4 billion to Southern Company's paid-in capital and retained earnings, respectively. The distribution was treated as a non-cash transaction for purposes of the statement of cash flows.

As a result of the spin off, Southern Company's financial statements reflect Mirant's results of operations, balance sheets, and cash flows as discontinued operations. Certain amounts in the cash flows related to intercompany eliminations for 2000 and 1999 have been reclassified from cash provided from operating activities to cash used for discontinued operations.

Summarized financial information for the discontinued operations is as follows at December 31:

	2001	2000	1999
		(in millions)	
Revenues	$8,182	$13,315	$2,265
Income taxes	93	86	127
Net income	142	319	361

	2000
	(in millions)
Current assets	$ 9,057
Total assets	22,377
Current liabilities	9,726
Total liabilities	17,585
Minority and other interests	1,472
Net assets of discontinued operations	3,320

12. SEGMENT AND RELATED INFORMATION

Southern Company's reportable business segment is the sale of electricity in the Southeast by the five operating companies and Southern Power. Net income and total assets for discontinued operations are included in the reconciling eliminations column. The all other category includes parent Southern Company, which does not allocate operating expenses to business segments. Also, this category includes segments below the quantitative threshold for separate disclosure. These segments include telecommunications, energy products and services, and leasing and financing services. Intersegment revenues are not material. Financial data for business segments and products and services are as follows:

Business Segments

Year	Electric Utilities	All Other	Reconciling Eliminations	Consolidated
		(in millions)		
2001				
Operating revenues	$ 9,906	$ 267	$ (18)	$10,155
Depreciation and amortization	1,144	29	–	1,173
Interest income	21	8	(2)	27
Interest expense	591	137	(2)	726
Income taxes	702	(144)	–	558
Segment net income (loss)	1,149	(30)	143	1,262
Total assets	29,389	2,420	(1,985)	29,824
Gross property additions	2,565	52	–	2,617

Year	Electric Utilities	All Other	Reconciling Eliminations	Consolidated
		(in millions)		
2000				
Operating revenues	$ 9,860	$ 246	$ (40)	$10,066
Depreciation and amortization	1,135	36	–	1,171
Interest income	21	7	1	29
Interest expense	615	197	–	812
Income taxes	703	(115)	–	588
Segment net income (loss)	1,109	(115)	319	1,313
Total assets	26,820	2,200	2,240	31,260
Gross property additions	2,199	26	–	2,225

Year	Electric Utilities	All Other	Reconciling Eliminations	Consolidated
		(in millions)		
1999				
Operating revenues	$ 9,125	$ 221	$ (29)	$ 9,317
Depreciation and amortization	1,046	93	–	1,139
Interest income	23	5	2	30
Interest expense	585	155	(38)	702
Income taxes	675	(76)	–	599
Segment net income (loss)	1,073	(158)	361	1,276
Total assets	25,336	2,127	1,828	29,291
Gross property additions	1,854	27	–	1,881

Products and Services

Year	Electric Utilities Revenues			
	Retail	Wholesale	Other	Total
		(in millions)		
2001	**$8,440**	**$1,174**	**$292**	**$9,906**
2000	8,600	977	283	9,860
1999	8,090	823	212	9,125

13. QUARTERLY FINANCIAL INFORMATION FOR CONTINUING OPERATIONS (UNAUDITED)

Summarized quarterly financial data for 2001 and 2000 are as follows:

Quarter Ended	Operating Revenues	Operating Income	Consolidated Net Income	Per Common Share (Note) Basic Earnings	Dividends	Price Range High	Price Range Low
		(in millions)					
March 2001	**$2,270**	**$475**	**$180**	**$0.26**	**$0.335**	**$21.650**	**$16.152**
June 2001	**2,561**	**585**	**270**	**0.40**	**0.335**	**23.880**	**20.890**
September 2001	**3,165**	**998**	**554**	**0.80**	**0.335**	**26.000**	**22.050**
December 2001	**2,159**	**333**	**116**	**0.16**	**0.335**	**25.980**	**22.300**
March 2000	$2,052	$ 428	$151	$0.23	$0.335	$25.875	$20.375
June 2000	2,522	598	256	0.39	0.335	27.875	21.688
September 2000	3,198	1,039	523	0.81	0.335	35.000	23.406
December 2000	2,294	340	64	0.09	0.335	33.880	27.500

Southern Company's business is influenced by seasonal weather conditions.
Note: Market price data in 2001 declined as a result of the Mirant spin off.

SELECTED CONSOLIDATED FINANCIAL AND OPERATING DATA 1997-2001

Southern Company and Subsidiary Companies 2001 Annual Report

	2001	2000	1999	1998	1997
Operating Revenues (in millions)	**$10,155**	$10,066	$9,317	$9,499	$8,774
Total Assets (in millions)	**$29,824**	$31,260	$29,291	$28,723	$27,898
Gross Property Additions (in millions)	**$2,617**	$2,225	$1,881	$1,356	$1,138
Return on Average Common Equity (percent)	**13.51**	13.20	13.43	10.04	10.30
Cash Dividends Paid Per Share of Common Stock	**$1.34**	$1.34	$1.34	$1.34	$1.30
Consolidated Net Income (in millions):					
Continuing operations	**$1,120**	$ 994	$ 915	$986	$990
Discontinued operations	**142**	319	361	(9)	(18)
Total	**$1,262**	$1,313	$1,276	$977	$972
Earnings Per Share From Continuing Operations --					
Basic	**$1.62**	$1.52	$1.33	$1.41	$1.45
Diluted	**1.61**	1.52	1.33	1.41	1.45
Earnings Per Share Including Discontinued Operations --					
Basic	**$1.83**	$2.01	$1.86	$1.40	$1.42
Diluted	**1.82**	2.01	1.86	1.40	1.42
Capitalization (in millions):					
Common stock equity	**$ 7,984**	$10,690	$ 9,204	$ 9,797	$ 9,647
Preferred stock and securities	**2,644**	2,614	2,615	2,465	2,155
Long-term debt	**8,297**	7,843	7,251	6,505	6,347
Total excluding amounts due within one year	**$18,925**	$21,147	$19,070	$18,767	$18,149
Capitalization Ratios (percent):					
Common stock equity	**42.2**	50.6	48.3	52.2	53.2
Preferred stock and securities	**13.9**	12.3	13.7	13.1	11.9
Long-term debt	**43.9**	37.1	38.0	34.7	34.9
Total excluding amounts due within one year	**100.0**	100.0	100.0	100.0	100.0
Other Common Stock Data (Note):					
Book value per share (year-end)	**$11.43**	$15.69	$13.82	$14.04	$13.91
Market price per share (dollars):					
High	**26.000**	35.000	29.625	31.563	26.250
Low	**16.152**	20.375	22.063	23.938	19.875
Close	**25.350**	33.250	23.500	29.063	25.875
Market-to-book ratio (year-end) (percent)	**221.8**	211.9	170.0	207.0	186.0
Price-earnings ratio (year-end) (times)	**15.6**	16.5	12.6	20.8	18.2
Dividends paid (in millions)	**$922**	$873	$921	$933	$889
Dividend yield (year-end) (percent)	**5.3**	4.0	5.7	4.6	5.0
Dividend payout ratio (percent)	**82.4**	66.5	72.2	95.6	91.5
Shares outstanding (in thousands):					
Average	**689,352**	653,087	685,163	696,944	685,033
Year-end	**698,344**	681,158	665,796	697,747	693,423
Stockholders of record (year-end)	**150,242**	160,116	174,179	187,053	200,508
Customers (year-end) (in thousands):					
Residential	**3,441**	3,398	3,339	3,277	3,220
Commercial	**539**	527	513	497	479
Industrial	**14**	14	15	15	16
Other	**4**	5	4	5	5
Total	**3,998**	3,944	3,871	3,794	3,720
Employees (year-end)	**26,122**	26,021	26,269	25,206	24,682

Note: Common stock data in 2001 declined as a result of the Mirant spin off.

	2001	2000	1999	1998	1997
Operating Revenues (in millions):					
Residential	**$ 3,247**	$ 3,361	$3,107	$3,167	$2,836
Commercial	**2,966**	2,918	2,745	2,766	2,594
Industrial	**2,144**	2,289	2,238	2,268	2,138
Other	**83**	32	–	79	77
Total retail	**8,440**	8,600	8,090	8,280	7,645
Sales for resale within service area	**338**	377	350	374	376
Sales for resale outside service area	**836**	600	473	522	510
Total revenues from sales of electricity	**9,614**	9,577	8,913	9,176	8,531
Other revenues	**541**	489	404	323	243
Total	**$10,155**	$10,066	$9,317	$9,499	$8,774
Kilowatt-Hour Sales (in millions):					
Residential	**44,538**	46,213	43,402	43,503	39,217
Commercial	**46,939**	46,249	43,387	41,737	38,926
Industrial	**52,891**	56,746	56,210	55,331	54,196
Other	**977**	970	945	929	903
Total retail	**145,345**	150,178	143,944	141,500	133,242
Sales for resale within service area	**9,388**	9,579	9,440	9,847	9,884
Sales for resale outside service area	**21,380**	17,190	12,929	12,988	13,761
Total	**176,113**	176,947	166,313	164,335	156,887
Average Revenue Per Kilowatt-Hour (cents):					
Residential	**7.29**	7.27	7.16	7.28	7.23
Commercial	**6.32**	6.31	6.33	6.63	6.66
Industrial	**4.05**	4.03	3.98	4.10	3.95
Total retail	**5.81**	5.73	5.62	5.85	5.74
Sales for resale	**3.82**	3.65	3.68	3.92	3.75
Total sales	**5.46**	5.41	5.36	5.58	5.44
Average Annual Kilowatt-Hour Use Per Residential Customer	**13,014**	13,702	13,107	13,379	12,296
Average Annual Revenue Per Residential Customer	**$948.83**	$996.44	$938.39	$973.94	$889.29
Plant Nameplate Capacity Owned (year-end) (megawatts)	**34,579**	32,807	31,425	31,161	31,146
Maximum Peak-Hour Demand (megawatts):					
Winter	**26,272**	26,370	25,203	21,108	22,969
Summer	**29,700**	31,359	30,578	28,934	27,334
System Reserve Margin (at peak) (percent)	**19.3**	8.1	8.5	12.8	15.0
Annual Load Factor (percent)	**62.0**	60.2	59.2	60.0	59.4
Plant Availability (percent):					
Fossil-steam	**88.1**	86.8	83.3	85.2	88.2
Nuclear	**90.8**	90.5	89.9	87.8	88.8
Source of Energy Supply (percent):					
Coal	**67.5**	72.3	73.1	72.8	74.7
Nuclear	**15.2**	15.1	15.7	15.4	16.5
Hydro	**2.6**	1.5	2.3	3.9	4.3
Oil and gas	**8.4**	4.0	2.8	3.3	1.7
Purchased power	**6.3**	7.1	6.1	4.6	2.8
Total	**100.0**	100.0	100.0	100.0	100.0

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ALABAMA POWER COMPANY

FINANCIAL SECTION

MANAGEMENT'S REPORT

Alabama Power Company 2001 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 accounting principles generally accepted in the United States 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.

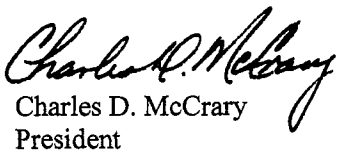
The Company maintains a system of internal accounting controls to provide reasonable assurance that assets are safeguarded and that the accounting records reflect only authorized transactions of the Company. Limitations exist in any system of internal controls, however, based on a recognition that the 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.

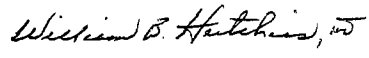
The audit committee of the board of directors, composed of four independent directors, provides a broad overview of management's financial reporting and control functions. Periodically, this committee meets with management, the internal auditors and the independent public accountants to ensure that these 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 accounting principles generally accepted in the United States.



Charles D. McCrary
President
and Chief Executive Officer



William B. Hutchins, III
Executive Vice President,
Chief Financial Officer, and Treasurer

February 13, 2002

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To 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, 2001 and 2000, and the related statements of income, common stockholder's equity, and cash flows for each of the three years in the period ended December 31, 2001. 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 auditing standards generally accepted in the United States. 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-58 through II-76) referred to above present fairly, in all material respects, the financial position of Alabama Power Company as of December 31, 2001 and 2000, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

As explained in Note 1 to the financial statements, effective January 1, 2001, Alabama Power Company changed its method of accounting for derivative instruments and hedging activities.

Arthur Andersen LLP

Birmingham, Alabama
February 13, 2002

RESULTS OF OPERATIONS

Earnings

Alabama Power Company's 2001 net income after dividends on preferred stock was $387 million, representing a $33 million (7.9 percent) decrease from the prior year. This decline is primarily attributable to a decrease in territorial energy sales as a result of an economic downturn and milder temperatures.

In 2000 earnings were $420 million, representing a 5 percent increase from the prior year. This improvement was primarily attributable to an increase in territorial sales partially offset by increased non-fuel operating expenses.

The return on average common equity for 2001 was 11.89 percent compared to 13.58 percent in 2000 and 13.85 percent in 1999.

Revenues

Operating revenues for 2001 were $3.6 billion, reflecting a decrease from 2000. The following table summarizes the principal factors that have affected operating revenues for the past two years:

	Amount	Increase (Decrease) From Prior Year	
	2001	**2001**	2000
		(in thousands)	
Retail --			
Base revenues	**$2,033,814**	**$ (75,125)**	$ 80,264
Fuel cost recovery and other	**713,859**	**(129,909)**	61,326
Total retail	**2,747,673**	**(205,034)**	141,590
Sales for resale --			
Non-affiliates	**485,974**	**24,244**	46,353
Affiliates	**245,189**	**78,970**	73,780
Total sales for resale	**731,163**	**103,214**	120,133
Other operating revenues	**107,554**	**20,749**	20,264
Total operating revenues	**$3,586,390**	**$ (81,071)**	$281,987
Percent change		**(2.21)%**	8.33%

Retail revenues of $2.7 billion in 2001 decreased $205 million (6.9 percent) from the prior year, compared with an increase of $142 million (5 percent) in 2000. The primary contributors to the decrease in revenues in 2001 were the negative impact of milder temperatures on energy sales, an economic downturn in the Company's service territory, and a decrease in fuel revenues. Fuel revenues have no effect on net income because they represent the recording of revenues to offset fuel expenses. Fuel rates billed to customers are designed to fully recover fluctuating fuel costs over a period of time. Lower natural gas prices, an increased fuel rate, and increased hydro production combined with decreased costs of purchased power have resulted in a $154 million (65 percent) reduction in under-recovered fuel costs at December 31, 2001 compared with the prior year. The Company expects to continue to reduce the balance of $83 million during 2002.

Other operating revenues in 2001 increased $21 million (23.9 percent) over 2000. This increase is primarily attributed to increased steam sales in conjunction with the operation of the Company's co-generation facilities, fuel sales, and rent from electric property. Since co-generation steam revenues are generally offset by fuel expenses, these revenues did not have a significant impact on earnings.

The $20 million (30.5 percent) increase in other operating revenues in 2000 as compared to 1999 was due primarily to an increase in steam sales in conjunction with the operation of the Company's co-generation facilities.

Energy sales for resale outside the service area are predominantly unit power sales under long-term contracts to Florida utilities. Economy energy and energy sold under short-term contracts are also sold for resale outside the service area. Revenues from long-term power contracts have both a capacity and energy component. 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 of the unit power contracts were as follows:

	2001	2000	1999
		(in millions)	
Capacity	**$125**	$127	$122
Energy	**134**	128	112
Total	**$259**	$255	$234

Capacity revenues from non-affiliates were relatively unchanged in 2001 compared to the prior two years. There are no scheduled declines in capacity until the termination of the contracts in 2010.

Revenues from sales to affiliated companies within the Southern electric system, as well as purchases of energy, will vary from year to year depending on demand and the availability and cost of generating resources at each company. These transactions did not have a significant impact on earnings.

Kilowatt-hour (KWH) sales for 2001 and the percent change by year were as follows:

	KWH	Percent Change	
	2001	**2001**	2000
	(millions)		
Residential	**15,881**	**(5.3)%**	6.8%
Commercial	**12,799**	**(1.5)**	5.5
Industrial	**20,460**	**(7.4)**	0.7
Other	**198**	**(3.9)**	2.3
Total retail	**49,338**	**(5.2)**	3.8
Sales for resale -			
Non-affiliates	**15,278**	**2.9**	19.4
Affiliates	**8,843**	**64.7**	6.7
Total	**73,459**	**1.6**	6.9

Retail energy sales in 2001 decreased by 5.2 percent due to milder temperatures and an economic downturn in the Company's service area. This was offset by an increase in sales for resale to affiliates. Increased operation of the Company's combined cycle facilities due to lower natural gas prices and an increase in the Company's combined cycle capacity contributed to the increase in sales for resale.

The increase in 2000 retail energy sales was primarily due to the strength of business and economic conditions in the Company's service area. Residential energy sales experienced a 6.8 percent increase over the prior year primarily as a result of warmer summer temperatures and cold winter weather conditions compared to 1999.

Expenses

In 2001 total operating expenses of $2.7 billion were down $50 million or 1.8 percent compared with 2000. This decline is mainly due to an $18 million net decrease in fuel and purchased power costs and a $56 million decrease in non-production operation and maintenance expenses, offset by a $19 million increase in depreciation. Fuel expenses, including purchased power, are offset by fuel revenues and have no effect on net income.

In 2000 total operating expenses of $2.7 billion were up $235 million or 9.4 percent compared with the prior year. This increase was mainly due to a $183 million increase in fuel and purchased power costs, accompanied by a $23 million increase in 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:

	2001	2000	1999
Total generation (billions of KWHs)	**68**	65	63
Sources of generation (percent) --			
Coal	**64**	72	72
Nuclear	**18**	19	20
Hydro	**6**	3	5
Oil & Gas	**12**	6	3
Average cost of fuel per net KWH generated (cents) --	**1.56**	1.54	1.44

In 2001, total fuel and purchased power costs of $1.3 billion decreased $18 million (1.4 percent), while total energy sales increased 1,174 million kilowatt hours (1.6 percent) compared with the amounts recorded in 2000. Fuel and purchased power costs in 2000 increased $183 million (16 percent) compared to 1999.

Purchased power consists of purchases from affiliates in the Southern electric system and non-affiliated companies. 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. During 2001 purchased power transactions from non-affiliates decreased $20 million (12 percent) due to the addition in May 2001 of a combined cycle unit and an 82 percent increase in hydro generation compared to the previous year. The hydro generation increase occurred from greater stream flows in 2001 compared to the previous year.

The 6 percent decrease in other operation expense in 2001 as compared to 2000 is primarily due to a decrease in administrative and general expenses, which can be mainly attributed to insurance refunds.

The 8.5 percent decrease in maintenance expense in 2001 as compared to 2000 is primarily due to a decrease in power production expense as a result of timing of maintenance for steam power generation facilities. The 8.4 percent increase in maintenance expense in 2000 as compared to 1999 is primarily attributable to an increase in the maintenance of overhead distribution lines and additional accruals to partially replenish the natural disaster reserve.

Depreciation and amortization expense increased 5.2 percent in 2001 and 4.9 percent in 2000. These increases reflect additions to property, plant, and equipment.

Total net interest and other charges increased $10 million (4.0 percent) in 2001. The increase reflected a decrease in Allowance for Funds Used During Construction (AFUDC) resulting in a smaller credit to interest expense than was recorded in 2000. Total net interest and other charges increased $19 million (7.9 percent) in 2000 primarily from an increase in interest on long-term debt offset by an increase in AFUDC, which resulted in a larger credit to interest expense.

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 utility plant with long economic lives. 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 securities. Any recognition of inflation by regulatory authorities is reflected in the rate of return allowed.

Future Earnings Potential

General

The results of continuing operations for the past three years are not necessarily indicative of future earnings potential. The level of future earnings depends on numerous factors. The major factor is the ability of the Company to achieve energy sales growth while containing cost in a more competitive environment. Growth in energy sales is subject to a number of factors. These factors include weather, competition, new short- and long-term 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.

Assuming normal weather, sales to retail customers are projected to grow approximately 2.4 percent annually on average during 2002 through 2006.

The Company currently operates as a vertically integrated utility providing electricity to customers within its traditional service area located in the state of Alabama. Prices for electricity provided by the Company to retail customers are set by the Alabama Public Service Commission (APSC) under cost-based regulatory principles.

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. The rates also provide for adjustments to recognize the placing of new generating facilities into retail service under Rate CNP (Certificated New Plant). Effective July 2001, the Company's retail rates were adjusted by 0.6 percent under Rate CNP to recover costs for Plant Barry Unit 7, which was placed into commercial operation on May 1, 2001. Most recently, a 2 percent increase in retail rates was effective in October 2001, in accordance with the Rate Stabilization Equalization plan. See Note 3 to the financial statements under "Retail Rate Adjustment Procedures" for additional information.

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.

In April 2000, the APSC approved an amendment to the Company's existing rate structure to provide for the recovery of retail costs associated with certified purchased power agreements. In November 2000 the APSC certified a seven-year purchased power agreement pertaining to 615 megawatts of the wholesale generating facilities, which were sold to Southern Power in June 2001 and are under construction in Autaugaville, Alabama. All of the 615 megawatts will be delivered beginning in 2003. In addition the APSC certified a seven-year purchased power agreement with a third party for approximately 630 megawatts; one half of the power will be delivered beginning in 2003 while the remaining half is scheduled for delivery beginning in 2004. Rate CNP will adjust retail rates when the contracted capacity delivery begins.

In accordance with Financial Accounting Standards Board (FASB) Statement No. 87, Employers' Accounting for Pensions, the Company recorded non-cash income of approximately $57 million in 2001. Future pension income is dependent on several factors including trust earnings and changes to the plan. For the Company, pension income is a component of the regulated rates and does not have a significant effect on net income. For more information see Note 2 to the financial statements.

The 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 current and future environmental laws, regulations, and litigation 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."

Industry Restructuring

The electric utility industry in the United States is continuing to evolve as a result of regulatory and competitive factors. Among the primary agents of change has been the Energy Policy Act of 1992 (Energy Act). 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/or commercial customers and sell excess energy generation to other utilities. Also, electricity sales for resale rates are affected by wholesale transmission access and numerous potential new energy suppliers, including power marketers and brokers.

Although the Energy Act does not permit retail customer access, it was a major catalyst for the recent restructuring and consolidation taking place within the utility industry. Numerous federal and state initiatives are in varying stages to promote wholesale and retail competition. Among other things these initiatives allow customers to choose their electricity provider. Some states have approved initiatives that result in a separation of the ownership and/or operation of generating facilities from the ownership and/or operation of transmission and distribution facilities. While various restructuring and

competition initiatives have been discussed in Alabama, none have been enacted. In October 2000 the APSC completed a two-year study of electric industry restructuring, concluding that (i) restructuring of the electric utility industry in Alabama was not in the public interest and (ii) the APSC itself would not mandate retail competition or electric industry restructuring without enabling state legislation. Electric utility restructuring would require numerous issues to be resolved, including significant ones relating to recovery of any stranded investments, full cost recovery of energy produced, and other issues related to the energy crisis that occurred in California. As a result of that crisis, many states have either discontinued or delayed implementation of initiatives involving retail deregulation.

Continuing to be a low-cost producer could provide opportunities to increase market share and profitability in markets that evolve with changing regulation. Conversely, if the Company does not remain a low-cost producer and provide quality service, then energy sales growth could be limited, and this could significantly erode earnings.

The Company had 1,230 megawatts of wholesale generating facilities under construction in 2001 at Autaugaville, Alabama. In June 2001 the Company sold this project to Southern Power Company, a new Southern Company subsidiary formed in 2001 to construct, own, and manage wholesale generating assets in the Southeast. The Company has entered into a purchased power agreement with Southern Power, through May 2010, for half of the capacity of these generating facilities.

In December 1999, the Federal Energy Regulatory Commission (FERC) issued its final ruling on Regional Transmission Organizations (RTOs). The order encouraged utilities owning transmission systems to form RTOs on a voluntary basis. Southern Company and its operating companies, including the Company, have submitted a series of status reports informing the FERC of progress toward the development of a Southeastern RTO. In these status reports, Southern Company explained that it is developing a for-profit RTO known as SeTrans with a number of non-jurisdictional cooperative and public power entities. Recently, Entergy Corporation and Cleco Power joined the SeTrans development process. In January 2002 the sponsors of SeTrans held a public meeting to form a Stakeholder Advisory Committee, which will participate in the development of the RTO. Southern Company continues to work with the other sponsors to develop the SeTrans RTO. The creation of SeTrans is not expected to have a material impact on the Company's financial statements. The outcome of this matter cannot now be determined.

Accounting Standards

Critical Policy

The Company's significant accounting policies are described in Note 1 to the financial statements. The Company's most critical accounting policy involves rate regulation. 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 operation is no longer subject to these provisions, the Company would be required to write off related regulatory assets and liabilities that are not specifically recoverable and determine if any other assets have been impaired. See Note 1 to the financial statements under "Regulatory Assets and Liabilities" for additional information.

New Accounting Standards

Effective January 2001, the Company adopted FASB Statement No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended. Statement No. 133 establishes accounting and reporting standards for derivative instruments and for hedging activities. This statement requires that certain derivative instruments be recorded in the balance sheet as either an asset or liability measured at fair value, and that changes in the fair value be recognized currently in earnings unless specific hedge accounting criteria are met. See Note 1 to the financial statements under "Financial Instruments" for additional information. The impact on net income in 2001 was not material. An additional interpretation of Statement No. 133 will result in a change – effective April 1, 2002 – in accounting for certain contracts related to fuel supplies that contain quantity options. These contracts will be accounted for as derivatives and marked to market. However, due to the existence of the Company's cost-based fuel recovery clause, this change is not expected to have a material impact on net income.

In June 2001 the FASB issued Statement No. 142, Goodwill and Other Intangible Assets, which establishes new accounting and reporting standards for acquired goodwill and other intangible assets and supersedes Accounting Principles Board Opinion No. 17. Statement

No. 142 addresses how intangible assets that are acquired individually or with a group of other assets (but not those acquired in a business combination) should be accounted for upon acquisition and on an ongoing basis. Goodwill and intangible assets that have indefinite useful lives will not be amortized but rather will be tested at least annually for impairment. Intangible assets that have finite useful lives will continue to be amortized over their useful lives, which are no longer limited to 40 years. The Company adopted Statement No.142 in January 2002 with no material impact on the financial statements.

Also in June 2001, the FASB issued Statement No. 143, Asset Retirement Obligations, which establishes new accounting and reporting standards for legal obligations associated with retiring assets, including decommissioning of nuclear plants. The liability for an asset's future retirement must be recorded in the period in which the liability is incurred. The cost must be capitalized as part of the related long-lived asset and depreciated over the asset's useful life. Changes in the liability resulting from the passage of time will be recognized as operating expenses. Statement No. 143 must be adopted by January 1, 2003. The Company has not yet quantified the impact of adopting Statement No. 143 on its financial statements.

FINANCIAL CONDITION

Overview

In 2001, despite significant cost control measures, the Company's earnings were adversely impacted by an economic downturn and milder temperatures. However, over the last several years the Company's financial condition has remained stable as a result of growth in retail energy sales and cost control measures combined with 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 $636 million in 2001. 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.

Credit Rating Risk

The Company does not have any credit agreements that would require material changes in payment schedules or terminations as a result of a credit rating downgrade.

Exposure to Market Risk

Due to cost-based rate regulation, the Company has limited exposure to market volatility in interest rates, commodity fuel prices, and prices of electricity. To mitigate residual risks relative to movements in electricity prices, the Company enters into fixed price contracts for the purchase and sale of electricity through the wholesale electricity market. Realized gains and losses are recognized in the income statement as incurred. At December 31, 2001, exposure from these activities was not material to the Company's financial position, results of operations, or cash flows. Fair value of changes in energy trading contracts and year-end valuations are as follows:

	Changes During the Year
	Fair Value
	(in thousands)
Contracts beginning of year	$ 567
Contracts realized or settled	(509)
New contracts at inception	-
Changes in valuation techniques	-
Current period changes	156
Contracts end of year	$ 214

	Source of Year-End Valuation Prices		
	Total	Maturity	
	Fair Value	Year 1	1-3 Years
	(in thousands)		
Actively quoted	$(4,840)	$(4,801)	$(39)
External sources	5,054	5,054	-
Models and other methods	-	-	-
Contracts end of Year	$ 214	$ 253	$(39)

Also, based on the Company's overall variable rate long-term debt exposure at December 31, 2001, a near-term 100 basis point change in interest rates would not materially affect the financial statements.

For additional information, see Note 1 to the financial statements under "Financial Instruments."

In October 2001, the APSC approved a revision to the Company's Rate ECR (Energy Cost Recovery) allowing the recovery of specific costs associated with the sales of natural gas that become necessary due to operating considerations at its electric generating facilities. This revision also includes the cost of financial tools used for hedging market price risk up to 75 percent of the budgeted annual amount of natural gas purchases. The Company may not engage in natural gas hedging activities that extend beyond a rolling 42-month window.

Capital Structure

The Company's ratio of common equity to total capitalization -- including short-term debt -- was 42.8 percent in 2001, 42.2 percent in 2000, and 42.4 percent in 1999.

In August 2001, the Company issued $442 million of senior notes, the proceeds of which were used to redeem the $131.5 million outstanding principal of its First Mortgage Bonds, 9% Series due December 1, 2004 and for other corporate purposes, including the repayment of a portion of its short-term indebtedness.

Capital Requirements

Capital expenditures are estimated to be $671 million for 2002, $592 million for 2003, and $673 million for 2004. See Note 4 to the financial statements for additional details.

Actual construction costs may vary from estimates 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 will be fully recovered.

Other Capital Requirements

In addition to the funds required for the Company's construction program, approximately $1.1 billion will be required by the end of 2004 for present sinking fund requirements and maturities of long-term debt. The Company 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.

These capital requirements, lease obligations, and purchase commitments – discussed in notes 4 and 8 to the financial statements – are as follows:

	2002	2003	2004
		(in millions)	
Bonds -			
First mortgage	$ 4.5	$ -	$ -
Pollution control	-	-	-
Senior Notes	-	573.2	525.0
Leases -			
Capital	0.9	0.9	1.0
Operating	27.9	26.5	25.5
Purchase commitments -			
Fuel	795.0	794.0	801.0
Purchased Power	-	53.0	83.0

At the beginning of 2002, the Company had not used any of its available credit arrangements. Credit arrangements are as follows:

		Expires	
Total	Unused	2002	2003 & Beyond
		(in millions)	
$964	$964	$574	$390

Environmental Matters

In November 1990, the Clean Air Act Amendments of 1990 (Clean Air Act) were signed into law. Title IV of the Clean Air Act -- the acid rain compliance provision of the law -- significantly affected Southern Company. Reductions in sulfur dioxide and nitrogen oxide emissions from fossil-fired generating plants were required in two phases. Phase I compliance began in 1995.

Southern Company achieved Phase I compliance at its affected plants by primarily switching to low-sulfur coal and with some equipment upgrades. Construction expenditures for Phase I nitrogen oxide and sulfur dioxide emissions compliance totaled approximately $25 million for the Company.

Phase II sulfur dioxide compliance was required in 2000. The Company used emission allowances and fuel switching to comply with Phase II requirements. Also, equipment to control nitrogen oxide emissions was installed on additional system fossil-fired units as necessary to meet Phase II limits. Compliance with Phase II increased the Company's total construction expenditures through 2000 by $63 million.

In December 2000, the Alabama Department of Environmental Management adopted revisions to the State Implementation Plan for meeting the one-hour ozone standard. New emission limits to comply with these requirements must be implemented in May 2003. Two generating plants will be affected in the Birmingham area. Capital expenditures for compliance with these new rules are currently estimated at approximately $240 million, of which $170 million remains to be spent.

In July 1997, the Environmental Protection Agency (EPA) revised the national ambient air quality standards for ozone and particulate matter. This revision made the standards significantly more stringent. In the subsequent litigation of these standards, the U. S. Supreme Court found the EPA's implementation program for the new ozone standard unlawful and remanded it to the EPA. In addition, the Federal District of Columbia Circuit Court of Appeals is considering other legal challenges to these standards. A court decision is expected in the spring of 2002. If the standards are eventually upheld, implementation could be required by 2007 to 2010.

In September 1998, the EPA issued nitrogen oxide reduction rules to the states for implementation. The final rule affects 21 states, including Alabama. Compliance is required by May 31, 2004 for most states including Alabama. Capital expenditures for compliance with these new rules are currently estimated at approximately $175 million.

A significant portion of costs related to the acid rain and ozone non-attainment provisions 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.

On November 3, 1999, the EPA brought a civil action against the Company in the U.S. District Court in Atlanta, Georgia. The complaint alleges violations of the New Source Review provisions of the Clean Air Act with respect to coal-fired generating facilities at the Company's Plants Miller, Barry, and Gorgas. The civil action requests penalties and injunctive relief, including an order requiring the installation of the best available control technology at the affected units. The EPA concurrently issued to the Company a notice of violation relating to these specific facilities, as well as Plants Greene County and Gaston. In early 2000 the EPA filed a motion to amend its complaint to add the violations alleged in its notice of violation. The complaint and notice of violation are similar to those brought against and issued to several other electric utilities. The complaint and notice of violation allege that the Company had failed to secure necessary permits or install additional pollution control equipment when performing maintenance and construction at coal burning plants constructed or under construction prior to 1978. In August 2000, the U.S. District Court in Georgia granted the Company's motion to dismiss for lack of jurisdiction in Georgia. On January 12, 2001, the EPA re-filed its claims against the Company in federal district court in Birmingham, Alabama. The case has been stayed since the spring of 2001, pending a ruling by the U.S. Court of Appeals for the Eleventh Circuit in the appeal of a very similar New Source Review enforcement action against the Tennessee Valley Authority (TVA). The TVA case involves many of the same legal issues raised by the actions against the Company. Because the outcome of the TVA case could have a significant adverse impact on the Company, it is party to that case as well. The U.S. District Court in Alabama has indicated that it will revisit the issue of a continued stay in April 2002.

The Company believes that it complied with applicable laws and the EPA's regulations and interpretations in effect at the time the work in question took place. However, an adverse outcome in this matter could require substantial capital expenditures that cannot be determined at this time and possibly require payment of substantial penalties. The Clean Air Act authorizes civil penalties of up to $27,500 per day per violation at each generating unit. Prior to January 30, 1997, the penalty was $25,000 per day. This could affect future results of operations, cash flows, and possibly financial condition unless such costs can be recovered through regulated rates.

In December 2000, having completed its utility studies for mercury and other hazardous air pollutants (HAPS), the EPA issued a determination that an emission control program for mercury, and perhaps other HAPS is warranted. The program is being developed under the Maximum Achievable Control Technology provisions of the Clean Air Act, and the regulations are scheduled to be finalized by the end of 2004 with implementation to take place around 2007. In January 2001, the EPA proposed guidance for the determination of Best Available Retrofit Technology (BART) emission controls under the Regional Haze Regulations. Installation of BART controls is expected to take place around 2010. Litigation of the Regional Haze Regulations, including the BART

provisions, is ongoing in the Federal District of Columbia Circuit Court of Appeals. A court decision is expected in mid-2002.

Implementation of the final state rules for these initiatives could require substantial further reductions in nitrogen oxide and sulfur dioxide and reductions in mercury and other HAPS emissions from fossil-fired generating facilities and other industries in these states. Additional compliance costs and capital expenditures resulting from the implementation of these rules and standards cannot be determined until the results of legal challenges are known, and the states have adopted their final rules.

In October 1997, the EPA issued regulations setting forth requirements for Compliance Assurance Monitoring (CAM) in its state and federal operating permit programs. These regulations were amended by the EPA in March 2001 in response to a court order resolving challenges to the rules brought by environmental groups and industry. Generally, this rule affects the operation and maintenance of electrostatic precipitators and could involve significant additional ongoing expense.

The EPA and state environmental regulatory agencies are reviewing and evaluating various other matters including: control strategies to reduce regional haze; limits on pollutant discharges to impaired waters; cooling water intake restrictions; and hazardous waste disposal requirements. The impact of any 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. The Company conducts studies to determine the extent of any required cleanup and will recognize in the financial statements costs to clean up known sites. The Company has not incurred any significant cleanup costs to date.

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, 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.

Sources of Capital

The Company plans to obtain the funds required for construction and other purposes from sources similar to those used in the past, which were primarily from internal sources. However, the type and timing of any financings – if needed – will depend on market conditions and regulatory approval. In recent years financings primarily have utilized unsecured debt and trust preferred securities.

The Company may also meet short-term cash needs through a Southern Company subsidiary organized to issue and sell commercial paper at the request and for the benefit of the Company and the other Southern Company operating companies. At December 31, 2001, the Company had outstanding $10 million of commercial paper.

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."

Cautionary Statement Regarding Forward-Looking Information

This Annual Report includes forward-looking statements in addition to historical information. Forward-looking information includes, among other things, statements concerning projected retail sales growth and scheduled completion of new generation. In some cases forward-looking statements can be identified by terminology such as "may," "will," "should," "could," "expects," "plans,"

"anticipates," "believes," "estimates," "predicts," "projects," "potential," "continue," or the negative of these terms or other comparable terminology. The Company cautions that there are various important factors that could cause actual results to differ materially from those indicated in the forward-looking statements; accordingly, there can be no assurance that such indicated results will be realized. These factors include the impact of recent and future federal and state regulatory change, including legislative and regulatory initiatives regarding deregulation and restructuring of the electric utility industry and also changes in environmental and other laws and regulations to which the Company is subject, as well as changes in application of existing laws and regulations; current and future litigation, including the pending EPA civil action against the Company; the impact of fluctuations in commodity prices, interest rates, and customer demand; state and federal rate regulations; political, legal, and economic conditions and developments in the United States; internal restructuring or other restructuring options that may be pursued; potential business strategies, including acquisitions or dispositions of assets or businesses, which cannot be assured to be completed or beneficial to the Company; the effects of and changes in economic conditions in the areas in which the Company operates; the direct or indirect effects on the Company's business resulting from the terrorist incidents on September 11, 2001, or any similar such incidents or responses to such incidents; financial market conditions and the results of financing efforts; the timing and acceptance of the Company's new product and service offerings; the ability of the Company to obtain additional generating capacity at competitive prices; weather and other natural phenomena; and other factors discussed elsewhere herein and in other reports (including Form 10-K) filed from time to time by the Company with the Securities and Exchange Commission.

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STATEMENTS OF INCOME
For the Years Ended December 31, 2001, 2000, and 1999
Alabama Power Company 2001 Annual Report

	2001	2000	1999
		(in thousands)	
Operating Revenues:			
Retail sales	**$2,747,673**	$2,952,707	$2,811,117
Sales for resale --			
Non-affiliates	**485,974**	461,730	415,377
Affiliates	**245,189**	166,219	92,439
Other revenues	**107,554**	86,805	66,541
Total operating revenues	**3,586,390**	3,667,461	3,385,474
Operating Expenses:			
Operation --			
Fuel	**1,000,828**	963,275	855,632
Purchased power --			
Non-affiliates	**144,991**	164,881	93,204
Affiliates	**147,967**	184,014	180,563
Other	**508,264**	538,529	531,696
Maintenance	**275,510**	301,046	277,724
Depreciation and amortization	**383,473**	364,618	347,574
Taxes other than income taxes	**214,665**	209,673	204,645
Total operating expenses	**2,675,698**	2,726,036	2,491,038
Operating Income	**910,692**	941,425	894,436
Other Income (Expense):			
Interest income, net	**15,101**	16,152	15,671
Equity in earnings of unconsolidated subsidiaries (Note 5)	**4,494**	3,156	2,650
Other, net	**(8,579)**	(2,226)	(12,805)
Earnings Before Interest and Income Taxes	**921,708**	958,507	899,952
Interest and Other:			
Interest expense, net	**246,436**	235,331	217,066
Distributions on preferred securities of subsidiary (Note 8)	**24,775**	25,549	24,662
Total interest and other, net	**271,211**	260,880	241,728
Earnings Before Income Taxes	**650,497**	697,627	658,224
Income taxes (Note 7)	**248,597**	261,555	241,880
Earnings Before Cumulative Effect of Accounting Change	**401,900**	436,072	416,344
Cumulative effect of accounting change less income taxes of $215 thousand	**353**	-	-
Net Income	**402,253**	436,072	416,344
Dividends on Preferred Stock	**15,524**	16,156	16,464
Net Income After Dividends on Preferred Stock	**$ 386,729**	$ 419,916	$ 399,880

The accompanying notes are an integral part of these statements.

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2001, 2000, and 1999
Alabama Power Company 2001 Annual Report

	2001	2000	1999
		(in thousands)	
Operating Activities:			
Net income	**$ 402,253**	$ 436,072	$ 416,344
Adjustments to reconcile net income			
to net cash provided from operating activities --			
Depreciation and amortization	**437,490**	412,998	403,332
Deferred income taxes and investment tax credits, net	**(21,569)**	66,166	29,039
Other, net	**(122,651)**	(37,703)	(12,661)
Changes in certain current assets and liabilities --			
Receivables, net	**88,325**	(125,652)	33,509
Fossil fuel stock	**(38,663)**	23,967	(1,344)
Materials and supplies	**(13,025)**	(10,662)	(17,968)
Accounts payable	**(83,077)**	107,702	(38,556)
Energy cost recovery, retail	**154,320**	(69,190)	(97,869)
Other	**34,503**	23,336	5,930
Net cash provided from operating activities	**837,906**	827,034	719,756
Investing Activities:			
Gross property additions	**(635,540)**	(870,581)	(809,044)
Sales of property	**102,068**	-	-
Other	**(34,771)**	(49,414)	(72,218)
Net cash used for investing activities	**(568,243)**	(919,995)	(881,262)
Financing Activities:			
Increase (decrease) in notes payable, net	**(271,347)**	184,519	96,824
Proceeds --			
Common stock	**15,642**	-	-
Other long-term debt	**477,000**	250,000	751,650
Preferred securities	**-**	-	50,000
Capital contributions from parent company	**107,313**	204,371	204,347
Redemptions --			
First mortgage bonds	**(138,991)**	(111,009)	(470,000)
Other long-term debt	**(19,021)**	(5,987)	(104,836)
Preferred stock	**-**	-	(50,000)
Payment of preferred stock dividends	**(14,942)**	(16,110)	(15,788)
Payment of common stock dividends	**(393,900)**	(417,100)	(399,600)
Other	**(9,908)**	(951)	(15,864)
Net cash provided from (used for) financing activities	**(248,154)**	87,733	46,733
Net Change in Cash and Cash Equivalents	**21,509**	(5,228)	(114,773)
Cash and Cash Equivalents at Beginning of Period	**14,247**	19,475	134,248
Cash and Cash Equivalents at End of Period	**$ 35,756**	$ 14,247	$ 19,475
Supplemental Cash Flow Information:			
Cash paid during the period for --			
Interest (net of amount capitalized)	**$246,316**	$237,066	$229,305
Income taxes (net of refunds)	**223,961**	175,303	170,121

The accompanying notes are an integral part of these statements.

BALANCE SHEETS
At December 31, 2001 and 2000
Alabama Power Company 2001 Annual Report

Assets	2001	2000
		(in thousands)
Current Assets:		
Cash and cash equivalents	**$ 35,756**	$ 14,247
Receivables --		
Customer accounts receivable	**281,985**	337,870
Under-recovered retail fuel clause revenue	**83,497**	237,817
Other accounts and notes receivable	**49,940**	60,315
Affiliated companies	**72,639**	95,704
Accumulated provision for uncollectible accounts	**(5,237)**	(6,237)
Refundable income taxes	**-**	-
Fossil fuel stock, at average cost	**99,278**	60,615
Materials and supplies, at average cost	**191,324**	178,299
Other	**74,640**	52,624
Total current assets	**883,822**	1,031,254
Property, Plant, and Equipment:		
In service	**13,159,560**	12,431,575
Less accumulated provision for depreciation	**5,309,557**	5,107,822
	7,850,003	7,323,753
Nuclear fuel, at amortized cost	**88,777**	94,050
Construction work in progress	**357,906**	744,974
Total property, plant, and equipment	**8,296,686**	8,162,777
Other Property and Investments:		
Equity investments in unconsolidated subsidiaries (Note 5)	**44,742**	38,623
Nuclear decommissioning trusts	**317,508**	313,895
Other	**12,244**	13,612
Total other property and investments	**374,494**	366,130
Deferred Charges and Other Assets:		
Deferred charges related to income taxes (Note 7)	**334,830**	345,550
Prepaid pension costs	**314,100**	255,256
Debt expense, being amortized	**8,150**	8,758
Premium on reacquired debt, being amortized	**77,173**	76,020
Department of Energy assessments	**21,015**	24,588
Other	**108,031**	95,772
Total deferred charges and other assets	**863,299**	805,944
Total Assets	**$10,418,301**	$10,366,105

The accompanying notes are an integral part of these balance sheets.

BALANCE SHEETS
At December 31, 2001 and 2000
Alabama Power Company 2001 Annual Report

Liabilities and Stockholder's Equity	2001	2000
		(in thousands)
Current Liabilities:		
Securities due within one year (Note 8)	$ 5,382	$ 844
Notes payable	9,996	281,343
Accounts payable --		
Affiliated	98,268	124,534
Other	151,705	209,205
Customer deposits	42,124	36,814
Taxes accrued --		
Income taxes	113,003	65,505
Other	19,023	19,471
Interest accrued	35,522	33,186
Vacation pay accrued	32,324	31,711
Other	93,589	97,743
Total current liabilities	600,936	900,356
Long-term debt (See accompanying statements)	3,742,346	3,425,527
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes (Note 7)	1,387,661	1,401,424
Deferred credits related to income taxes (Note 7)	202,881	222,485
Accumulated deferred investment tax credits	238,225	249,280
Employee benefits provisions	99,919	71,813
Prepaid capacity revenues (Note 6)	40,730	58,377
Other	130,214	176,559
Total deferred credits and other liabilities	2,099,630	2,179,938
Company obligated mandatorily redeemable preferred securities of subsidiary trusts holding company junior subordinated notes (See accompanying statements) (Note 8)	347,000	347,000
Cumulative preferred stock (See accompanying statements)	317,512	317,512
Common stockholder's equity (See accompanying statements)	3,310,877	3,195,772
Total Liabilities and Stockholder's Equity	$10,418,301	$10,366,105

The accompanying notes are an integral part of these balance sheets.

STATEMENTS OF CAPITALIZATION
At December 31, 2001 and 2000
Alabama Power Company 2001 Annual Report

		2001	2000	2001	2000
			(in thousands)	*(percent of total)*	
Long-Term Debt:					
First mortgage bonds --					
Maturity	Interest Rates				
2023 through 2024	7.30% - 7.75%	**$ 350,000**	$ 488,991		
Total first mortgage bonds		**350,000**	488,991		
Senior notes --					
Variable rate (2.28% at 1/1/02) due March 3, 2003		**167,000**	-		
5.35% due November 15, 2003		**156,200**	156,200		
7.850% due May 15, 2003		**250,000**	250,000		
7.125% due August 15, 2004		**250,000**	250,000		
4.875% due September 1, 2004		**275,000**	-		
5.49% due November 1, 2005		**225,000**	225,000		
7.125% due October 1, 2007		**200,000**	200,000		
5.375% due October 1, 2008		**160,000**	160,000		
6.25% to 7.125% due 2010-2048		**1,199,402**	1,202,581		
Total senior notes		**2,882,602**	2,443,781		
Other long-term debt --					
Pollution control revenue bonds --					
Collateralized:					
5.50% due 2024		**24,400**	24,400		
Variable rates (1.61% to 1.95% at 1/1/02) due 2015-2017		**89,800**	89,800		
Non-collateralized:					
6.69% due 2021		**50,000**	65,000		
Variable rates (1.75% to 2.05% at 1/1/02) due 2021-2031		**395,940**	360,940		
Total other long-term debt (Note 8)		**560,140**	540,140		
Capitalized lease obligations		**3,323**	4,165		
Unamortized debt premium (discount), net		**(48,337)**	(50,706)		
Total long-term debt (annual interest requirement -- $217.2 million)		**3,747,728**	3,426,371		
Less amount due within one year		**5,382**	844		
Long-term debt excluding amount due within one year		**$3,742,346**	$3,425,527	**48.5%**	46.9%

STATEMENTS OF CAPITALIZATION (continued)
At December 31, 2001 and 2000
Alabama Power Company 2001 Annual Report

	2001	2000	2001	2000
		(in thousands)	*(percent of total)*	
Company Obligated Mandatorily Redeemable Preferred Securities: (Note 8)				
$25 liquidation value --				
7.375%	**$ 97,000**	$ 97,000		
7.60%	**200,000**	200,000		
Auction rate (3.60% at 1/1/02)	**50,000**	50,000		
Total (annual distribution requirement -- $24.2 million)	**347,000**	347,000	**4.5**	4.8
Cumulative Preferred Stock:				
$100 par or stated value --				
4.20% to 4.92%	**47,512**	47,512		
$25 par or stated value --				
5.20% to 5.83%	**200,000**	200,000		
Auction rates -- at 1/1/02				
3.10% to 3.557%	**70,000**	70,000		
Total (annual dividend requirement -- $15.2 million)	**317,512**	317,512	**4.1**	4.4
Common Stockholder's Equity:				
Common stock, par value $40 per share --				
Authorized - 6,000,000 shares				
Outstanding - 6,000,000 shares in 2001 and 5,608,955 shares in 2000				
Par value	**240,000**	224,358		
Paid-in capital	**1,850,676**	1,743,363		
Premium on Preferred Stock	**99**	99		
Retained earnings	**1,220,102**	1,227,952		
Total common stockholder's equity	**3,310,877**	3,195,772	**42.9**	43.9
Total Capitalization	**$7,717,735**	$7,285,811	**100.0%**	100.0%

The accompanying notes are an integral part of these statements.

STATEMENTS OF COMMON STOCKHOLDER'S EQUITY

For the Years Ended December 31, 2001, 2000, and 1999
Alabama Power Company 2001 Annual Report

	Common Stock	Paid-In Capital	Premium on Preferred Stock	Retained Earnings	Total
			(in thousands)		
Balance at January 1, 1999	$224,358	$1,334,645	$99	$1,224,965	$2,784,067
Net income after dividends on preferred stock	-	-	-	399,880	399,880
Capital contributions from parent company	-	204,347	-	-	204,347
Cash dividends on common stock	-	-	-	(399,600)	(399,600)
Other	-	-	-	169	169
Balance at December 31, 1999	224,358	1,538,992	99	1,225,414	2,988,863
Net income after dividends on preferred stock	-	-	-	419,916	419,916
Capital contributions from parent company	-	204,371	-	-	204,371
Cash dividends on common stock	-	-	-	(417,100)	(417,100)
Other	-	-	-	(278)	(278)
Balance at December 31, 2000	224,358	1,743,363	99	1,227,952	3,195,772
Net income after dividends on preferred stock	-	-	-	**386,729**	**386,729**
Capital contributions from parent company	-	**107,313**	-	-	**107,313**
Cash dividends on common stock	-	-	-	**(393,900)**	**(393,900)**
Issuance of common stock	**15,642**	-	-	-	**15,642**
Other	-	-	-	**(679)**	**(679)**
Balance at December 31, 2001	**$240,000**	**$1,850,676**	**$99**	**$1,220,102**	**$3,310,877**

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 LINC), Southern Nuclear Operating Company (Southern Nuclear), Southern Power Company (Southern Power), 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 – related to jointly-owned generating facilities, interconnecting transmission lines, and the exchange of electric power -- are regulated by the Federal Energy Regulatory Commission (FERC) and/or the Securities and Exchange Commission (SEC). The system service company provides, at cost, specialized services to Southern Company and its subsidiary companies. Southern LINC provides digital wireless communications services to the operating companies and also markets these services to the public within the Southeast. Southern Nuclear provides services to Southern Company's nuclear power plants. Southern Power was established in 2001 to construct, own, and manage Southern Company's competitive generation assets and sell electricity at market-based rates in the wholesale market.

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 accounting principles generally accepted in the United States and complies with the accounting policies and practices prescribed by its respective regulatory commissions. The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

Affiliate Transactions

The Company has an agreement with the system service company under which the following services are rendered to the Company at cost: general and design engineering, purchasing, accounting and statistical, finance and treasury, tax, information resources, marketing, auditing, insurance and pension administration, human resources, systems and procedures, and other services with respect to business and operations and power pool transactions. Costs for these services amounted to $183 million, $187 million, and $218 million during 2001, 2000, and 1999, respectively.

The Company also has an agreement with Southern Nuclear to operate Plant Farley and provide the following nuclear-related services at cost: general executive and advisory services; general operations, management and technical services; administrative services including procurement, accounting, statistical, and employee relations; and other services with respect to business and operations. Costs for these services amounted to $160 million, $148 million, and $135 million during 2001, 2000, and 1999, respectively.

In 2001, the Company had under construction a 1,230 megawatt combined cycle facility in Autaugaville, Alabama. In June 2001, the Company sold this project to Southern Power Company, a new Southern Company affiliate formed in 2001 to construct, own, and manage wholesale generating assets in the Southeast.

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 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 expected 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:

	2001	2000
	(in millions)	
Deferred income tax charges	$ 335	$ 346
Deferred income tax credits	(203)	(222)
Premium on reacquired debt	77	76
Department of Energy assessments	21	25
Vacation pay	32	32
Natural disaster reserve	(12)	(18)
Other, net	57	30
Total	$ 307	$ 269

In the event that a portion of the Company's operations is no longer subject to the provisions of FASB Statement No. 71, the Company would be required to write off related regulatory assets and liabilities that are not specifically recoverable through regulated rates. In addition the Company would be required to determine if any impairment to other assets exists, including plant, and write down the assets, if impaired, to their fair values.

Revenues and Fuel Costs

The Company currently operates as a vertically integrated utility providing electricity to retail customers within its traditional service area located within the state of Alabama and to wholesale customers in the southeast. Revenues are recognized as services are rendered. Unbilled revenues are accrued at the end of each fiscal period. Fuel revenues have no effect on net income because they represent the recording of revenues to offset fuel expenses, including the fuel component of purchased energy. Fuel rates billed to customers are designed to fully recover fluctuating fuel costs over a period of time.

The Company has a diversified base of customers. No single customer or industry comprises 10 percent or more of revenues. For all periods presented, uncollectible accounts continue 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 $58 million in 2001, $61 million in 2000, and $63 million in 1999.

The Company has a contract with the U.S. Department of Energy (DOE) that provides for the permanent disposal of spent nuclear fuel. The DOE failed to begin disposing of spent fuel in January 1998 as required by the contract, and the Company is pursuing legal remedies against the government for breach of contract. Sufficient fuel storage capacity is available at Plant Farley to maintain full-core discharge capability until the refueling outage scheduled in 2006 for Farley Unit 1 and the refueling outage scheduled in 2008 for Farley Unit 2. Procurement of on-site dry spent fuel storage capacity at Plant Farley is in progress, with the intent to place the capacity in operation as early as 2005.

Also, the Energy Policy Act of 1992 required the establishment of a Uranium Enrichment Decontamination and Decommissioning Fund, which is 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. The Company estimates its remaining liability under this law to be approximately $21 million at December 31, 2001. 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 3.2 percent in 2001, 2000, and 1999. 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 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.

The Nuclear Regulatory Commission (NRC) requires 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 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 – based on the most current study for Plant Farley were as follows:

Site study basis (year)	1998
Decommissioning periods:	
Beginning year	2017
Completion year	2031
	(in millions)
Site study costs:	
Radiated structures	$629
Non-radiated structures	60
Total	$689
	(in millions)
Ultimate costs:	
Radiated structures	$1,868
Non-radiated structures	178
Total	$2,046

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.

Annual provisions for nuclear decommissioning are based on an annuity method as approved by the APSC. The amount expensed in 2001 and fund balances as of December 31, 2001 were:

	(in millions)
Amount expensed in 2001	**$ 18**
Accumulated provisions:	
External trust funds, at fair value	$318
Internal reserves	36
Total	$354

All of the Company's decommissioning costs are approved for recovery by the APSC through the ratemaking process. Significant assumptions include an estimated inflation rate of 4.5 percent and an estimated trust earnings rate of 7.0 percent. The Company expects the APSC to periodically review and adjust, if necessary, the amounts collected in rates for the anticipated cost of decommissioning.

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 amount of AFUDC capitalized was $19 million in 2001, $43 million in 2000, and $23 million in 1999. The composite rate used to determine the amount of allowance was 7.7 percent in 2001, 9.6 percent in 2000, and 8.8 percent in 1999. AFUDC, net of income tax, as a percent of net income after dividends on preferred stock was 3.3 percent in 2001, 8.4 percent in 2000, and 4.7 percent in 1999.

Property, Plant, and Equipment

Property, plant, and equipment 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 capitalized.

Financial Instruments

Effective January 2001, the Company adopted FASB Statement No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended. The impact on net income was immaterial.

The Company uses derivative financial instruments to hedge exposures to fluctuations in foreign currency exchange rates and certain commodity prices. Gains and

losses on qualifying hedges are deferred and recognized either in income or as an adjustment to the carrying amount of the hedged item when the transaction occurs.

The Company and its affiliates, through the system service company acting as their agent, enters into commodity related forward and option contracts to limit exposure to changing prices on certain fuel purchases and electricity purchases and sales. Substantially all of the Company's bulk energy purchases and sales contracts meet the definition of a derivative under FASB Statement No. 133, Accounting for Derivative Instruments and Hedging Activities. In many cases these fuel and electricity contracts qualify for normal purchase and sale exceptions under Statement No. 133 and are accounted for under the accrual method. Other contracts qualify as cash flow hedges of anticipated transactions, resulting in the deferral of related gains and losses and are recorded in other comprehensive income until the hedged transactions occur. Any ineffectiveness is recognized currently in net income. Contracts that do not qualify for the normal purchase and sale exception and that do not meet the hedge requirements are marked to market through current period income.

In October 2001, the APSC approved a revision to the Company's Rate ECR (Energy Cost Recovery) allowing the recovery of specific costs associated with the sales of natural gas that become necessary due to operating considerations at its electric generating facilities. This revision also includes the cost of financial tools used for hedging market price risk up to 75 percent of the budgeted annual amount of natural gas purchases. The Company may not engage in natural gas hedging activities that extend beyond a rolling 42-month window.

The Company is exposed to losses related to financial instruments in the event of counterparties' nonperformance. The Company has established controls to determine and monitor the creditworthiness of counterparties in order to mitigate the Company's exposure to counterparty credit risk.

Other Company financial instruments for which the carrying amount did not equal fair value at December 31 are as follows:

	Carrying Amount	Fair Value
	(in millions)	
Long-term debt:		
At December 31, 2001	**$3,744**	**$3,800**
At December 31, 2000	3,422	3,375
Preferred Securities:		
At December 31, 2001	**347**	**346**
At December 31, 2000	347	344

The fair value for long-term debt and preferred securities was based on either closing market prices or closing prices of comparable instruments.

Cash and Cash Equivalents

For purposes of the financial statements, temporary cash investments are considered cash equivalents. Temporary cash investments are securities with original maturities of 90 days or less.

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 accordance with an APSC order, the Company has established a Natural Disaster Reserve. The Company is allowed to accrue $250 thousand per month until the maximum accumulated provision of $32 million is attained. Higher accruals to restore the reserve to its authorized level are allowed whenever the balance in the reserve declines below $22.4 million. At December 31, 2001, the reserve balance was $12 million.

2. RETIREMENT BENEFITS

The Company has a defined benefit, trusteed, pension plan that covers substantially all employees. The Company provides certain medical care and life insurance benefits for retired employees. Substantially all employees may become eligible for such benefits when they retire. The Company funds trusts to the extent deductible under federal income tax regulations or to the extent required by the APSC and the FERC. In late 2000 the Company adopted several pension and postretirement benefit plan changes that had the effect of increasing benefits to both current and future retirees.

The measurement date for plan assets and obligations is September 30 of each year. The weighted average rates assumed in the actuarial calculations for both the pension and postretirement benefit plans were:

	2001	2000
Discount	**7.50%**	7.50%
Annual salary increase	**5.00**	5.00
Long-term return on plan assets	**8.50**	8.50

Pension Plan

Changes during the year in the projected benefit obligations and in the fair value of plan assets were as follows:

	Projected Benefit Obligations	
	2001	2000
	(in millions)	
Balance at beginning of year	**$925**	$896
Service cost	**25**	23
Interest cost	**70**	65
Benefits paid	**(56)**	(51)
Actuarial gain and employee transfers	**(1)**	(8)
Amendments	**48**	-
Balance at end of year	**$1,011**	$925

	Plan Assets	
	2001	2000
	(in millions)	
Balance at beginning of year	**$1,921**	$1,647
Actual return on plan assets	**(277)**	302
Benefits paid	**(56)**	(51)
Employee transfers	**(4)**	23
Balance at end of year	**$1,584**	$1,921

The accrued pension costs recognized in the Balance Sheets were as follows:

	2001	2000
	(in millions)	
Funded status	**$ 573**	$ 996
Unrecognized transition obligation	**(15)**	(20)
Unrecognized prior service cost	**78**	36
Unrecognized net actuarial gain	**(322)**	(757)
Prepaid asset recognized in the Balance Sheets	**$ 314**	$ 255

Components of the pension plan's net periodic cost were as follows:

	2001	2000	1999
	(in millions)		
Service cost	**$ 25**	$ 23	$ 23
Interest cost	**70**	65	58
Expected return on plan assets	**(131)**	(119)	(109)
Recognized net actuarial gain	**(22)**	(19)	(13)
Net amortization	**1**	(1)	(1)
Net pension income	**$ (57)**	$ (51)	$ (42)

Postretirement Benefits

Changes during the year in the accumulated benefit obligations and in the fair value of plan assets were as follows:

	Accumulated Benefit Obligations	
	2001	2000
	(in millions)	
Balance at beginning of year	**$264**	$264
Service cost	**5**	4
Interest cost	**24**	19
Benefits paid	**(18)**	(12)
Actuarial gain and employee transfers	**(13)**	(11)
Amendments	**86**	-
Balance at end of year	**$348**	$264

	Plan Assets	
	2001	2000
	(in millions)	
Balance at beginning of year	**$192**	$161
Actual return on plan assets	**(24)**	25
Employer contributions	**19**	18
Benefits paid	**(18)**	(12)
Balance at end of year	**$169**	$192

The accrued postretirement costs recognized in the Balance Sheets were as follows:

	2001	2000
	(in millions)	
Funded status	**$(179)**	$(72)
Unrecognized transition obligation	**45**	49
Prior service cost	**82**	-
Unrecognized net actuarial gain	**(9)**	(35)
Fourth quarter contributions	**8**	4
Accrued liability recognized in the Balance Sheets	**$ (53)**	$(54)

Components of the plans' net periodic cost were as follows:

	2001	2000	1999
	(in millions)		
Service cost	$ 5	$ 4	$ 5
Interest cost	24	19	18
Expected return on plan assets	(15)	(13)	(11)
Net amortization	7	4	4
Net postretirement cost	$ 21	$ 14	$ 16

An additional assumption used in measuring the accumulated postretirement benefit obligations was a weighted average medical care cost trend rate of 9.25 percent for 2001, decreasing gradually to 5.25 percent through the year 2010, and remaining at that level thereafter. An annual increase or decrease in the assumed medical care cost trend rate of 1 percent would affect the accumulated benefit obligation and the service and interest cost components at December 31, 2001 as follows:

	1 Percent Increase	1 Percent Decrease
	(in millions)	
Benefit obligation	$30	$26
Service and interest costs	3	2

Employee Savings Plan

The Company also sponsors a 401(k) defined contribution plan covering substantially all employees. The Company provides a 75 percent matching contribution up to 6 percent of an employee's base salary. Total matching contributions made to the plan for the years 2001, 2000, and 1999 were $12 million, $11 million, and $10 million, respectively.

Work Force Reduction Programs

The Company has incurred costs for work force reduction programs totaling $13.0 million, $2.6 million and $5.6 million for the years 2001, 2000 and 1999, respectively. These costs were deferred and are being amortized in accordance with regulatory treatment. The unamortized balance of these costs was $11.9 million at December 31, 2001.

3. CONTINGENCIES AND REGULATORY MATTERS

General

The Company is subject to certain claims and legal actions arising in the ordinary course of business. In the opinion of management after consultation with legal counsel, the ultimate disposition of these matters is not expected to have a material adverse effect on the Company's financial condition.

Environmental Litigation

On November 3, 1999, the Environmental Protection Agency (EPA) brought a civil action in U.S. District Court in Georgia against the Company. The complaint alleges violations of the New Source Review provisions of the Clean Air Act with respect to coal-fired generating facilities at the Company's Plants Miller, Barry, and Gorgas. The civil action requests penalties and injunctive relief, including an order requiring the installation of the best available control technology at the affected units. The Clean Air Act authorizes civil penalties of up to $27,500 per day, per violation at each generating unit. Prior to January 30, 1997, the penalty was $25,000 per day.

The EPA concurrently issued to the Company a notice of violation relating to these specific facilities, as well as Plants Greene County and Gaston. In early 2000, the EPA filed a motion to amend its complaint to add the violations alleged in its notice of violation. The complaint and the notice of violation are similar to those brought against and issued to several other electric utilities. The complaint and the notice of violation allege that the Company failed to secure necessary permits or install additional pollution control equipment when performing maintenance and construction at coal burning plants constructed or under construction prior to 1978. On August 1, 2000, the U.S. District Court granted the Company's motion to dismiss for lack of jurisdiction in Georgia. On January 12, 2001, the EPA re-filed its claims against the Company in federal district court in Birmingham, Alabama.

The Company's case has been stayed since the spring of 2001, pending a ruling by the U.S. Court of Appeals for the Eleventh Circuit in the appeal of a very similar New Source Review enforcement action against the Tennessee Valley Authority (TVA). The TVA case involves many of the same legal issues raised by the actions against the Company. Because the outcome of the TVA case could have a significant adverse impact on the Company, it is a

party to that case as well. The U.S. District Court in Alabama has indicated that it will revisit the issue of a continued stay in April 2002.

The Company believes that it complied with applicable laws and the EPA's regulations and interpretations in effect at the time the work in question took place. An adverse outcome of this matter could require substantial capital expenditures that cannot be determined at this time and possibly require payment of substantial penalties. This could affect future results of operations, cash flows, and possibly financial condition if such costs are not recovered through regulated rates.

Retail Rate Adjustment Procedures

The APSC has 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 into retail service under Rate CNP (Certificated New Plant). Both increases and decreases have been placed into effect since the adoption of these rates. Effective July 2001, the Company's retail rates were adjusted by 0.6 percent under Rate CNP to recover costs for Plant Barry Unit 7, which was placed into commercial operation on May 1, 2001. Most recently, a 2 percent increase in retail rates was effective in October 2001 in accordance with the Rate Stabilization Equalization plan. 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 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. During the years 2001, 2000, and 1999, the Company did not record any such reductions.

In April 2000, the APSC approved an amendment to the Company's existing rate structure to provide for the recovery of retail costs associated with certified purchased power agreements. In November 2000, the APSC certified a seven-year purchased power agreement pertaining to 615 megawatts of the wholesale generating facilities which were sold to Southern Power in June 2001 and are under construction in Autaugaville, Alabama. All of the 615 megawatts will be delivered beginning in 2003. In addition the APSC certified a seven-year purchased power agreement with a third party for approximately 630 megawatts; one half of the power will be delivered beginning in 2003 while the remaining half is scheduled for delivery beginning in 2004. Rate CNP will adjust retail rates when the contracted capacity delivery begins.

In October 2001, the APSC approved a revision to the Company's Rate ECR (Energy Cost Recovery) allowing the recovery of specific costs associated with the sales of natural gas that become necessary due to operating considerations at its electric generating facilities. This revision also includes the cost of financial tools used for hedging market price risk up to 75 percent of the budgeted annual amount of natural gas purchases. The Company may not engage in natural gas hedging activities that extend beyond a rolling 42-month window.

The Company's ratemaking procedures will remain in effect until the APSC votes to modify or discontinue them.

4. COMMITMENTS

Construction Program

During 2001, the Company completed the replacement of the steam generators at Plant Farley, as well as the construction of new generating capacity at Plant Barry. Significant construction will continue related to transmission and distribution facilities and the upgrading of generating plants, including the expenditures necessary to comply with environmental regulation.

The Company currently estimates property additions to be $671 million in 2002, $592 million in 2003, and $673 million in 2004.

In connection with the transfer of the Autaugaville construction project, the Company has assigned $71 million in vendor equipment contracts to Southern Power. While the Company could be obligated to assume responsibility for these contracts if Southern Power fails to meet these commitments, Southern Company has entered into limited keep-well arrangements whereby Southern Company would contribute funds to Southern Power either through loans or capital contributions in order to fund performance by Southern Power as equipment purchaser under certain contingencies. Southern Company has also guaranteed Southern Power obligations totaling $6.6 million for the Company's construction of transmission interconnection facilities to the plant.

The capital budget is subject to periodic review and revision, and actual capital costs incurred may vary from estimates 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 will be fully recovered.

Purchased Power Commitments

The Company has entered into various long-term commitments for the purchase of electricity. Estimated total long-term obligations at December 31, 2001 were as follows:

	Commitments		
Year	Affiliated	Non-Affiliated	Total
	(in millions)		
2002	$ -	$ -	$ -
2003	37	16	53
2004	49	34	83
2005	49	37	86
2006	49	38	87
2007 and thereafter	160	142	302
Total commitments	$344	$267	$611

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, 2001, were as follows:

Year	Commitments
	(in millions)
2002	$ 795
2003	794
2004	801
2005	571
2006	512
2007 and thereafter	1,020
Total commitments	$4,493

In addition, the system service company acts as agent for the five operating companies and Southern Power with regard to natural gas purchases. Natural gas purchases (in dollars) are based on various indices at the actual time of delivery; therefore, only the volume commitments are firm. The Company's committed volumes allocated based on usage projections, as of December 31, 2001, are as follows:

Year	Natural Gas
	(MMBtu)
2002	77,365,361
2003	72,139,927
2004	45,600,417
2005	22,849,132
2006	14,808,334
2007 and thereafter	5,609,190
Total commitments	238,372,361

Additional commitments for fuel will be required in the future to supply the Company's fuel needs.

Operating Leases

The Company has entered into rental agreements for coal rail cars, vehicles, and other equipment with various terms and expiration dates. These expenses totaled $27.9 million in 2001, $20.9 million in 2000, and $17.8 million in 1999. At December 31, 2001, estimated minimum rental commitments for noncancellable operating leases were as follows:

Year	Commitments
	(in millions)
2002	$ 27.9
2003	26.5
2004	25.5
2005	21.6
2006	14.4
2007 and thereafter	38.1
Total minimum payments	$ 154.0

In addition to the rental commitments above, the Company has potential obligations upon expiration of certain leases with respect to the residual value of the leased property. These leases expire in 2004 and 2006, and the Company's maximum obligations are $25.7 million and $66.0 million, respectively. At the termination of the leases, at the Company's option, the Company may negotiate an extension, exercise its purchase option, or the property can be sold to a third party. The Company expects that the fair market value of the leased property would substantially reduce or eliminate the Company's payments under the residual value obligation.

5. JOINT OWNERSHIP AGREEMENTS

The Company and Georgia Power 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 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 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 totaled $80 million in 2001, $85 million in 2000, and $92 million in 1999 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 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, 2001, the capitalization of SEGCO consisted of $58 million of equity and $86 million of long-term debt on which the annual interest requirement is $2.2 million. SEGCO paid dividends totaling $0.7 million in 2001, $5.1 million in 2000, and $4.3 million in 1999 of which one-half of each was paid to the Company. SEGCO's net income was $7.5 million, $5.9 million, and $5.4 million for 2001, 2000, and 1999, respectively.

The Company's percentage ownership and investment in jointly-owned generating plants at December 31, 2001, is as 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	**$101**	**$ 49**
Plant Miller Units 1 and 2	**747**	**326**

6. LONG-TERM POWER SALES AGREEMENTS

General

The Company and the other operating companies of Southern Company have entered into long-term contractual agreements for the sale and lease 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 related to specific generating units. Because the energy is generally provided at cost under these agreements, profitability is primarily affected by capacity revenues.

Unit power from Plant Miller is being sold to Florida Power Corporation (FPC), Florida Power & Light Company (FP&L), and Jacksonville Electric Authority (JEA). Under these agreements approximately 1,237 megawatts of capacity are scheduled to be sold through 2010. The Company's capacity revenues amounted to $125 million in 2001, $127 million in 2000, and $122 million in 1999.

Alabama Municipal Electric Authority (AMEA) Capacity Contracts

In 1986 the Company entered into a firm power sales contract with AMEA entitling AMEA to scheduled amounts of capacity (to a maximum 100 megawatts) for a period of 15 years (1986 Contract). In October 1991 the Company entered into a second firm power sales contract with AMEA entitling AMEA to scheduled amounts of additional capacity (to a maximum 80 megawatts) for a period of 15 years (1991 Contract). 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. The 1986 contract expired in July 2001, however, the payments for the 1991 contract will continue to be recognized as operating revenues and the discounts will be amortized to other interest expense as scheduled capacity is made available over the terms of the contract.

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, a

portion of the bond equal to the decrease is returned to the Company. At December 31, 2001, $38.1 million of the 1991 bond was held by the escrow agent under the contract.

7. INCOME TAXES

At December 31, 2001, the tax-related regulatory assets and liabilities were $335 million and $203 million, respectively. These assets are attributable to tax benefits flowed through to customers in prior years and to taxes applicable to capitalized interest. 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 income tax provisions are as follows:

	2001	2000	1999
		(in millions)	
Total provision for income taxes:			
Federal --			
Current	**$234**	$168	$194
Deferred	**(20)**	60	24
	214	228	218
State --			
Current	**37**	27	19
Deferred	**(2)**	7	5
	35	34	24
Total	**$249**	$262	$242

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:

	2001	2000
	(in millions)	
Deferred tax liabilities:		
Accelerated depreciation	**$1,034**	$ 992
Property basis differences	**390**	405
Fuel cost adjustment	**28**	93
Premium on reacquired debt	**29**	30
Pensions	**89**	75
Other	**23**	12
Total	**1,593**	1,607
Deferred tax assets:		
Capacity prepayments	**13**	18
Other deferred costs	**14**	14
Postretirement benefits	**21**	24
Unbilled revenue	**18**	23
Other	**93**	81
Total	**159**	160
Total deferred tax liabilities, net	**1,434**	1,447
Portion included in current liabilities, net	**(47)**	(46)
Accumulated deferred income taxes in the Balance Sheets	**$1,387**	$1,401

Deferred investment tax credits are amortized over the lives 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 2001, 2000, and 1999. At December 31, 2001, 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:

	2001	2000	1999
Federal statutory rate	**35.0%**	35.0%	35.0%
State income tax, net of federal deduction	**3.5**	3.1	2.4
Non-deductible book depreciation	**1.5**	1.4	1.6
Differences in prior years' deferred and current tax rates	**(1.3)**	(1.3)	(1.3)
Other	**(0.5)**	(0.7)	(0.9)
Effective income tax rate	**38.2%**	37.5%	36.8%

Southern Company files a consolidated federal and certain state income tax returns. Under a joint consolidated income tax agreement, each subsidiary's current and deferred tax expense is computed on a stand-alone basis. In accordance with Internal Revenue Service regulations, each company is jointly and severally liable for the tax liability.

8. CAPITALIZATION

Mandatorily Redeemable Preferred Securities

Statutory business trusts formed by the Company, of which the Company owns all the common securities, have issued mandatorily redeemable preferred securities as follows:

	Date of Issue	Amount	Rate	Notes	Maturity Date
		(millions)		(millions)	
Trust I	1/1996	$ 97	7.375%	$100	3/2026
Trust II	1/1997	200	7.60	206	12/2036
Trust III	2/1999	50	Auction	52	2/2029

Substantially all of the assets of each trust are junior subordinated notes issued by the Company in the respective approximate principal amounts set forth above. The distribution rate of Trust III's auction rate securities was 3.60% at January 1, 2002.

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 the Trusts' payment obligations with respect to the preferred securities.

The Trusts are subsidiaries of the Company and accordingly are consolidated in the Company's financial statements.

Pollution Control Bonds

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 $114.2 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.

In 2001, the Company sold, through a public authority, $20 million of pollution control bonds, the proceeds of which were used to pay certain costs incurred in connection with the acquisition, construction, installation, and equipping of certain local district heating facilities and sewage and solid waste facilities at two of the Company's generation facilities.

Senior Notes

In August 2001 the Company issued $442 million of unsecured senior notes, the proceeds of which were used to redeem the $131.5 million outstanding principal of its First Mortgage Bonds, 9% Series due December 1, 2004 and for other corporate purposes including the repayment of a portion of its short-term indebtedness. All of the Company's senior notes are, in effect, subordinate to all secured debt of the Company, including its first mortgage bonds.

Capitalized Leases

The estimated aggregate annual maturities of capitalized lease obligations through 2006 are as follows: $0.9 million in 2002, $0.9 million in 2003, $1.0 million in 2004, $0.4 million in 2005, and $0.1 million in 2006.

Securities 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:

	2001	2000
	(in thousands)	
First mortgage bond maturities and redemptions	**$4,498**	$ -
Other long-term debt maturities	**884**	844
Total long-term debt due within one year	**$5,382**	$844

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.

Bank Credit Arrangements

The Company maintains committed lines of credit in the amount of $964 million (including $454 million of such lines which are dedicated to funding purchase obligations relating to variable rate pollution control bonds). Of these lines, $574 million expire at various times during 2002 and $390 million expire in 2004. In certain cases, such

lines require payment of a commitment fee based on the unused portion of the commitment or the maintenance of compensating balances with the banks. 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. The amount of commercial paper outstanding at December 31, 2001 was $10 million.

At December 31, 2001, the Company had regulatory approval to have outstanding up to $1 billion 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.

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, 2001, retained earnings of $796 million were restricted against the payment of cash dividends on common stock under terms of the mortgage indenture.

9. NUCLEAR INSURANCE

Under the Price-Anderson Amendments Act of 1988 (the 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 $9.5 billion for public liability claims that could arise from a single nuclear incident. Plant Farley is insured against this liability to a maximum of $200 million by American Nuclear Insurers (ANI), 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 $88 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 $176 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 Electric Insurance Limited (NEIL), a mutual insurer established to provide property damage insurance in an amount up to $500 million for members' nuclear generating facilities.

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 primary coverage. This excess insurance is also provided by NEIL.

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 purchase this coverage, subject to a deductible waiting period of between 8 to 26 weeks, with a maximum per occurrence per unit limit of $490 million. After this deductible period, weekly indemnity payments would be received until either the unit is operational or until the limit is exhausted in approximately three 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 current maximum annual assessments for the Company under the three NEIL policies would be $35 million.

Following the terrorist attacks of September 2001, both ANI and NEIL confirmed that terrorist acts against commercial nuclear power stations would be covered under their insurance. However, both companies revised their policy terms on a prospective basis to include an industry aggregate for all terrorist acts. The NEIL aggregate, which applies to all claims stemming from terrorism within a 12 month duration, is $3.24 billion plus any amounts that would be available through reinsurance or indemnity from an outside source. The ANI cap is $200 million in a policy year.

For all on-site property damage insurance policies for commercial nuclear power plants, the NRC requires that the proceeds of such policies 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.

All retrospective assessments, whether generated for liability, property or replacement power may be subject to applicable state premium taxes.

10. QUARTERLY FINANCIAL INFORMATION (Unaudited)

Summarized quarterly financial data for 2001 and 2000 are as follows:

Quarter Ended	Operating Revenues	Operating Income	Net Income After Dividends on Preferred Stock
		(in millions)	
March 2001	**$ 850**	**$180**	**$ 70**
June 2001	**904**	**194**	**75**
September 2001	**1,061**	**362**	**180**
December 2001	**772**	**175**	**62**
March 2000	$ 746	$172	$ 68
June 2000	900	229	103
September 2000	1,137	390	209
December 2000	884	151	40

The Company's business is influenced by seasonal weather conditions.

SELECTED FINANCIAL AND OPERATING DATA 1997-2001

Alabama Power Company 2001 Annual Report

	2001	2000	1999	1998	1997
Operating Revenues (in thousands)	**$3,586,390**	$3,667,461	$3,385,474	$3,386,373	$3,149,111
Net Income after Dividends on Preferred Stock (in thousands)	**$386,729**	$419,916	$399,880	$377,223	$375,939
Cash Dividends on Common Stock (in thousands)	**$393,900**	$417,100	$399,600	$367,100	$339,600
Return on Average Common Equity (percent)	**11.89**	13.58	13.85	13.63	13.76
Total Assets (in thousands)	**$10,418,301**	$10,366,105	$9,648,704	$9,225,698	$8,812,867
Gross Property Additions (in thousands)	**$635,540**	$870,581	$809,044	$610,132	$451,167
Capitalization (in thousands):					
Common stock equity	**$3,310,877**	$3,195,772	$2,988,863	$2,784,067	$2,750,569
Preferred stock	**317,512**	317,512	317,512	317,512	255,512
Company obligated mandatorily redeemable preferred securities	**347,000**	347,000	347,000	297,000	297,000
Long-term debt	**3,742,346**	3,425,527	3,190,378	2,646,566	2,473,202
Total (excluding amounts due within one year)	**$7,717,735**	$7,285,811	$6,843,753	$6,045,145	$5,776,283
Capitalization Ratios (percent):					
Common stock equity	**42.9**	43.9	43.7	46.1	47.6
Preferred stock	**4.1**	4.4	4.6	5.3	4.4
Company obligated mandatorily redeemable preferred securities	**4.5**	4.8	5.1	4.9	5.2
Long-term debt	**48.5**	46.9	46.6	43.7	42.8
Total (excluding amounts due within one year)	**100.0**	100.0	100.0	100.0	100.0
Security Ratings:					
First Mortgage Bonds -					
Moody's	**A1**	A1	A1	A1	A1
Standard and Poor's	**A**	A	A+	A+	A+
Fitch	**A+**	AA-	AA-	AA-	AA-
Preferred Stock -					
Moody's	**Baa1**	a2	a2	a2	a2
Standard and Poor's	**BBB+**	BBB+	A-	A	A
Fitch	**A-**	A	A	A	A+
Unsecured Long-Term Debt -					
Moody's	**A2**	A2	A2	A2	A2
Standard and Poor's	**A**	A	A	A	A
Fitch	**A**	A+	A+	A+	A+
Customers (year-end):					
Residential	**1,139,542**	1,132,410	1,120,574	1,106,217	1,092,161
Commercial	**196,617**	193,106	188,368	182,738	177,362
Industrial	**4,728**	4,819	4,897	5,020	5,076
Other	**751**	745	735	733	728
Total	**1,341,638**	1,331,080	1,314,574	1,294,708	1,275,327
Employees (year-end):	**6,706**	6,871	6,792	6,631	6,531

SELECTED FINANCIAL AND OPERATING DATA 1997-2001 (continued)

Alabama Power Company 2001 Annual Report

	2001	2000	1999	1998	1997
Operating Revenues (in thousands):					
Residential	**$ 1,138,499**	$1,222,509	$ 1,145,646	$ 1,133,435	$ 997,507
Commercial	**829,760**	854,695	807,098	779,169	724,148
Industrial	**763,934**	859,668	843,090	853,550	775,591
Other	**15,480**	15,835	15,283	14,523	13,563
Total retail	**2,747,673**	2,952,707	2,811,117	2,780,677	2,510,809
Sales for resale - non-affiliates	**485,974**	461,730	415,377	448,973	431,023
Sales for resale - affiliates	**245,189**	166,219	92,439	103,562	161,795
Total revenues from sales of electricity	**3,478,836**	3,580,656	3,318,933	3,333,212	3,103,627
Other revenues	**107,554**	86,805	66,541	53,161	45,484
Total	**$3,586,390**	$3,667,461	$3,385,474	$3,386,373	$3,149,111
Kilowatt-Hour Sales (in thousands):					
Residential	**15,880,971**	16,771,821	15,699,081	15,794,543	14,336,408
Commercial	**12,798,711**	12,988,728	12,314,085	11,904,509	11,330,312
Industrial	**20,460,022**	22,101,407	21,942,889	21,585,117	20,727,912
Other	**198,102**	205,827	201,149	196,647	180,389
Total retail	**49,337,806**	52,067,783	50,157,204	49,480,816	46,575,021
Sales for resale - non-affiliates	**15,277,839**	14,847,533	12,437,599	11,840,910	12,329,480
Sales for resale - affiliates	**8,843,094**	5,369,474	5,031,781	5,976,099	8,993,326
Total	**73,458,739**	72,284,790	67,626,584	67,297,825	67,897,827
Average Revenue Per Kilowatt-Hour (cents):					
Residential	**7.17**	7.29	7.30	7.18	6.96
Commercial	**6.48**	6.58	6.55	6.55	6.39
Industrial	**3.73**	3.89	3.84	3.95	3.74
Total retail	**5.57**	5.67	5.60	5.62	5.39
Sales for resale	**3.03**	3.11	2.91	3.10	2.78
Total sales	**4.74**	4.95	4.91	4.95	4.57
Residential Average Annual Kilowatt-Hour Use Per Customer	**13,981**	14,875	14,097	14,370	13,254
Residential Average Annual Revenue Per Customer	**$1,002.30**	$1,084.26	$1,028.76	$1,031.21	$922.21
Plant Nameplate Capacity Ratings (year-end) (megawatts)	**12,153**	12,122	11,379	11,151	11,151
Maximum Peak-Hour Demand (megawatts):					
Winter	**9,300**	9,478	8,863	7,757	8,478
Summer	**10,241**	11,019	10,739	10,329	9,778
Annual Load Factor (percent)	**62.5**	59.3	59.7	62.9	62.7
Plant Availability (percent):					
Fossil-steam	**87.1**	89.4	80.4	85.6	86.3
Nuclear	**83.7**	88.3	91.0	80.2	88.8
Source of Energy Supply (percent):					
Coal	**56.8**	63.0	64.1	65.3	65.7
Nuclear	**15.8**	16.9	17.8	16.3	17.9
Hydro	**5.1**	2.9	4.7	6.9	7.5
Oil and gas	**10.7**	4.9	1.1	1.5	0.7
Purchased power -					
From non-affiliates	**4.4**	4.6	4.5	3.3	2.4
From affiliates	**7.2**	7.7	7.8	6.7	5.8
Total	**100.0**	100.0	100.0	100.0	100.0

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GEORGIA POWER COMPANY

FINANCIAL SECTION

MANAGEMENT'S REPORT

Georgia Power Company 2001 Annual 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 accounting principles generally accepted in the United States 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 accounting 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.

David M. Ratcliffe
President and Chief Executive Officer

The audit committee of the board of directors, which is composed of three independent directors, 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 accounting principles generally accepted in the United States.

Thomas A. Fanning
Executive Vice President, Treasurer
and Chief Financial Officer
February 13, 2002

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To 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, 2001 and 2000, and the related statements of income, comprehensive income, common stockholder's equity, and cash flows for each of the three years in the period ended December 31, 2001. 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 auditing standards generally accepted in the United States. 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-93 through II-113) referred to above present fairly, in all material respects, the financial position of Georgia Power Company as of December 31, 2001 and 2000, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

As explained in Note 1 to the financial statements, effective January 1, 2001, Georgia Power Company changed its method of accounting for derivative instruments and hedging activities.

Arthur Andersen LLP

Atlanta, Georgia
February 13, 2002

RESULTS OF OPERATIONS

Earnings

Georgia Power Company's 2001 earnings totaled $610 million, representing a $51 million (9.1 percent) increase over 2000. Although operating income is lower due to the impact of mild weather on retail revenues, overall net income improved due to lower financing costs and non-operating expenses and a lower effective tax rate resulting from various factors including property donations and positive resolution of outstanding tax issues. The Company's 2000 earnings totaled $559 million, representing an $18 million (3.3 percent) increase over 1999. This earnings increase was primarily due to higher retail and wholesale sales and continued control of operating expenses, partially offset by additional accelerated amortization of regulatory assets allowed under the second year of a Georgia Public Service Commission (GPSC) three-year retail rate order.

Revenues

Operating revenues in 2001 and the amount of change from the prior year are as follows:

	Amount	Increase (Decrease) From Prior Year	
	2001	2001	2000
		(in millions)	
Retail -			
Base revenues	**$3,102**	**$(17)**	$ 84
Fuel cost recovery	**1,247**	**49**	183
Total retail	**4,349**	**32**	267
Sales for resale -			
Non-affiliates	**366**	**68**	88
Affiliates	**100**	**4**	20
Total sales for resale	**466**	**72**	108
Other operating revenues	**151**	**(9)**	39
Total operating revenues	**$4,966**	**$95**	$414
Percent change		**2.0%**	9.3%

Retail base revenues of $3.1 billion in 2001 decreased $17 million (0.5 percent) from 2000 primarily due to a 2.5 percent decrease in retail sales from the prior year. Milder-than-normal weather and a slowdown in the economy contributed to the decline in such sales. Retail base revenues of $3.1 billion in 2000 increased $84 million (2.8 percent) from 1999 primarily due to a 4.9 percent increase in sales. Under the prior GPSC retail rate order, the Company recorded $44 million of revenue subject to refund for estimated earnings above 12.5 percent retail return on common equity in 2000. These refunds were made to customers in 2001. See Note 3 to the financial statements under "Retail Rate Orders" for additional information.

Electric rates include provisions to adjust billings for fluctuations in fuel costs, the energy component of purchased power costs, and certain other costs. Under these fuel cost recovery provisions, fuel revenues generally equal fuel expenses -- including the fuel component of purchased energy -- and do not affect net income. However, cash flow is affected by the untimely recovery of these receivables. As of December 31, 2001, the Company had $162 million in underrecovered fuel costs. The Company is currently collecting these underrecovered fuel costs under a GPSC rate order issued on May 24, 2001. The fuel cost recovery rate was increased effective June 2001 to allow for a 24-month recovery of the deferred underrecovered fuel costs.

Wholesale revenues from sales to non-affiliated utilities increased in 2001 and 2000 as follows:

	2001	2000	1999
		(in millions)	
Long-term contracts	**$ 61**	$ 55	$ 55
Other sales	**305**	243	155
Total	**$366**	$298	$210

Revenues from long-term contracts increased slightly in 2001 due to increased energy sales while remaining constant in 2000. See Note 7 to the financial statements for further information regarding these sales. Revenues from other non-affiliated sales increased $62 million (25.5 percent) primarily due to increases in off-system sale transactions that were generally offset by corresponding purchase transactions. These transactions had no significant effect on income.

Revenues from sales to affiliated companies within the Southern electric system, as well as purchases of energy, will vary from year to year depending on demand and the availability and cost of generating resources at each company. These transactions do not have a significant impact on earnings.

Other operating revenues in 2001 decreased $9 million (5.3 percent) primarily due to lower gains on the sale of generating plant emission allowances, partially offset by increased revenues from the transmission of electricity and from the rental of electric equipment and

property. Other operating revenues in 2000 increased $39 million (33 percent) primarily due to increased revenues from the transmission of electricity and gains on the sale of generating plant emission allowances. Under a GPSC order, $28 million of the gains on emission allowance sales in 2000 were used to reduce recoverable fuel costs and, as such, did not affect earnings.

Kilowatt-hour (KWH) sales for 2001 and the percent change by year were as follows:

	2001 KWH (in billions)	Percent Change 2001	Percent Change 2000
Residential	**20.1**	**(2.8)%**	6.6%
Commercial	**26.5**	**3.4**	8.1
Industrial	**25.4**	**(8.0)**	0.9
Other	**0.6**	**2.5**	3.2
Total retail	**72.6**	**(2.5)**	4.9
Sales for resale -			
Non-affiliates	**8.1**	**25.5**	27.7
Affiliates	**3.1**	**28.7**	35.6
Total sales for resale	**11.2**	**26.3**	29.8
Total sales	**83.8**	**0.5**	7.1

Residential sales decreased 2.8 percent due to milder-than-normal weather. Commercial sales increased 3.4 percent due to a 2.8 percent increase in customers, while industrial sales decreased 8.0 percent due to an economic slowdown. Residential and commercial sales increased 6.6 percent and 8.1 percent, respectively, in 2000 due to warmer summer temperatures and colder winter weather. Strong regional economic growth was also a factor in the increase in commercial sales. Industrial sales remained fairly constant.

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:

	2001	2000	1999
Total generation (billions of KWH)	**68.9**	73.6	69.3
Sources of generation (percent) --			
Coal	**74.9**	75.8	75.5
Nuclear	**23.2**	21.2	21.6
Hydro	**1.4**	0.8	1.0
Oil and gas	**0.5**	2.2	1.9
Average cost of fuel per net KWH generated (cents) --	**1.38**	1.39	1.34

Fuel expense decreased 7.7 percent due to a decrease in generation because of lower energy demands and a slightly lower average cost of fuel. Fuel expense increased 10.7 percent in 2000 due to an increase in generation to meet higher energy demands, a decrease in generation from hydro plants, and a higher average cost of fuel.

Purchased power expense increased $175 million (29.4 percent) in 2001 primarily due to an increase in off-system purchases used to meet off-system sales commitments. These transactions had no significant effect on earnings. Purchased power expense in 2000 increased $206 million (53 percent) over the prior year due to higher retail energy demands and off-system purchase transactions used to meet off-system sales transactions.

In 2001, other operation and maintenance expenses increased $41 million (3.4%) due to additional severance costs, increased scheduled generating plant maintenance, and higher uncollectible account expense. Other operation and maintenance expenses in 2000 increased slightly over those in 1999. Increased line maintenance, customer assistance and sales expense, and severance costs were partially offset by decreased generating plant maintenance and decreased employee benefit provisions.

Depreciation and amortization decreased $19 million in 2001 primarily due to lower accelerated amortization under the third year of a GPSC retail rate order. Depreciation and amortization increased $66 million in 2000 primarily due to $50 million of additional accelerated amortization of regulatory assets required under the second year of the GPSC retail rate order and increased plant in service.

Other, net increased in 2001 due to gains realized on sales of assets and a decrease in charitable contributions. Other, net decreased in 2000 due to an increase in charitable contributions.

Interest expense, net decreased in 2001 primarily due to lower interest rates that offset new financing costs. Interest expense, net increased in 2000 due to the issuance of additional senior notes during 2000. The Company refinanced or retired $775 million and $179 million of securities in 2001 and 2000, respectively. Distributions on preferred securities of subsidiary companies remained unchanged in 2001 and decreased $7 million in 2000 due to the redemption of $100 million of preferred securities in December 1999.

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 utility plants with long economic lives. 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 securities. Any recognition of inflation by regulatory authorities is reflected in the rate of return allowed.

FUTURE EARNINGS POTENTIAL

General

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.

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.

In accordance with Financial Accounting Standards Board (FASB) Statement No. 87, Employers' Accounting for Pensions, the Company recorded non-cash income of approximately $60 million in 2001. Future pension income is dependent on several factors including trust earnings and changes to the plan. For the Company, pension income is a component of the regulated rates and does not have a significant effect on net income. For additional information, see Note 2 to the financial statements.

The Company currently operates as a vertically integrated utility providing electricity to customers within its traditional service area located in the State of Georgia. Prices for electricity provided by the Company to retail customers are set by the GPSC under cost-based regulatory principles.

On December 20, 2001, the GPSC approved a new three-year retail rate order for the Company ending December 31, 2004. Under the terms of the order, earnings will be evaluated annually against a retail return on common equity range of 10 percent to 12.95 percent. Two-thirds of any earnings above the 12.95 percent return will be applied to rate refunds, with the remaining one-third retained by the Company. Retail rates were decreased by $118 million effective January 1, 2002. Pursuant to a previous three-year accounting order, the Company recorded $336 million of accelerated cost amortization and interest thereon which has been credited to a regulatory liability account as mandated by the GPSC. Under the new rate order, the accelerated amortization and the interest will be amortized equally over three years as a credit to expense beginning in 2002. The Company will not file for a general base rate increase unless its projected retail return on common equity falls below 10 percent. Georgia Power is required to file a general rate case on July 1, 2004, in response to which the GPSC would be expected to determine whether the rate order should be continued, modified, or discontinued. See Note 3 to the financial statements under "Retail Rate Orders" for additional information.

The Company has entered into power purchase agreements which will result in higher capacity and operating and maintenance payments in future years. Under the new retail rate order, these costs will be reflected in rates evenly over the next three years. See Note 4 to the financial statements under "Purchased Power Commitments" for additional information.

Georgia Power had three new generation projects under construction during 2001. They included two units at Plant Dahlberg, a ten-unit, 800 megawatt combustion turbine facility; two combined cycle units totaling 1,132 megawatts at Plant Wansley; and Plant Goat Rock, a two-unit, 1,181 megawatt combined cycle facility. All three of these projects have been transferred to Southern Power Company, a new Southern Company subsidiary formed in 2001 to construct, own, and manage wholesale generating assets in the Southeast. The ten Dahlberg units and two Goat Rock units were transferred in 2001 and the transfer of the two Wansley units was completed in January 2002.

The 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 current and future environmental laws, regulations, and litigation could affect earnings if such costs are not fully recovered. See "Environmental Issues" for further discussion of these matters.

Industry Restructuring

The electric utility industry in the United States is continuing to evolve as a result of regulatory and competitive factors. Among the primary agents of change has been the Energy Policy Act of 1992 (Energy Act). 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 affected by wholesale transmission access and numerous potential new energy suppliers, including power marketers and brokers.

Although the Energy Act does not permit retail customer access, it has been a major catalyst for recent restructuring and consolidations taking place within the utility industry. Numerous federal and state initiatives are in varying stages that promote wholesale and retail competition. Among other things, these initiatives allow customers to choose their electricity provider. Some states have approved initiatives that result in a separation of the ownership and/or operation of generating facilities from the ownership and/or operation of transmission and distribution facilities. While restructuring and competition initiatives have been discussed in Georgia, none have been enacted. Enactment would require numerous issues to be resolved, including significant ones relating to recovery of any stranded investments, full cost recovery of energy produced, and other issues related to the energy crisis that occurred in California. As a result of that crisis, many states have either discontinued or delayed implementation of initiatives involving retail deregulation. The Company does 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.

In December 1999, the Federal Energy Regulatory Commission (FERC) issued its final rule on Regional Transmission Organizations (RTOs). The order encouraged utilities owning transmission systems to form RTOs on a voluntary basis. Southern Company has submitted a series of status reports informing the FERC of progress toward the development of a Southeastern RTO. In these status reports, Southern Company explained that it is developing an RTO known as SeTrans with a number of non-jurisdictional cooperative and public power entities. Recently, Entergy Corporation and Cleco Power joined the SeTrans development process. In January 2002, the sponsors of SeTrans held a public meeting to form a Stakeholder Advisory Committee, which will participate in the development of the RTO. Southern Company continues to work with the other sponsors to develop the SeTrans RTO. The creation of SeTrans is not expected to have a material impact on Georgia Power's financial statements. The outcome of this matter cannot now be determined.

Accounting Policies

Critical Policy

Georgia Power's significant accounting policies are described in Note 1 to the financial statements. The Company's most critical accounting policy involves rate regulation. 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 that are not specifically recoverable, and determine if any other assets, including plant, have been impaired. See Note 1 to the financial statements under "Regulatory Assets and Liabilities" for additional information.

New Accounting Standards

Effective January 2001, Georgia Power adopted FASB Statement No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended. Statement No. 133 establishes accounting and reporting standards for derivative instruments and for hedging activities. This statement requires that certain derivative instruments be recorded in the balance sheet as either an asset or liability measured at fair value, and that changes in the fair value be recognized currently in earnings unless specific hedge accounting criteria are met. See Note 1 to the financial statements under "Financial Instruments" for additional information. The impact on net income in 2001 was not material. An additional interpretation of Statement No. 133 will result in a change -- effective April 1, 2002 -- in accounting for certain contracts related to fuel supplies that contain quantity options. These contracts will be accounted for as derivatives and marked to market. However, due to the existence of specific cost-based fuel recovery clauses for the Company, this change is not expected to have a material impact on net income.

In June 2001, the FASB issued Statement No. 142, Goodwill and Other Intangible Assets, which establishes new accounting and reporting standards for acquired goodwill and other intangible assets and supersedes Accounting Principles Board Opinion No. 17. Statement No. 142 addresses how intangible assets that are acquired individually or with a group of other assets (but not those acquired in a business combination) should be accounted for upon acquisition and on an ongoing basis. Goodwill and intangible assets that have indefinite useful lives will not be amortized but rather will be tested at least annually for impairment. Intangible assets that have finite useful lives will continue to be amortized over their useful lives, which are no longer limited to 40 years. The Company adopted Statement No. 142 effective January 1, 2002 with no material impact on the Company's financial statements.

Also, in June 2001, the FASB issued Statement No. 143, Asset Retirement Obligations, which establishes new accounting and reporting standards for legal obligations associated with retiring assets, including decommissioning nuclear plants. The liability for an asset's future retirement must be recorded in the period in which the liability is incurred. The cost must be capitalized as part of the related long-lived asset and depreciated over the asset's useful life. Changes in the liability resulting from the passage of time will be recognized as operating expenses. Statement No. 143 must be adopted by January 1, 2003. The Company has not yet quantified the impact of adopting Statement No. 143 on its financial statements.

FINANCIAL CONDITION

Plant Additions

In 2001, gross utility plant additions were $1.4 billion. These additions were primarily related to transmission and distribution facilities, the purchase of nuclear fuel, and the construction of additional combustion turbine and combined cycle units. The funds needed for gross property additions are currently provided from operations, short-term and long-term debt, and capital contributions from Southern Company. The Statements of Cash Flows provide additional details.

Credit Rating Risk

The Company does not have any credit agreements that would require material changes in payment schedules or terminations as a result of a credit rating downgrade. There are certain physical electricity sale contracts that could require collateral -- but not termination -- in the event of a credit rating change to below investment grade. At December 31, 2001, the maximum potential collateral requirements were approximately $112 million.

Exposure to Market Risks

The Company is exposed to market risks, including changes in interest rates, currency exchange rates, and certain commodity prices. To manage the volatility attributable to these exposures, the Company nets the exposures to take advantage of natural offsets and enters into various derivative transactions for the remaining exposures pursuant to the Company's policies in areas such as counterparty exposure and hedging practices. Company policy is that derivatives are to be used primarily for hedging purposes. Derivative positions are monitored using techniques that include market valuation and sensitivity analysis.

The Company's market risk exposures relative to interest rate changes have not changed materially compared to the previous reporting period. In addition, the Company is not aware of any facts or circumstances that would significantly affect such exposures in the near term.

If the Company sustained a 100 basis point change in interest rates for all variable rate long-term debt, the change would affect annualized interest expense by approximately $13 million at December 31, 2001. Based on the Company's overall interest rate exposure at December 31, 2001, including derivative and other interest rate sensitive instruments, a near-term 100 basis point change in interest rates would not materially affect the Company's financial statements.

Due to cost-based rate regulations, the Company has limited exposure to market volatility in interest rates, commodity fuel prices, and prices of electricity. To mitigate residual risks relative to movements in electricity prices, the Company entered into fixed price contracts for the purchase and sale of electricity through the wholesale electricity market and to a lesser extent similar contracts for gas purchases. Realized gains and losses are recognized in the Statements of Income as incurred. At December 31, 2001, exposure from these activities was not material to the Company's financial statements. Fair value of changes in energy trading contracts and year-end valuations are as follows:

	Changes During the Year
	Fair Value
	(in millions)
Contracts beginning of year	**$0.9**
Contracts realized or settled	**(0.6)**
New contracts at inception	-
Changes in valuation techniques	-
Current period changes	**0.1**
Contracts end of year	**$0.4**

All of these contracts are actively quoted and mature within one year. For additional information, see Note 1 to the financial statements under "Financial Instruments."

Financing Activities

In 2001, the Company's financing costs decreased due to lower interest rates despite the issuance of new debt during the year. New issues during 1999 through 2001 totaled $1.9 billion and retirement or repayment of higher-cost securities totaled $1.7 billion.

The proceeds from assets transferred to Southern Power were used to reduce short-term debt and return capital to the Southern Company that was used during the construction of these projects.

Composite financing rates for long-term debt, preferred stock, and preferred securities for the years 1999 through 2001, as of year-end, were as follows:

	2001	2000	1999
Composite interest rate on long-term debt	**4.26%**	5.90%	5.48%
Composite preferred stock dividend rate	**4.60**	4.60	4.60
Composite preferred securities dividend rate	**7.49**	7.49	7.49

Liquidity and Capital Requirements

Cash provided from operations remained constant in 2001.

The Company estimates that construction expenditures for the years 2002 through 2004 will total $1.0 billion, $0.8 billion, and $0.8 billion, respectively. Investments primarily in additional transmission and distribution facilities and equipment to comply with environmental requirements are planned.

Cash requirements for redemptions announced and maturities of long-term debt are expected to total $666 million during 2002 through 2004.

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. The amount to be funded under the new GPSC rate order is $8.7 million each year in 2002, 2003, and 2004. 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 equity funds from Southern Company and by the issuance of new debt and equity securities, term loans, and short-term borrowings. The Company plans to request new financing authority from the GPSC in early 2002 to allow for the issuance of new long-term securities. To meet short-term cash needs and contingencies, the Company had approximately $1.8 billion of unused credit arrangements with banks at the beginning of 2002. See

Note 9 to the financial statements under "Bank Credit Arrangements" for additional information.

The Company may also meet short-term cash needs through a Southern Company subsidiary organized to issue and sell commercial paper at the request and for the benefit of the Company and the other Southern Company operating companies. At December 31, 2001, the Company had outstanding $707.6 million of commercial paper.

Recently, the Company has relied on the issuance of unsecured debt and trust preferred securities, in addition to unsecured pollution control bonds issued for its benefit by public authorities, to meet its long-term external financing requirements. In years past, the Company issued first mortgage bonds, mortgage backed pollution control bonds and preferred stock to fund its external requirements. The amount outstanding of these securities has been steadily declining during the last four years.

Other Capital Requirements

In addition to the funds needed for the construction program, approximately $666 million will be required by the end of 2004 for maturities of long-term debt. Also, the Company will continue to retire higher-cost debt and preferred securities and replace these obligations with lower-cost capital if market conditions permit.

These capital requirements, lease obligations, and purchase commitments -- discussed in Notes 4 and 9 to the financial statements -- are as follows:

	2002	2003	2004
	(in millions)		
Bonds –			
First mortgage	$ 2	$ -	$ -
Pollution control	8	-	-
Notes	300	350	-
Leases –			
Capital	2	2	2
Operating	15	15	15
Purchase commitments			
Fuel	1,234	1,115	617
Purchased power	163	223	278

At the beginning of 2002, Georgia Power had not used any of its available credit arrangements. Credit arrangements are as follows:

		Expires	
Total	Unused	2002	2003 & beyond
	(in millions)		
$1,765	$1,765	$1,265	$500

ENVIRONMENTAL ISSUES

Clean Air Legislation

In November 1990, the Clean Air Act Amendments of 1990 (Clean Air Act) were signed into law. Title IV of the Clean Air Act -- the acid rain compliance provision of the law -- significantly affected Southern Company's subsidiaries, including the Company. Reductions in sulfur dioxide and nitrogen oxide emissions from fossil-fired generating plants were required in two phases. Phase I compliance began in 1995.

Southern Company's subsidiaries, including the Company, achieved Phase I compliance at the affected units by primarily switching to low-sulfur coal and with some equipment upgrades. Construction expenditures for the Company's Phase I compliance totaled approximately $167 million.

Phase II sulfur dioxide compliance was required in 2000. Southern Company's subsidiaries, including the Company, used emission allowances and fuel switching to comply with Phase II requirements. Also, equipment to control nitrogen oxide emissions was installed on additional system fossil-fired units as necessary to meet Phase II limits and ozone non-attainment requirements for metropolitan Atlanta through 2000. Compliance for Phase II and initial ozone non-attainment requirements increased total construction expenditures for the Company through 2000 by approximately $39 million.

In 2000, the State of Georgia established new emission limits designed to help bring the Atlanta area into compliance with the national one-hour standard for ground-level ozone. The limits include new emission standards for seven of the Company's generating stations and will go into effect in May 2003. Construction expenditures for the Company's compliance with these new rules are currently estimated at approximately $699 million with a total of $345 million remaining to be spent.

A significant portion of costs related to the acid rain and ozone non-attainment provisions 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.

In July 1997, the Environmental Protection Agency (EPA) revised the national ambient air quality standards for ozone and particulate matter. This revision made the standards significantly more stringent. In the subsequent litigation of these standards, the U.S. Supreme Court found the EPA's implementation program for the new ozone standard unlawful and remanded it to the EPA. In addition, the Federal District of Columbia Circuit Court of Appeals is considering other legal challenges to these standards. If the standards are eventually upheld, implementation could be required by 2007 to 2010.

In September 1998, the EPA issued regional nitrogen oxide reduction rules to the states for implementation. The final rule affects 21 states including Georgia. Compliance is required by May 31, 2004. The EPA proposed rules for Georgia on February 13, 2002. The EPA's proposal includes a May 1, 2005 implementation date for Georgia. The Company plans to demonstrate compliance based largely on NOx controls already installed to meet the Atlanta non-attainment requirements, coupled with the purchase of NOx credits within a NOx trading market.

In December 2000, having completed its utility study for mercury and other hazardous air pollutants (HAPS), the EPA issued a determination that an emission control program for mercury and, perhaps, other HAPS is warranted. The program is to be developed under the Maximum Achievable Control Technology provisions of the Clean Air Act, and regulations are scheduled to be finalized by the end of 2004 with implementation to take place around 2007. In January 2001, the EPA proposed guidance for the determination of Best Available Retrofit Technology (BART) emission controls under the Regional Haze Regulations. Installation of BART controls is expected to take place around 2010. Litigation of the Regional Haze Regulations, including the BART provisions, is ongoing in the Federal District of Columbia Circuit Court of Appeals. A court decision is expected in mid-2002.

Implementation of the final state rules for these initiatives could require substantial further reductions in nitrogen oxide and sulfur dioxide and reductions in mercury and other HAPS emissions from fossil-fired generating facilities and other industries in these states. Additional compliance costs and capital expenditures resulting from the implementation of these rules and standards cannot be determined until the results of legal challenges are known, and the states have adopted their final rules.

In October 1997, the EPA issued regulations setting forth requirements for Compliance Assurance Monitoring (CAM) in state and federal operating permit programs. These regulations were amended by the EPA in March 2001 in response to a court order resolving challenges to the rules brought by environmental groups and industry. Generally, this rule affects the operation and maintenance of electrostatic precipitators and could involve significant additional ongoing expense.

The EPA and state environmental regulatory agencies are reviewing and evaluating various matters including: control strategies to reduce regional haze; limits on pollutant discharges to impaired waters; cooling water intake restrictions; and hazardous waste disposal requirements. The impact of any new standards will depend on the development and implementation of applicable regulations.

Environmental Protection Agency Litigation

On November 3, 1999, the EPA brought a civil action in the U.S. District Court for the Northern District of Georgia. The complaint alleges violations of the prevention of significant deterioration and new source review provisions of the Clean Air Act with respect to coal-fired generating facilities at the Company's Bowen and Scherer plants. The civil action requests penalties and injunctive relief, including an order requiring the installation of the best available control technology at the affected units. The EPA concurrently issued a notice of violation to the Company relating to these two plants. In early 2000, the EPA filed a motion to amend its complaint to add the violations alleged in its notice of violation. The complaint and the notice of violation are similar to those brought against and issued to several other electric utilities. The complaint and the notice of violation allege that the Company failed to secure necessary permits or install additional pollution control equipment when performing maintenance and construction at coal burning plants constructed or under construction prior to 1978. The Company believes that it complied with applicable laws and the EPA's regulations and interpretations in

effect at the time the work in question took place. The Clean Air Act authorizes civil penalties of up to $27,500 per day per violation at each generating unit. Prior to January 30, 1997, the penalty was $25,000 per day.

The case against the Company has been stayed since the spring of 2001 pending a ruling by the federal Court of Appeals for the Eleventh Circuit in the appeal of a very similar Clean Air Act / New Source Review enforcement action brought by EPA against the Tennessee Valley Authority (TVA). The TVA case involves many of the same legal issues raised by the actions against the Company. Because the outcome of the TVA case could have a significant adverse impact on Georgia Power, the Company is a party to that case as well. The federal court in Georgia is currently considering a motion by the EPA to reopen the case. The Company has opposed that motion. An adverse outcome of this matter could require substantial capital expenditures that cannot be determined at this time and could possibly require payment of substantial penalties. This could affect future results of operations, cash flows, and possibly financial condition if such costs are not recovered through regulated rates.

Other Environmental Issues

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 and has recognized in the financial statements costs to clean up known sites. These costs for the Company amounted to $0.6 million in 2001 and $4 million in both 2000 and 1999. Additional sites may require environmental remediation for which the Company may be liable for all or a portion of required clean-up costs. See Note 3 to the financial statements under "Other Environmental Contingencies" for information regarding the Company's potentially responsible party status at sites in Georgia.

Several major pieces of environmental legislation are periodically 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.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

The Company's 2001 Annual Report includes forward-looking statements in addition to historical information. In some cases, forward-looking statements can be identified by terminology such as "may," "will," "could," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "projects," "potential" or "continue" or the negative of these terms or other comparable terminology. The Company cautions that there are various important factors that could cause actual results to differ materially from those indicated in the forward-looking statements; accordingly, there can be no assurance that such indicated results will be realized. These factors include the impact of recent and future federal and state regulatory change, including legislative and regulatory initiatives regarding deregulation and restructuring of the electric utility industry and also changes in environmental and other laws and regulations to which the Company is subject, as well as changes in application of existing laws and regulations; current and future litigation, including the pending EPA civil action and the race discrimination litigation against the Company; the effect, extent, and timing of the entry of additional competition in the markets in which the Company operates; the impact of fluctuations in commodity prices, interest rates, and customer demand; state and federal rate regulations; political, legal, and economic conditions and developments in the United States; the effects of, and changes in economic conditions in the areas in which the Company operates; internal restructuring or other restructuring options that may be pursued by the Company; potential business strategies, including acquisitions or dispositions of assets or businesses, which cannot be assured to be completed or

beneficial; the direct or indirect effects on the Company's business resulting from the terrorist incidents on September 11, 2001, or any similar such incidents or responses to such incidents; financial market conditions and the results of financing efforts; the ability of the Company to obtain additional generating capacity at competitive prices; weather and other natural phenomena; and other factors discussed elsewhere herein and in other reports (including Form 10-K) filed from time to time by the Company with the Securities and Exchange Commission.

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STATEMENTS OF INCOME
For the Years Ended December 31, 2001, 2000, and 1999
Georgia Power Company 2001 Annual Report

	2001	2000	1999
		(in thousands)	
Operating Revenues:			
Retail sales	**$4,349,312**	$4,317,338	$4,050,088
Sales for resale --			
Non-affiliates	**366,085**	297,643	210,104
Affiliates	**99,411**	96,150	76,426
Other revenues	**150,986**	159,487	120,057
Total operating revenues	**4,965,794**	4,870,618	4,456,675
Operating Expenses:			
Operation --			
Fuel	**939,092**	1,017,878	919,876
Purchased power --			
Non-affiliates	**442,196**	356,189	214,573
Affiliates	**329,232**	239,815	174,989
Other	**810,043**	795,458	784,359
Maintenance	**430,413**	404,189	411,983
Depreciation and amortization	**600,631**	619,094	552,966
Taxes other than income taxes	**202,483**	204,527	202,853
Total operating expenses	**3,754,090**	3,637,150	3,261,599
Operating Income	**1,211,704**	1,233,468	1,195,076
Other Income (Expense):			
Interest income	**4,264**	2,629	5,583
Equity in earnings of unconsolidated subsidiaries	**4,178**	3,051	2,721
Other, net	**(2,816)**	(50,495)	(47,986)
Earnings Before Interest and Income Taxes	**1,217,330**	1,188,653	1,155,394
Interest Charges and Other:			
Interest expense, net	**183,879**	208,868	194,869
Distributions on preferred securities of subsidiaries	**59,104**	59,104	65,774
Total interest charges and other, net	**242,983**	267,972	260,643
Earnings Before Income Taxes	**974,347**	920,681	894,751
Income taxes	**363,599**	360,587	351,639
Net Income Before Cumulative Effect of Accounting Change	**610,748**	560,094	543,112
Cumulative effect of accounting change -- less income taxes of $162 thousand	**257**	-	-
Net Income	**611,005**	560,094	543,112
Dividends on Preferred Stock	**670**	674	1,729
Net Income After Dividends on Preferred Stock	**$ 610,335**	$ 559,420	$ 541,383

The accompanying notes are an integral part of these statements.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2001, 2000, and 1999
Georgia Power Company 2001 Annual Report

	2001	2000	1999
		(in thousands)	
Operating Activities:			
Net income	**$ 611,005**	$ 560,094	$ 543,112
Adjustments to reconcile net income to net cash provided from operating activities --			
Depreciation and amortization	**697,143**	712,960	663,878
Deferred income taxes and investment tax credits, net	**(48,329)**	(28,961)	(34,930)
Other, net	**(92,403)**	(51,501)	(42,179)
Changes in certain current assets and liabilities --			
Receivables, net	**60,914**	(108,621)	21,665
Fossil fuel stock	**(103,296)**	26,835	(22,165)
Materials and supplies	**(15,628)**	(9,715)	(10,417)
Accounts payables	**(15,406)**	64,412	13,095
Energy cost recovery, retail	**(29,839)**	(95,235)	(26,862)
Other	**(2,999)**	(9,092)	90,788
Net cash provided from operating activities	**1,061,162**	1,061,176	1,195,985
Investing Activities:			
Gross property additions	**(1,389,751)**	(1,078,163)	(790,464)
Sales of property	**534,760**	-	-
Other	**(4,774)**	(5,450)	(27,454)
Net cash used for investing activities	**(859,765)**	(1,083,613)	(817,918)
Financing Activities:			
Increase in notes payable, net	**43,698**	67,598	295,389
Proceeds --			
Senior notes	**600,000**	300,000	100,000
Pollution control bonds	**404,535**	78,725	238,000
Preferred securities	**-**	-	200,000
Capital contributions from parent company	**225,060**	301,514	155,777
Retirements --			
First mortgage bonds	**(390,140)**	(100,000)	(404,000)
Pollution control bonds	**(385,035)**	(78,725)	(235,000)
Preferred securities	**-**	-	(100,000)
Preferred stock	**-**	(383)	(36,231)
Capital distributions to parent company	**(160,000)**	-	-
Payment of preferred stock dividends	**(578)**	(751)	(984)
Payment of common stock dividends	**(527,300)**	(549,600)	(543,000)
Other	**(17,747)**	(1,231)	(29,630)
Net cash provided from (used for) financing activities	**(207,507)**	17,147	(359,679)
Net Change in Cash and Cash Equivalents	**(6,110)**	(5,290)	18,388
Cash and Cash Equivalents at Beginning of Year	**29,370**	34,660	16,272
Cash and Cash Equivalents at End of Year	**$ 23,260**	$ 29,370	$ 34,660
Supplemental Cash Flow Information:			
Cash paid during the year for --			
Interest (net of amount capitalized)	**$ 234,456**	$ 265,373	$ 247,050
Income taxes (net of refunds)	**381,995**	392,310	394,457

The accompanying notes are an integral part of these statements.

BALANCE SHEETS
At December 31, 2001 and 2000
Georgia Power Company 2001 Annual Report

Assets	2001	2000
		(in thousands)
Current Assets:		
Cash and cash equivalents	**$ 23,260**	$ 29,370
Receivables --		
Customer accounts receivable	**376,322**	465,249
Underrecovered retail fuel clause revenue	**161,462**	131,623
Other accounts and notes receivable	**129,073**	156,143
Affiliated companies	**87,786**	13,312
Accumulated provision for uncollectible accounts	**(8,895)**	(5,100)
Fossil fuel stock, at average cost	**202,759**	99,463
Materials and supplies, at average cost	**279,237**	263,609
Other	**125,246**	97,515
Total current assets	**1,376,250**	1,251,184
Property, Plant, and Equipment:		
In service	**16,886,399**	16,469,706
Less accumulated provision for depreciation	**7,243,209**	6,914,512
	9,643,190	9,555,194
Nuclear fuel, at amortized cost	**112,771**	120,570
Construction work in progress (Note 4)	**883,285**	652,264
Total property, plant, and equipment	**10,639,246**	10,328,028
Other Property and Investments:		
Equity investments in unconsolidated subsidiaries (Note 4)	**35,209**	29,569
Nuclear decommissioning trusts	**364,180**	375,666
Other	**29,618**	29,745
Total other property and investments	**429,007**	434,980
Deferred Charges and Other Assets:		
Deferred charges related to income taxes (Note 8)	**543,584**	565,982
Prepaid pension costs	**228,259**	147,271
Debt expense, being amortized	**58,165**	53,748
Premium on reacquired debt, being amortized	**173,724**	173,610
Other	**117,706**	120,964
Total deferred charges and other assets	**1,121,438**	1,061,575
Total Assets	**$13,565,941**	$13,075,767

The accompanying notes are an integral part of these balance sheets.

BALANCE SHEETS
At December 31, 2001 and 2000
Georgia Power Company 2001 Annual Report

Liabilities and Stockholder's Equity	2001	2000
		(in thousands)
Current Liabilities:		
Securities due within one year (Note 9)	**$ 311,620**	$ 1,808
Notes payable	**747,537**	703,839
Accounts payable --		
Affiliated	**109,591**	117,168
Other	**409,253**	397,550
Customer deposits	**83,172**	78,540
Taxes accrued --		
Income taxes	**35,247**	5,151
Other	**125,807**	137,511
Interest accrued	**46,942**	47,244
Vacation pay accrued	**41,830**	38,865
Other	**112,686**	137,565
Total current liabilities	**2,023,685**	1,665,241
Long-term debt (See accompanying statements)	**2,961,726**	3,041,939
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes (Note 8)	**2,163,959**	2,182,783
Deferred credits related to income taxes (Note 8)	**229,216**	247,067
Accumulated deferred investment tax credits (Note 8)	**337,482**	352,282
Employee benefits provisions	**207,795**	191,587
Other	**440,774**	341,505
Total deferred credits and other liabilities	**3,379,226**	3,315,224
Company obligated mandatorily redeemable preferred securities of subsidiary trusts holding company junior subordinated notes (See accompanying statements)	**789,250**	789,250
Cumulative preferred stock (See accompanying statements)	**14,569**	14,569
Common stockholder's equity (See accompanying statements)	**4,397,485**	4,249,544
Total Liabilities and Stockholder's Equity	**$13,565,941**	$13,075,767

The accompanying notes are an integral part of these balance sheets.

STATEMENTS OF CAPITALIZATION
At December 31, 2001 and 2000
Georgia Power Company 2001 Annual Report

		2001	2000	2001	2000
		(in thousands)		*(percent of total)*	
Long-Term Debt:					
First mortgage bonds --					
Maturity	Interest Rates				
April 1, 2003	6.625%	$ -	$ 200,000		
August 1, 2003	6.35%	-	75,000		
2005	6.07%	**1,860**	10,000		
2008	6.875%	-	50,000		
2025	7.70%	-	57,000		
Total first mortgage bonds		**1,860**	392,000		
Senior notes -- (Note 9)					
Variable rate (1.98125% at 1/1/02) due February 22, 2002		**300,000**	300,000		
5.75% due January 31, 2003		**200,000**	-		
5.25% due May 8, 2003		**150,000**	-		
5.50% due December 1, 2005		**150,000**	150,000		
6.20% due February 1, 2006		**150,000**	-		
6.70% due March 1, 2011		**100,000**	-		
6.60% due December 31, 2038		**200,000**	200,000		
6.625% due March 31, 2039		**100,000**	100,000		
6.875% due December 31, 2047		**145,000**	145,000		
Total senior notes payable		**1,495,000**	895,000		
Other long-term debt -- (Note 9)					
Pollution control revenue bonds --					
Maturity	Interest Rates				
2005	5.00%	-	57,000		
2011	Variable (1.90% to 1.95% at 1/1/02)	**10,450**	10,450		
2012-2016	4.20% to 5.00%	**164,590**	-		
2018-2021	6.00% to 6.25%	**7,800**	23,225		
2018	Variable (2.00% at 1/1/02)	**19,500**	-		
2023-2025	4.90% to 6.75%	**28,065**	298,535		
2022-2026	Variable (1.75% to 1.95% at 1/1/02)	**669,480**	683,555		
2029	Variable (1.90% to 1.95% at 1/1/02)	**144,700**	144,700		
2030-2031	4.53% to 5.25%	**137,570**	78,725		
2032-2034	Variable (1.75% to 1.95% at 1/1/02)	**140,000**	140,000		
2032-2034	4.45% to 5.45%	**371,535**	238,000		
Total other long-term debt		**1,693,690**	1,674,190		
Capital lease obligations (Note 9)		**83,371**	85,179		
Unamortized debt discount, net		**(575)**	(2,622)		
Total long-term debt (annual interest requirement -- $139.5 million)		**3,273,346**	3,043,747		
Less amount due within one year (Note 9)		**311,620**	1,808		
Total long-term debt excluding amount due within one year		**$ 2,961,726**	$ 3,041,939	**36.3 %**	37.6 %

STATEMENTS OF CAPITALIZATION (continued)
At December 31, 2001 and 2000
Georgia Power Company 2001 Annual Report

	2001	2000	2001	2000
	(in thousands)		*(percent of total)*	
Company Obligated Mandatorily Redeemable Preferred Securities (Note 9):				
$25 liquidation value -- 6.85%	$ **200,000**	$ 200,000		
$25 liquidation value -- 7.60%	**175,000**	175,000		
$25 liquidation value -- 7.75%	**189,250**	189,250		
$25 liquidation value -- 7.75%	**225,000**	225,000		
Total (annual distribution requirement -- $59.1 million)	**789,250**	789,250	**9.6**	9.7
Cumulative Preferred Stock, without par value:				
Authorized -- 55,000,000 shares				
Outstanding -- 145,689 shares at December 31, 2001				
Outstanding -- 145,689 shares at December 31, 2000				
$100 stated value -- 4.60%	**14,569**	14,569		
Total cumulative preferred stock (annual dividend requirement -- $0.7 million)	**14,569**	14,569	**0.2**	0.2
Common Stockholder's Equity:				
Common stock, without par value --				
Authorized -- 15,000,000 shares				
Outstanding -- 7,761,500 shares	**344,250**	344,250		
Paid-in capital	**2,182,557**	2,117,497		
Premium on preferred stock	**40**	40		
Other comprehensive income	**(153)**	-		
Retained earnings (Note 9)	**1,870,791**	1,787,757		
Total common stockholder's equity (See accompanying statements)	**4,397,485**	4,249,544	**53.9**	52.5
Total Capitalization	$ **8,163,030**	$ 8,095,302	**100.0 %**	100.0 %

The accompanying notes are an integral part of these statements.

STATEMENTS OF COMMON STOCKHOLDER'S EQUITY

For the Years Ended December 31, 2001, 2000, and 1999
Georgia Power Company 2001 Annual Report

	Common Stock	Paid-In Capital	Premium on Preferred Stock	Retained Earnings	Other Comprehensive Income (Loss)	Total
			(in thousands)			
Balance at January 1, 1999	$344,250	$1,660,206	$158	$1,779,558	$ -	$3,784,172
Net income after dividends on preferred stock	-	-	-	541,383	-	541,383
Capital contributions from parent company	-	155,777	-	-	-	155,777
Cash dividends on common stock	-	-	-	(543,000)	-	(543,000)
Preferred stock transactions, net	-	-	(118)	(4)	-	(122)
Balance at December 31, 1999	344,250	1,815,983	40	1,777,937	-	3,938,210
Net income after dividends on preferred stock	-	-	-	559,420	-	559,420
Capital contributions from parent company	-	301,514	-	-	-	301,514
Cash dividends on common stock	-	-	-	(549,600)	-	(549,600)
Balance at December 31, 2000	344,250	2,117,497	40	1,787,757	-	4,249,544
Net income after dividends on preferred stock	-	-	-	**610,335**	-	610,335
Capital contributions from parent company	-	**225,060**	-	-	-	225,060
Capital distributions to parent company		**(160,000)**				(160,000)
Other comprehensive income	-	-	-	-	**(153)**	(153)
Cash dividends on common stock	-	-	-	**(527,300)**	-	(527,300)
Preferred stock transactions, net	-	-	-	**(1)**	-	(1)
Balance at December 31, 2001	**$344,250**	**$2,182,557**	**$40**	**$1,870,791**	**($153)**	**$4,397,485**

STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2001, 2000, and 1999
Georgia Power Company 2001 Annual Report

	2001	2000	1999
	(in thousands)		
Net income after dividends on preferred stock	**$ 610,335**	$ 559,420	$ 541,383
Other comprehensive income:			
Cumulative effect of accounting change, net of tax	**286**	-	-
Current period changes in fair value, net of tax	**(439)**	-	-
Comprehensive Income	**$ 610,182**	**$ 559,420**	**$ 541,383**

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, a system service company (SCS), Southern Communications Services (Southern LINC), Southern Nuclear Operating Company (Southern Nuclear), Southern Power Company (Southern Power), 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 -- related to jointly owned generating facilities, interconnecting transmission lines, and the exchange of electric power -- are regulated by the Federal Energy Regulatory Commission (FERC) and/or the Securities and Exchange Commission. SCS provides, at cost, specialized services to Southern Company and subsidiary companies. Southern LINC provides digital wireless communications services to the operating companies and also markets these services to the public within the Southeast. Southern Nuclear provides services to Southern Company's nuclear power plants. Southern Power was established in 2001 to construct, own, and manage Southern Company's competitive generation assets and sell electricity at market-based rates in the wholesale market.

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 Georgia Public Service Commission (GPSC). The Company follows accounting principles generally accepted in the United States and complies with the accounting policies and practices prescribed by the respective regulatory commissions. The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

Affiliate Transactions

The Company has an agreement with SCS under which the following services are rendered to the Company at cost: general and design engineering, purchasing, accounting and statistical, finance and treasury, tax, information resources, marketing, auditing, insurance and pension, human resources, systems and procedures, and other services with respect to business and operations and power pool operations. Costs for these services amounted to $285 million, $269 million, and $253 million during 2001, 2000, and 1999, respectively.

The Company has an agreement with Southern Nuclear under which the following nuclear-related services are rendered to the Company at cost: general executive and advisory services; general operations, management and technical services; administrative services including procurement, accounting and statistical, employee relations, and systems and procedures services; strategic planning and budgeting services; and other services with respect to business and operations. Costs for these services amounted to $281 million in both 2001 and 2000 and $270 million in 1999.

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 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 expected to be credited to customers through the ratemaking process. See Note 3 under "Retail Rate Orders" for additional information regarding the disposition of the regulatory liability for the accelerated cost recovery recorded under the retail rate order that ended December 31, 2001. Regulatory assets and (liabilities) reflected in the Company's Balance Sheets at December 31 relate to the following:

	2001	2000
	(in millions)	
Deferred income taxes	$ 544	$ 566
Deferred income tax credits	(229)	(247)
Premium on reacquired debt	174	174
Corporate building lease	54	55
Vacation pay	52	49
Postretirement benefits	28	30
Department of Energy assessments	18	21
Deferred nuclear outage costs	24	28
Accelerated cost recovery and interest	(336)	(230)
Other, net	16	23
Total	$ 345	$ 469

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 that are not specifically recoverable through regulated rates. In addition, the Company would be required to determine if any impairment to other assets exists, including plant, and write down the assets, if impaired, to their fair value.

Revenues and Fuel Costs

The Company currently operates as a vertically integrated utility providing electricity to retail customers within its traditional service area located within the state of Georgia, and to wholesale customers in the Southeast.

The Company has a diversified base of customers. No single customer or industry comprises 10 percent or more of revenues. For all periods presented, uncollectible accounts averaged less than 1 percent of revenues.

Revenues are recognized as services are rendered. Unbilled revenues are accrued at the end of each fiscal period. Fuel costs are expensed as the fuel is used. The Company's fuel cost recovery mechanism includes provisions to adjust billings for fluctuations in fuel costs, the energy component of purchased power costs, and certain other costs. Revenues are adjusted for differences between recoverable fuel costs and amounts actually recovered in current rates.

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 $75 million in each of 2001 and 2000 and $74 million in 1999. The Company has contracts with the U.S. Department of Energy (DOE) that provide for the permanent disposal of used nuclear fuel. The DOE failed to begin disposing of used nuclear fuel in January 1998 as required by the contracts, and the Company is pursuing legal remedies against the government for breach of contract. Sufficient pool storage capacity is available at Plant Vogtle to maintain full-core discharge capability for both units until the year 2014. To maintain pool discharge capability at Plant Hatch, effective June 2000, an on-site dry storage facility for Plant Hatch became operational. Sufficient dry storage capacity is believed to be available to continue dry storage operations at Plant Hatch through the life of the plant. Procurement of on-site dry storage capacity at Plant Vogtle will commence in sufficient time to maintain pool full-core discharge capability.

Also, the Energy Policy Act of 1992 required the establishment of a Uranium Enrichment Decontamination and Decommissioning Fund, which is to be funded in part by a special assessment on utilities with nuclear plants. The 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 -- based on its ownership interests -- estimates its remaining liability under this law at December 31, 2001 to be approximately $16 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 3.3 percent in 2001, 2000, and 1999. When property subject to depreciation is retired or otherwise disposed of in the normal course of business, its original cost -- together with the cost of removal, less salvage -- is charged to accumulated 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.

Nuclear Regulatory Commission (NRC) regulations require 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. 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.

The Company periodically conducts site-specific studies to estimate the actual cost of decommissioning its nuclear generating facilities. 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 its retirement date. The estimated site study costs based on the most current study and ultimate costs assuming an inflation rate of 4.7 percent for the Company's ownership interests are as follows:

	Plant Hatch	Plant Vogtle
Site study basis (year)	2000	2000
Decommissioning periods:		
Beginning year	2014	2027
Completion year	2042	2045
	(in millions)	
Site study costs:		
Radiated structures	$486	$420
Non-radiated structures	37	48
Total	$523	$468
	(in millions)	
Ultimate costs:		
Radiated structures	$1,004	$1,468
Non-radiated structures	79	166
Total	$1,083	$1,634

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 the NRC requirements, changes in the assumptions used in making the estimates, changes in regulatory requirements, changes in technology, and changes in costs of labor, materials, and equipment.

Annual provisions for nuclear decommissioning expense are based on an annuity method as approved by the GPSC. The amounts expensed in 2001 and fund balances as of December 31, 2001 were:

	Plant Hatch	Plant Vogtle
	(in millions)	
Amount expensed in 2001	$20	$9
	(in millions)	
Accumulated provisions:		
External trust funds, at fair value	$229	$135
Internal reserves	20	12
Total	$249	$147

Effective January 1, 2002, the GPSC decreased the annual provision for decommissioning expenses to $8 million. This amount is based on the NRC generic estimate to decommission the radioactive portion of the facilities as of 2000 of $383 million and $282 million for Plants Hatch and Vogtle, respectively. The ultimate costs associated with the 2000 NRC minimum funding requirements are $823 million and $1.03 billion for Plants Hatch and Vogtle, respectively. Significant assumptions include an estimated inflation rate of 4.7 percent and an estimated trust earnings rate of 6.5 percent. The Company expects the GPSC to periodically review and adjust, if necessary, the amounts collected in rates for the anticipated cost of decommissioning.

In January 2002, the NRC granted the Company a 20-year extension of the licenses for both units at Plant Hatch which permits the operation of units 1 and 2 until 2034 and 2038, respectively. The decommissioning costs disclosed above do not reflect this extension.

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 regulated 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 2001, 2000, and 1999, the average AFUDC rates were 6.33 percent, 6.74 percent, and 5.61 percent, respectively. AFUDC, net of taxes, as a percentage of net income after dividends on preferred stock, was less than 3.0 percent for 2001, 2000, and 1999.

Property, Plant, and Equipment

Property, plant, and equipment is stated at original cost, less regulatory disallowances and impairments. 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 capitalized.

Cash and Cash Equivalents

For purposes of the financial statements, temporary cash investments are considered cash equivalents. Temporary cash investments are securities with original maturities of 90 days or less.

Comprehensive Income

Comprehensive income -- consisting of net income and changes in the fair value of qualifying cash flow hedges, net of income taxes -- is presented in the financial statements. The objective of comprehensive income is to report a measure of all changes in common stock equity of an enterprise that result from transactions and other economic events of the period other than transactions with owners.

Financial Instruments

Effective January 2001, the Company adopted FASB Statement No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended. The impact on net income was immaterial.

The Company uses derivative financial instruments to hedge exposures to fluctuations in interest rates, foreign currency exchange rates, and certain commodity prices. Gains and losses on qualifying hedges are deferred and recognized either in income or as an adjustment to the carrying amount of the hedged item when the transaction occurs.

The Company is exposed to losses related to financial instruments in the event of counterparties' nonperformance. The Company has established controls to determine and monitor the creditworthiness of counterparties in order to mitigate the Company's exposure to counterparty credit risk.

The Company and its affiliates, through SCS acting as their agent, enter into commodity related forward and option contracts to limit exposure to changing prices on certain fuel purchases and electricity purchases and sales. Substantially all of the Company's bulk energy purchases and sales contracts meet the definition of a derivative under Statement No. 133. In many cases, these fuel and electricity contracts qualify for normal purchase and sale exceptions under Statement No. 133 and are accounted for under the accrual method. Other contracts qualify as cash flow hedges of anticipated transactions, resulting in the deferral of related gains and losses, and are recorded in other comprehensive income until the hedged transactions occur. Any ineffectiveness is recognized currently in net income. Contracts that do not qualify for the normal purchase and sale exception and that do not meet the hedge requirements are marked to market through current period income.

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
	(in millions)	
Long-term debt:		
At December 31, 2001	**$3,190**	**$3,190**
At December 31, 2000	$2,959	$2,912
Preferred securities:		
At December 31, 2001	**$789**	**$782**
At December 31, 2000	$789	$761

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

The Company has defined benefit, trusteed pension plans that cover substantially all employees. The 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. The Company funds postretirement trusts to the extent required by the GPSC and the FERC. In late 2000, the Company adopted several pension and postretirement benefits plan changes that had the effect of increasing benefits to both current and future retirees. The measurement date for plan assets and obligations is September 30 of each year.

The weighted average rates assumed in the actuarial calculations for both the pension and postretirement benefit plans were:

	2001	2000
Discount	**7.50%**	7.50%
Annual salary increase	**5.00**	5.00
Expected long-term return on plan assets	**8.50**	8.50

Pension Plan

Changes during the year in the projected benefit obligations and in the fair value of plan assets were as follows:

	Projected Benefit Obligations	
	2001	2000
	(in millions)	
Balance at beginning of year	**$1,322**	$1,275
Service cost	**35**	32
Interest cost	**101**	94
Benefits paid	**(74)**	(67)
Actuarial gain and employee transfers	**64**	(12)
Balance at end of year	**$1,448**	$1,322

	Plan Assets	
	2001	2000
	(in millions)	
Balance at beginning of year	**$2,464**	$2,107
Actual return on plan assets	**(356)**	385
Benefits paid	**(62)**	(58)
Employee transfers	**(2)**	30
Balance at end of year	**$2,044**	$2,464

The accrued pension costs recognized in the Balance Sheets were as follows:

	2001	2000
	(in millions)	
Funded status	**$596**	$1,142
Unrecognized transition obligation	**(22)**	(26)
Unrecognized prior service cost	**98**	44
Unrecognized net actuarial gain	**(444)**	(1,013)
Prepaid asset recognized in the Balance Sheets	**$228**	$ 147

Components of the plan's net periodic cost were as follows:

	2001	2000	1999
	(in millions)		
Service cost	**$ 35**	$ 33	$ 33
Interest cost	**101**	94	86
Expected return on plan assets	**(168)**	(152)	(137)
Recognized net actuarial gain	**(31)**	(26)	(17)
Net amortization	**3**	(1)	-
Net pension income	**$ (60)**	$ (52)	$ (35)

Postretirement Benefits

Changes during the year in the accumulated benefit obligations and in the fair value of plan assets were as follows:

	Accumulated Benefit Obligations	
	2001	2000
	(in millions)	
Balance at beginning of year	**$495**	$438
Service cost	**9**	7
Interest cost	**39**	36
Benefits paid	**(24)**	(21)
Actuarial gain and employee transfers	**23**	35
Balance at end of year	**$542**	$495

	Plan Assets	
	2001	2000
	(in millions)	
Balance at beginning of year	**$198**	$177
Actual return on plan assets	**(26)**	12
Employer contributions	**47**	30
Benefits paid	**(24)**	(21)
Balance at end of year	**$195**	$198

The accrued postretirement costs recognized in the Balance Sheets were as follows:

	2001	2000
	(in millions)	
Funded status	**$(347)**	$(297)
Unrecognized transition obligation	**105**	113
Unrecognized prior service cost	**104**	60
Unrecognized (gain)/loss	**5**	(13)
Fourth quarter contributions	**27**	27
Accrued liability recognized in the Balance Sheets	**$(106)**	$(110)

Components of the plans' net periodic cost were as follows:

	2001	2000	1999
	(in millions)		
Service cost	**$ 9**	$ 7	$ 8
Interest cost	**39**	36	30
Expected return on plan assets	**(19)**	(16)	(10)
Recognized net actuarial loss	**-**	-	1
Net amortization	**14**	12	9
Net postretirement cost	**$43**	$39	$38

An additional assumption used in measuring the accumulated postretirement benefit obligations was a weighted average medical care cost trend rate of 9.25 percent for 2001, decreasing gradually to 5.25 percent through the year 2010, and remaining at that level thereafter. An annual increase or decrease in the assumed medical care cost trend rate of 1 percent would affect the accumulated benefit obligation and the service and interest cost components at December 31, 2001 as follows:

	1 Percent Increase	1 Percent Decrease
	(in millions)	
Benefit obligation	$54	$46
Service and interest costs	5	4

Employee Savings Plan

The Company sponsors a 401(k) defined contribution plan covering substantially all employees. The Company provides a 75 percent matching contribution up to 6 percent of an employee's base salary. Total matching contributions made to the plan for the years 2001, 2000, and 1999 were $16 million, $15 million, and $15 million, respectively.

3. CONTINGENCIES AND REGULATORY MATTERS

General

The Company is subject to certain claims and legal actions arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel, the ultimate disposition of these matters is not expected to have a material adverse effect on the Company's financial condition.

Retail Rate Orders

On December 20, 2001, the GPSC approved a new three-year retail rate order for the Company ending December 31, 2004. Under the terms of the order, earnings will be evaluated against a retail return on common equity range of 10 percent to 12.95 percent. Two-thirds of any earnings above the 12.95 percent return will be applied to rate refunds, with the remaining one-third retained by the Company. Retail rates were decreased by $118 million effective January 1, 2002.

Under a previous three-year order ending December 2001, the Company's earnings were evaluated against a retail return on common equity range of 10 percent to 12.5 percent. The order further provided for $85 million in each year, plus up to $50 million of any earnings above the 12.5 percent return during the second and third years, to be applied to accelerated amortization or depreciation of assets. Two-thirds of any additional earnings above the 12.5 percent return were applied to rate refunds, with the remaining one-third retained by the Company. Pursuant to the order, the Company recorded $336 million of accelerated amortization and interest thereon which has been credited to a regulatory liability account as mandated by the GPSC.

Under the new rate order, the accelerated amortization and the interest will be amortized equally over three years

as a credit to expense beginning in 2002. Effective January 1, 2002, the Company discontinued recording accelerated depreciation and amortization. The Company will not file for a general base rate increase unless its projected retail return on common equity falls below 10 percent. Georgia Power is required to file a general rate case on July 1, 2004, in response to which the GPSC would be expected to determine whether the rate order should be continued, modified, or discontinued.

In 2000 and 1999, the Company recorded $44 million and $79 million, respectively, of revenue subject to refund for estimated earnings above 12.5 percent retail return on common equity. Refunds applicable to 2000 and 1999 were made to customers in 2001 and 2000, respectively.

Environmental Protection Agency (EPA) Litigation

On November 3, 1999, the EPA brought a civil action in the U.S. District Court for the Northern District of Georgia. The complaint alleges violations of the prevention of significant deterioration and new source review provisions of the Clean Air Act with respect to coal-fired generating facilities at the Company's Bowen and Scherer plants. The civil action requests penalties and injunctive relief, including an order requiring the installation of the best available control technology at the affected units beginning at the point of the alleged violations. The Clean Air Act authorizes civil penalties of up to $27,500 per day, per violation at each generating unit. Prior to January 30, 1997, the penalty was $25,000 per day.

The EPA concurrently issued a notice of violation to the Company relating to these two plants. In early 2000, the EPA filed a motion to amend its complaint to add the violations alleged in its notice of violation. The complaint and the notice of violation are similar to those brought against and issued to several other electric utilities. The complaint and the notice of violation allege that the Company failed to secure necessary permits or install additional pollution control equipment when performing maintenance and construction at coal burning plants constructed or under construction prior to 1978. The Company believes that it complied with applicable laws and the EPA's regulations and interpretations in effect at the time the work in question took place.

The case against the Company has been stayed since the spring of 2001 pending a ruling by the U.S. Court of Appeals for the Eleventh Circuit in the appeal of a very similar Clean Air Act / New Source Review enforcement action brought by EPA against the Tennessee Valley Authority (TVA). The TVA case involves many of the same legal issues raised by the actions against the Company. Because the outcome of the TVA case could have a significant adverse impact on Georgia Power, the Company is a party to that case as well. The federal court in Georgia is currently considering a motion by the EPA to reopen the Georgia case. The Company has opposed that motion. An adverse outcome of this matter could require substantial capital expenditures that cannot be determined at this time and possibly require payment of substantial penalties. This could affect future results of operations, cash flows, and possibly financial condition if such costs are not recovered through regulated rates.

Other Environmental Contingencies

The Company has been designated as a potentially responsible party at sites governed by the Georgia Hazardous Site Response Act and/or by the federal Comprehensive Environmental Response, Compensation and Liability Act. Georgia Power has recognized $33 million in cumulative expenses through December 31, 2001 for the assessment and anticipated cleanup of sites on the Georgia Hazardous Sites Inventory. In addition, in 1995 the EPA designated Georgia Power and four other unrelated entities as potentially responsible parties at a site in Brunswick, Georgia that is listed on the federal National Priorities List. Georgia Power has contributed to the removal and remedial investigation and feasibility study costs for the site. Additional claims for recovery of natural resource damages at the site are anticipated. As of December 31, 2001, Georgia Power had recorded approximately $6 million in cumulative expenses associated with Georgia Power's agreed-upon share of the removal and remedial investigation and feasibility study costs for the Brunswick site.

The final outcome of these matters cannot now be determined. However, based on the currently known conditions at these sites and the nature and extent of Georgia Power's activities relating to these sites, management does not believe that the Company's cumulative liability at these sites would be material to the financial statements.

Nuclear Performance Standards

The GPSC has adopted a nuclear performance standard for the Company's nuclear generating units under which the performance of Plants Hatch and Vogtle is 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 award or penalty under the performance standards criteria.

The GPSC has approved performance awards of approximately $11.7 million and $7.8 million for performance during the 1993-1995 period and the 1996-1998 period, respectively. These awards are collected through the retail fuel cost recovery provision and recognized in income over 36-month periods that began in January 1997 and 2000, respectively, as mandated by the GPSC.

Race Discrimination Litigation

On July 28, 2000, a lawsuit alleging race discrimination was filed by three Georgia Power employees against the Company, Southern Company, and SCS in the United States District Court for the Northern District of Georgia. The lawsuit also raised claims on behalf of a purported class. The plaintiffs seek compensatory and punitive damages in an unspecified amount, as well as injunctive relief. On August 14, 2000, the lawsuit was amended to add four more plaintiffs. Also, an additional subsidiary of Southern Company, Southern Company Energy Solutions, Inc., was named a defendant.

On October 11, 2001, the district court denied plaintiffs' motion for class certification. The plaintiffs filed a motion to reconsider the order denying class certification, and the court denied the plaintiffs' motion to reconsider. On December 28, 2001, the plaintiffs filed a petition in the United States Court of Appeals for the Eleventh Circuit seeking permission to file an appeal of the October 11 decision. The defendants filed a brief in opposition of the petition on January 18, 2002. Discovery of the seven named plaintiffs' individual claims that remain in the case is ongoing. The final outcome of the case cannot be determined.

4. COMMITMENTS

Construction Program

Georgia Power had three new generation projects under construction during 2001. They included two units at Plant Dahlberg, a ten-unit, 800 megawatt combustion turbine facility; two combined cycle units totaling 1,132 megawatts at Plant Wansley; and Plant Goat Rock, a two-unit, 1,181 megawatt combined cycle facility. All three of these projects have been transferred to Southern Power Company, a new Southern Company affiliate formed in 2001 to construct, own, and manage wholesale generating assets in the Southeast. The ten Dahlberg units and two Goat Rock units were transferred in 2001 and the transfer of the two Wansley units was completed in January 2002. Significant construction of transmission and distribution facilities and projects to remain in compliance with environmental requirements will continue. The Company currently estimates property additions to be approximately $1.0 billion in 2002, $0.8 billion in 2003, and $0.8 billion in 2004.

In connection with the transfer of Plants Dahlberg, Goat Rock, and Wansley, the Company has assigned $61 million in vendor equipment contracts to Southern Power. While the Company could be obligated to assume responsibility for these contracts if Southern Power fails to meet these commitments, Southern Company has entered into limited keep-well arrangements whereby Southern Company would contribute funds to Southern Power either through loans or capital contributions in order to fund performance by Southern Power as equipment purchaser under certain contingencies. Southern Company has also guaranteed Southern Power obligations totaling $6.6 million for the Company's construction of transmission interconnection facilities to these plants.

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, 2001 were as follows:

Year	Minimum Obligations
	(in millions)
2002	$1,234
2003	1,115
2004	617
2005	527
2006	521
2007 and beyond	1,857
Total	$5,871

Additional commitments for coal and for nuclear fuel will be required in the future to supply the Company's fuel needs.

In addition, SCS acts as agent for the five operating companies and Southern Power with regard to natural gas purchases. Natural gas purchases (in dollars) are based on various indices at the actual time of delivery; therefore, only the volume commitments are firm and disclosed in the following chart. The committed volumes, as of December 31, 2001 are as follows:

Year	Natural Gas
	(MMBtu)
2002	18,927,055
2003	30,434,645
2004	30,352,580
2005	23,050,128
2006	20,038,214
2007 and beyond	7,153,129
Total	129,955,751

Purchased Power Commitments

The Company and an affiliate, Alabama Power, 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:

	2001	2000	1999
		(in millions)	
Energy	**$52**	$57	$51
Capacity	**30**	30	29
Total	**$82**	$87	$80

The Company has commitments regarding a portion of a 5 percent interest in Plant Vogtle owned by Municipal Electric Authority of Georgia (MEAG) that 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 $59 million, $58 million, and $57 million in 2001, 2000, and 1999, respectively. The current projected Plant Vogtle capacity payments are:

Year	Capacity Payments
	(in millions)
2002	$ 58
2003	59
2004	55
2005	55
2006	55
2007 and beyond	483
Total	$765

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.

The Company has entered into other various long-term commitments for the purchase of electricity. Estimated total long-term obligations at December 31, 2001 were as follows:

Year	Affiliated	Non-Affiliated
	(in millions)	
2002	$ 66	$ 39
2003	123	41
2004	183	40
2005	198	40
2006	197	40
2007 and beyond	1,138	396
Total	$1,905	$596

Operating Leases

The Company has entered into coal rail car rental agreements with various terms and expiration dates. These expenses totaled $14 million for 2001, $16 million for 2000, and $11 million for 1999. At December 31, 2001, estimated minimum rental commitments for these noncancelable operating leases were as follows:

Year	Minimum Obligations
	(in millions)
2002	$ 15
2003	15
2004	15
2005	15
2006	15
2007 and beyond	91
Total	$166

In addition to the rental commitments above, the Company has obligations upon expiration of certain of the rail car leases with respect to the residual value of the leased property. These leases expire in 2004 and 2010, and the Company's maximum obligations are $13 million and $40 million, respectively. At the termination of the leases, at the Company's option, the Company may either exercise its purchase option or the property can be sold to a third party. The Company expects that the fair market value of the leased property would substantially reduce or eliminate the Company's payments under the residual value obligation.

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 $9.5 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 American Nuclear Insurers (ANI), 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 $88 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 $178 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 Electric Insurance Limited (NEIL), a mutual insurer established to provide property damage insurance in an amount up to $500 million for members' nuclear generating facilities.

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 primary coverage. This excess insurance is also provided by NEIL.

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 purchase this coverage, subject to a deductible waiting period of between 8 to 26 weeks, with a maximum per occurrence per unit limit of $490 million. After this deductible period, weekly indemnity payments would be received until either the unit is operational or until the limit is exhausted in approximately three 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 current maximum annual assessments for the Company under the three NEIL policies would be $39 million.

Following the terrorist attacks of September 2001, both ANI and NEIL confirmed that terrorist acts against commercial nuclear power stations would be covered under their insurance. Both companies, however, revised their policy terms on a prospective basis to include an industry aggregate for all terrorist acts. The NEIL aggregate, which applies to all claims stemming from terrorism within a 12 month duration, is $3.24 billion plus any amounts that would be available through reinsurance or indemnity from an outside source. The ANI cap is $200 million in a policy year.

For all on-site property damage insurance policies for commercial nuclear power plants, the NRC requires that the proceeds of such policies should 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.

All retrospective assessments, whether generated for liability, property, or replacement power, may be subject to applicable state premium taxes.

6. JOINT OWNERSHIP AGREEMENTS

Except as otherwise noted, the Company has contracted to operate and maintain all jointly owned generating facilities. The Company jointly owns the Rocky Mountain pumped storage hydroelectric plant with Oglethorpe Power Company who is the operator of the plant. The Company also jointly owns Plant McIntosh with Savannah Electric and Power Company who operates the plant. The Company and Florida Power Corporation (FPC) jointly own a combustion turbine unit (Intercession City) operated by FPC.

The Company includes its proportionate share of plant operating expenses in the corresponding operating expenses in the Statements of Income.

At December 31, 2001, the Company's percentage ownership and investment (exclusive of nuclear fuel) in jointly owned facilities in commercial operation were as follows:

Facility (Type)	Company Ownership	Investment	Accumulated Depreciation
		(in millions)	
Plant Vogtle (nuclear)	45.7%	$3,304	$1,793
Plant Hatch (nuclear)	50.1	881	668
Plant Wansley (coal)	53.5	309	152
Plant Scherer (coal)			
Units 1 and 2	8.4	112	56
Unit 3	75.0	545	221
Plant McIntosh			
Common Facilities (combustion-turbine)	75.0	24	2
Rocky Mountain (pumped storage)	25.4	169	78
Intercession City (combustion-turbine)	33.3	12	1

7. LONG-TERM POWER SALES AGREEMENTS

The Company and the other operating companies 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. These agreements consist of firm unit power sales pertaining to capacity from specific generating units. 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	Revenues	Capacity
	(in millions)	(megawatts)
2001	**$ 26**	**102**
2000	30	124
1999	32	162

Unit power from specific generating plants is being sold to Florida Power & Light Company, FPC, and Jacksonville Electric Authority. Under these agreements, approximately 102 megawatts of capacity is scheduled to be sold annually for periods after 2001 with a minimum of three years notice until the expiration of the contracts in 2010.

8. INCOME TAXES

At December 31, 2001, tax-related regulatory assets were $544 million and tax-related regulatory liabilities were $229 million. The assets are attributable to tax benefits

flowed through to customers in prior years and to taxes applicable to capitalized interest. 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:

	2001	2000	1999
Total provision for income taxes:		(in millions)	
Federal:			
Current	**$352**	$342	$333
Deferred	**(46)**	(34)	(34)
	306	308	299
State:			
Current	**61**	48	54
Deferred	**(8)**	(5)	(6)
Deferred investment tax credits	**5**	10	5
Total	**$364**	$361	$352

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:

	2001	2000
	(in millions)	
Deferred tax liabilities:		
Accelerated depreciation	**$1,722**	$1,755
Property basis differences	**660**	683
Other	**295**	243
Total	**2,677**	2,681
Deferred tax assets:		
Other property basis differences	**178**	189
Federal effect of state deferred taxes	**88**	91
Other deferred costs	**257**	208
Other	**40**	37
Total	**563**	525
Net deferred tax liabilities	**2,114**	2,156
Portion included in current assets	**50**	27
Accumulated deferred income taxes in the Balance Sheets	**$2,164**	$2,183

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 $15 million in 2001, 2000, and 1999. At December 31, 2001, 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:

	2001	2000	1999
Federal statutory rate	**35%**	35%	35%
State income tax, net of federal deduction	**4**	4	4
Non-deductible book depreciation	**2**	2	2
Other	**(4)**	(2)	(2)
Effective income tax rate	**37%**	39%	39%

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. In accordance with Internal Revenue Service regulations, each company is jointly and severally liable for the tax liability.

9. CAPITALIZATION

First Mortgage Bond Indenture Restrictions

The Company's first mortgage bond indenture contains various restrictions that remain in effect as long as the bonds are outstanding. However, the Company expects to discharge its first mortgage bond indenture by spring 2002 and to be released from all indenture requirements. At December 31, 2001, $1.037 billion 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. The Company has no restrictions on the amount of indebtedness it may incur.

Preferred Securities

Statutory business trusts formed by the Company, of which the Company owns all the common securities, have issued mandatorily redeemable preferred securities as follows:

	Date of Issue	Amount	Rate	Notes	Maturity Date
		(millions)		(millions)	
Trust I	8/1996	$225.00	7.75%	$232	6/2036
Trust II	1/1997	175.00	7.60	180	12/2036
Trust III	6/1997	189.25	7.75	195	3/2037
Trust IV	2/1999	200.00	6.85	206	3/2029

Substantially all of the assets of each trust are junior subordinated notes issued by the Company in the respective approximate principal amounts set forth above.

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 the Trusts' payment obligations with respect to the preferred securities.

The Trusts 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 $7.8 million of its first mortgage bonds outstanding at December 31, 2001, which are pledged as security for its obligations under pollution control revenue contracts. The redemption of these securities will occur in March 2002.

Senior Notes

In February 2000, February 2001, and May 2001, the Company issued unsecured senior notes. The proceeds of these issues were used to redeem higher cost long-term debt and to reduce short-term borrowing. The senior notes are, in effect, subordinated to all secured debt of the Company.

Bank Credit Arrangements

At the beginning of 2002, the Company had unused credit arrangements with banks totaling $1.8 billion, of which $1.3 billion expires at various times during 2002 and $500 million expires at April 24, 2003.

Of the total $1.8 billion in unused credit, $1.65 billion is a syndicated credit arrangement with $1.15 billion expiring April 19, 2002 and $500 million expiring April 24, 2003. Upon expiration, the $1.15 billion agreement provides the option of converting borrowings into two-year term loans. Both agreements contain stated borrowing rates but also allow for competitive bid loans. In addition, the agreements require payment of commitment fees based on the unused portions of the commitments. Annual fees are also paid to the agent bank.

Approximately $115 million of the $1.3 billion arrangements expiring during 2002 allow for two-year term loans executable upon the expiration date of the facilities. All of the arrangements include stated borrowing rates but also allow for negotiated rates. These agreements also require payment of commitment fees based on the unused portion of the commitments or the maintenance of compensating balances with the banks. These balances are not legally restricted from withdrawal.

This $1.8 billion in unused credit arrangements provides liquidity support to the Company's variable rate pollution control bonds. The amount of variable rate pollution control bonds outstanding requiring that liquidity support as of December 31, 2001 was $984 million.

In addition, the Company borrows under uncommitted lines of credit with banks and through commercial paper programs that has the liquidity support of committed bank credit arrangements. Average compensating balances held under these committed facilities were not material in 2001. The amount of commercial paper outstanding at December 31, 2001 was $707.6 million

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, 2001 and 2000, the Company had a capitalized lease obligation for its corporate headquarters building of $83 million with an interest rate of 8.1 percent. 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 has been deferred and is being amortized to expense as ordered by the GPSC. At December 31, 2001 and 2000, the interest and lease amortization deferred on the Balance Sheets are $54 million and $55 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. Georgia Power expects to discharge its first mortgage bond indenture by spring 2002 and that the lien will be removed.

Securities Due Within One Year

A summary of the improvement fund requirements and scheduled maturities and redemptions of securities due within one year at December 31 is as follows:

	2001	2000
	(in millions)	
Capital lease	**$ 2**	$2
First mortgage bonds	**2**	-
Pollution control bonds	**8**	-
Senior notes	**300**	-
Total	**$312**	$2

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. However, the Company expects to discharge its first mortgage bond indenture by spring 2002 and to be released from all indenture requirements.

Serial maturities through 2006 applicable to total long-term debt are as follows: $312 million in 2002; $352 million in 2003; $2 million in 2004; $154 million in 2005; and $153 million in 2006.

10. QUARTERLY FINANCIAL DATA (UNAUDITED)

Summarized quarterly financial information for 2001 and 2000 is as follows:

Quarter Ended	Operating Revenues	Operating Income	Net Income After Dividends on Preferred Stock
		(in millions)	
March 2001	**$1,108**	**$249**	**$108**
June 2001	**1,259**	**322**	**163**
September 2001	**1,579**	**515**	**298**
December 2001	**1,020**	**126**	**41**
March 2000	$ 992	$223	$ 94
June 2000	1,221	311	148
September 2000	1,545	537	283
December 2000	1,113	162	34

The Company's business is influenced by seasonal weather conditions.

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SELECTED FINANCIAL AND OPERATING DATA 1997-2001

Georgia Power Company 2001 Annual Report

	2001	2000	1999	1998	1997
Operating Revenues (in thousands)	**$4,965,794**	$4,870,618	$4,456,675	$4,738,253	$4,385,717
Net Income after Dividends on Preferred Stock (in thousands)	**$610,335**	$559,420	$541,383	$570,228	$593,996
Cash Dividends on Common Stock (in thousands)	**$527,300**	$549,600	$543,000	$536,600	$520,000
Return on Average Common Equity (percent)	**14.12**	13.66	14.02	14.61	14.53
Total Assets (in thousands)	**$13,565,941**	$13,075,767	$12,361,860	$12,033,618	$12,573,728
Gross Property Additions (in thousands)	**$1,389,751**	$1,078,163	$790,464	$499,053	$475,921
Capitalization (in thousands):					
Common stock equity	**$4,397,485**	$4,249,544	$3,938,210	$3,784,172	$4,019,728
Preferred stock	**14,569**	14,569	14,952	15,527	157,247
Company obligated mandatorily redeemable preferred securities	**789,250**	789,250	789,250	689,250	689,250
Long-term debt	**2,961,726**	3,041,939	2,688,358	2,744,362	2,982,835
Total (excluding amounts due within one year)	**$8,163,030**	$8,095,302	$7,430,770	$7,233,311	$7,849,060
Capitalization Ratios (percent):					
Common stock equity	**53.9**	52.5	53.0	52.3	51.2
Preferred stock	**0.2**	0.2	0.2	0.2	2.0
Company obligated mandatorily redeemable preferred securities	**9.6**	9.7	10.6	9.5	8.8
Long-term debt	**36.3**	37.6	36.2	38.0	38.0
Total (excluding amounts due within one year)	**100.0**	100.0	100.0	100.0	100.0
Security Ratings:					
First Mortgage Bonds -					
Moody's	A1	A1	A1	A1	A1
Standard and Poor's	A	A	A+	A+	A+
Fitch	AA-	AA-	AA-	AA-	AA-
Preferred Stock -					
Moody's	Baa1	a2	a2	a2	a2
Standard and Poor's	BBB+	BBB+	A-	A	A
Fitch	A	A	A+	A+	A+
Unsecured Long-Term Debt -					
Moody's	A2	A2	A2	A2	A2
Standard and Poor's	A	A	A	A	A
Fitch	A+	A+	A+	A+	A+
Customers (year-end):					
Residential	**1,698,407**	1,669,566	1,632,450	1,596,488	1,561,675
Commercial	**244,674**	237,977	229,524	221,180	211,672
Industrial	**8,046**	8,533	8,958	9,485	9,988
Other	**3,239**	3,159	3,060	3,034	2,748
Total	**1,954,366**	1,919,235	1,873,992	1,830,187	1,786,083
Employees (year-end):	**9,048**	8,860	8,961	8,371	8,354

SELECTED FINANCIAL AND OPERATING DATA 1997-2001 (continued)

Georgia Power Company 2001 Annual Report

	2001	2000	1999	1998	1997
Operating Revenues (in thousands):					
Residential	**$ 1,507,031**	$1,535,684	$ 1,410,099	$ 1,486,699	$ 1,326,787
Commercial	**1,682,918**	1,620,466	1,527,880	1,591,363	1,493,353
Industrial	**1,106,420**	1,154,789	1,143,001	1,170,881	1,110,311
Other	**52,943**	6,399	(30,892)	49,274	47,848
Total retail	**4,349,312**	4,317,338	4,050,088	4,298,217	3,978,299
Sales for resale - non-affiliates	**366,085**	297,643	210,104	259,234	282,365
Sales for resale - affiliates	**99,411**	96,150	76,426	81,606	38,708
Total revenues from sales of electricity	**4,814,808**	4,711,131	4,336,618	4,639,057	4,299,372
Other revenues	**150,986**	159,487	120,057	99,196	86,345
Total	**$4,965,794**	$4,870,618	$4,456,675	$4,738,253	$4,385,717
Kilowatt-Hour Sales (in thousands):					
Residential	**20,119,080**	20,693,481	19,404,709	19,481,486	17,295,022
Commercial	**26,493,255**	25,628,402	23,715,485	22,861,391	21,134,346
Industrial	**25,349,477**	27,543,265	27,300,355	27,283,147	26,701,685
Other	**583,007**	568,906	551,451	543,462	538,163
Total retail	**72,544,819**	74,434,054	70,972,000	70,169,486	65,669,216
Sales for resale - non-affiliates	**8,110,096**	6,463,723	5,060,931	6,438,891	6,795,300
Sales for resale - affiliates	**3,133,485**	2,435,106	1,795,243	2,038,400	1,706,699
Total	**83,788,400**	83,332,883	77,828,174	78,646,777	74,171,215
Average Revenue Per Kilowatt-Hour (cents):					
Residential	**7.49**	7.42	7.27	7.63	7.67
Commercial	**6.35**	6.32	6.44	6.96	7.07
Industrial	**4.36**	4.19	4.19	4.29	4.16
Total retail	**6.00**	5.80	5.71	6.13	6.06
Sales for resale	**4.14**	4.43	4.18	4.02	3.78
Total sales	**5.75**	5.65	5.57	5.90	5.80
Residential Average Annual Kilowatt-Hour Use Per Customer	**11,933**	12,520	12,006	12,314	11,171
Residential Average Annual Revenue Per Customer	**$893.84**	$929.11	$872.48	$939.73	$857.01
Plant Nameplate Capacity Ratings (year-end) (megawatts)	**14,474**	15,114	14,474	14,437	14,437
Maximum Peak-Hour Demand (megawatts):					
Winter	**11,977**	12,014	11,568	11,959	10,407
Summer	**14,294**	14,930	14,575	13,923	13,153
Annual Load Factor (percent)	**61.7**	61.6	58.9	58.7	57.4
Plant Availability (percent):					
Fossil-steam	**88.5**	86.1	84.3	86.0	85.8
Nuclear	**94.4**	91.5	89.3	91.6	88.8
Source of Energy Supply (percent):					
Coal	**58.5**	62.3	63.0	62.3	64.3
Nuclear	**18.1**	17.4	18.0	18.3	18.8
Hydro	**1.1**	0.7	0.9	2.2	2.2
Oil and gas	**0.4**	1.8	1.6	2.2	0.6
Purchased power -					
From non-affiliates	**7.8**	8.1	6.6	6.5	2.7
From affiliates	**14.1**	9.7	9.9	8.5	11.4
Total	**100.0**	100.0	100.0	100.0	100.0

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GULF POWER COMPANY

FINANCIAL SECTION

MANAGEMENT'S REPORT
Gulf Power Company 2001 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 accounting principles generally accepted in the United States 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.

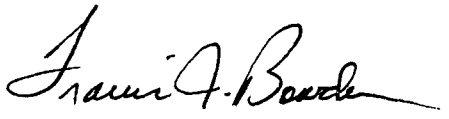
The Company maintains a system of internal accounting controls to provide reasonable assurance that assets are safeguarded and that the accounting records reflect only authorized transactions of the Company. Limitations exist in any system of internal controls, however, based on a recognition that the 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 independent directors, 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 accounting principles generally accepted in the United States.



Travis J. Bowden
President
and Chief Executive Officer

Ronnie R. Labrato
Vice President, Chief Financial Officer
and Comptroller
February 13, 2002

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To 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, 2001 and 2000, and the related statements of income, common stockholder's equity, and cash flows for each of the three years in the period ended December 31, 2001. 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 auditing standards generally accepted in the United States. 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-129 through II-144) referred to above present fairly, in all material respects, the financial position of Gulf Power Company as of December 31, 2001 and 2000, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

As explained in Note 1 to the financial statements, effective January 1, 2001, Gulf Power Company changed its method of accounting for derivative instruments and hedging activities.

Arthur Andersen LLP

Atlanta, Georgia
February 13, 2002

RESULTS OF OPERATIONS

Earnings

Gulf Power Company's 2001 net income after dividends on preferred stock was $58.3 million, an increase of $6.5 million from the previous year. In 2000, earnings were $51.8 million, down $1.9 million when compared to 1999. The increase in earnings in 2001 was due primarily to an increase in Allowance for Funds Used During Construction (AFUDC) and lower interest expense; the decrease in 2000 was primarily a result of expenses related to the discontinuance of the Company's appliance sales division, and higher interest expense.

Revenues

Operating revenues increased in 2001 when compared to 2000. The following table summarizes the change in operating revenues for the past two years:

	Amount	Increase (Decrease) From Prior Year	
	2001	**2001**	2000
		(in thousands)	
Retail --			
Base Revenues	**$340,620**	$4,517	$3,771
Regulatory cost recovery and other	**243,971**	31,434	27,920
Total retail	**584,591**	35,951	31,691
Sales for resale--			
Non-affiliates	**82,252**	15,362	4,536
Affiliates	**27,256**	(39,739)	885
Total sales for resale	**109,508**	(24,377)	5,421
Other operating revenues	**31,104**	(690)	3,108
Total operating revenues	**$725,203**	$10,884	$40,220
Percent change		1.5%	6.0%

Retail revenues increased $36 million, or 6.6 percent in 2001, and $31.7 million or 6.1 percent in 2000, due primarily to the recovery of higher fuel and purchased power costs. Retail base rate revenues increased $4.5 million due to slightly higher energy sales and lower revenues subject to refund. Revenues subject to refund were $1.5 million in 2001 compared to $6.9 million in 2000. See Note 3 to the financial statements under "Retail Revenue Sharing Plan" for further information.

"Regulatory cost recovery and other" includes: recovery provisions for fuel expenses and the energy component of purchased power costs, energy conservation costs, purchased power capacity costs, and environmental compliance costs. Annually, the Company seeks recovery of projected costs plus any true-up amount from prior periods. Approved rates are implemented each January. Therefore, the recovery provisions generally 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 $109.5 million in 2001, a decrease of $24.4 million, or 18.2 percent, from 2000 primarily due to reduced energy sales for resale to affiliates. 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:

	2001	2000	1999
		(in thousands)	
Capacity	**$19,472**	$20,270	$19,792
Energy	**27,579**	21,922	20,251
Total	**$47,051**	$42,192	$40,043

Capacity revenues remained relatively unchanged during 2001 and 2000.

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.

Other operating revenues for 2000 increased due primarily to higher franchise fees and higher revenues from the transmission of electricity to others.

Energy Sales

Kilowatt-hour sales for 2001 and the percent changes by year were as follows:

	KWH	Percent Change	
	2001	2001	2000
	(millions)		
Residential	4,716	(1.5)%	7.1%
Commercial	3,418	1.2	4.9
Industrial	2,018	4.8	4.3
Other	21	10.5	0.0
Total retail	10,173	0.6	5.8
Sales for resale			
Non-affiliates	2,093	22.8	9.2
Affiliates	963	(49.8)	(23.7)
Total	13,229	(3.7)	0.7

Total retail energy sales increased in both 2001 and 2000 primarily due to an increase in the total number of customers.

An increase in energy sales for resale to non-affiliates of 22.8 percent in 2001 when compared to 2000 is primarily 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 depending on demand and availability and cost of generating resources at each company.

Expenses

Total operating expenses in 2001 increased $13.5 million, or 2.3 percent, over the amount recorded in 2000 due primarily to higher purchased power expenses and maintenance expenses. In 2000, total operating expenses increased $39.5 million, or 7.1 percent, compared to 1999 due primarily to higher fuel and purchased power expenses.

Fuel expenses in 2001, when compared to 2000, decreased $15.1 million, or 7.0 percent, due primarily to decreased generation, while average fuel costs increased as noted below. In 2000, fuel expenses increased $6.7 million, or 3.2 percent, when compared to 1999. The increase in 2000 was a result of an increase in average fuel costs.

The amount and sources of generation and the average cost of fuel per net kilowatt-hour generated were as follows:

	2001	2000	1999
Total generation (millions of kilowatt-hours)	11,423	12,866	13,095
Sources of generation (percent)			
Coal	99.0	98.2	97.4
Oil and gas	1.0	1.8	2.6
Average cost of fuel per net kilowatt-hour generated (cents)--	1.76	1.68	1.60

Purchased power expenses increased in 2001 by $23.8 million, or 28.8 percent, over 2000 primarily due to an increase in purchased power from affiliate companies. Purchased power expenses for 2000 increased over 1999 by $25.5 million, or 44.7 percent, due primarily to a higher demand for energy.

Purchases of energy from affiliates will vary from year to year depending on demand and the availability and cost of generating resources at each company. These purchases have little impact on earnings.

Depreciation and amortization expense increased $1.3 million, or 2.0 percent, in 2001, and $2.3 million, or 3.5 percent, in 2000 due to an increase in depreciable property and the amortization of a portion of a regulatory asset, which was allowed in the current retail revenue sharing plan.

Other income, net increased in 2001 by $6.8 million compared to 2000 due primarily to higher allowance for equity funds used during construction related to the Company's new combined cycle unit. In 2000, other income, net decreased $2.8 million due primarily to expenses related to the discontinuance of the Company's appliance sales division. See Note 1 to the financial statements under "Other Income" for further information.

Interest expense, net decreased $3.1 million, or 10.9 percent, in 2001 due primarily to higher allowance for debt funds used during construction related to the Company's new combined cycle unit, as well as lower interest rates on notes payable and variable rate pollution control bonds. These decreases were partially offset by the issuance of $60 million of senior notes in August 2001 and $75 million of senior notes in October 2001. In 2000,

interest expense, net increased $1.2 million, or 4.6 percent, due primarily to the issuance of $50 million of senior notes in August 1999.

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 utility plant with long economic lives. 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 securities. Any recognition of inflation by regulatory authorities is reflected in the rate of return allowed.

Future Earnings Potential

General

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. The major factor is the ability to achieve energy sales growth while containing costs in a more competitive environment.

In accordance with Financial Accounting Standards Board (FASB) Statement No. 87, Employers' Accounting for Pensions, the Company recorded non-cash income of approximately $5.9 million in 2001. Future pension income is dependent on several factors including trust earnings and changes to the plan.

The 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.

The Company currently operates as a vertically integrated utility providing electricity to customers within its traditional service area located in northwest Florida. Prices for electricity provided by the Company to retail customers are set by the Florida Public Service Commission (FPSC).

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 the rate of economic growth in the Company's service area, weather, competition, changes in contracts with neighboring utilities, the elasticity of demand, and energy conservation practiced by the Company's customers. The Company is actively pursuing additional earnings through unregulated new products and services.

In early 1999, the FPSC staff and the Company became involved in discussions primarily related to reducing the Company's authorized rate of return. On October 1, 1999, the Office of Public Counsel, the Coalition for Equitable Rates, the Florida Industrial Power Users Group, and the Company jointly filed a petition to resolve the issues. The stipulation included a reduction to retail base rates of $10 million annually and provides for revenues to be shared within set ranges for 1999 through 2002. Customers receive two-thirds of any revenue within the sharing range and the Company retains one-third. Any revenue above this range is refunded to the customers. The stipulation also included authorization for the Company, at its discretion, to accrue up to an additional $5 million to the property insurance reserve and $1 million to amortize a regulatory asset related to the corporate office. The Company also filed a request to prospectively reduce its authorized return on equity (ROE) range from 11 to 13 percent to 10.5 to 12.5 percent in order to help ensure that the FPSC would approve the stipulation. The FPSC approved both the stipulation and the ROE request with an effective date of November 4, 1999.

On September 10, 2001, the Company filed a request with the FPSC for a base rate increase of approximately $70 million, the majority of which is needed to recover costs related to the Smith Unit 3 combined cycle facility currently under construction and scheduled to be placed in service by June 2002. Hearings are scheduled for February 25 through March 1, 2002 with a decision expected in early May 2002 and new rates effective June 6, 2002.

For calendar year 2001, the Company's retail revenue range for sharing was $358 million to $374 million. Actual retail revenues in 2001 were $360.3 million and the Company recorded revenues subject to refund of $1.5 million. The estimated refund with interest was reflected in customer billings in February 2002. For calendar year 2002, there are specified sharing ranges for each month from the expected in-service date of Smith Unit 3 until the

end of the year. The sharing plan will expire at the earlier of the in-service date of Smith Unit 3 or December 31, 2002.

Compliance costs related to current and future environmental laws and regulations 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, 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."

Industry Restructuring

The electric utility industry in the United States is continuing to evolve as a result of regulatory and competitive factors. Among the primary agents of change has been the Energy Policy Act of 1992 (Energy Act). 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.

Although the Energy Act does not permit retail customer access, it has been a major catalyst for recent restructuring and consolidations taking place within the utility industry. Numerous federal and state initiatives are in varying stages to promote wholesale and retail competition. Among other things, these initiatives allow customers to choose their electricity provider. Some states have approved initiatives that result in a separation of the ownership and/or operation of generating facilities from the ownership and/or operation of transmission and distribution facilities. While various restructuring and competition initiatives have been discussed in Florida, none have been enacted. Enactment would require numerous issues to be resolved, including significant ones relating to recovery of any stranded investments, full cost recovery of energy produced, and other issues related to the energy crisis that occurred in California. As a result of that crisis, many states have either discontinued or delayed implementation of initiatives involving retail deregulation.

In 2000, Florida's Governor appointed a 17 member study commission to look at the state's electric industry, studying issues ranging from current and future reliability of electric and natural gas supply, electric industry retail and wholesale competition, environmental impacts of energy supply, conservation, and tax issues. A deadline of December 1, 2001 was set for the commission's final report and recommendations to the Governor and the Legislature. During the course of the study, the Stranded Investment Task Force Subcommittee recommended a discretionary transfer approach regarding the transfer or sale of generation assets by an investor owned utility (IOU). This would allow all new generation to be competitively bid while allowing IOU's to transfer generation units to an affiliate or sell generation units and share proceeds with both shareholders and consumers. Merchants would also be allowed to compete in this restructured wholesale market. This recommendation was approved during the final meeting of the study commission on November 15, 2001 and has been incorporated into the final report. The final report, entitled "Florida...Energy Wise" was presented on December 11, 2001 to the Governor and the Legislature. Any recommendations from the commission will have to be drafted and voted into law by the Legislature. This is unlikely to occur in the upcoming 2002 legislative session. The effects of any proposed changes cannot presently be determined, but could have a material effect on the Company's financial condition and results of operations.

Continuing to be a low-cost producer could provide opportunities to increase market share and profitability in markets that evolve with changing regulation. Conversely, if the Company does not remain a low-cost producer and provide quality service, then energy sales growth could be limited, and this could significantly erode earnings.

In December 1999, the Federal Energy Regulatory Commission (FERC) issued its final rule on Regional Transmission Organizations (RTOs). The order encouraged utilities owning transmission systems to form RTOs on a voluntary basis. Southern Company has submitted a series of status reports informing the FERC of progress toward the development of a Southeastern RTO. In these status reports, Southern Company explained that it is developing a for profit RTO known as SeTrans with a number of non-jurisdictional cooperative and public power entities. Recently, Entergy

Corporation and Cleco Power joined the SeTrans development process. In January 2002, the sponsors of SeTrans held a public meeting to form a Stakeholder Advisory Committee, which will participate in the development of the SeTrans RTO. Southern Company continues to work with the other sponsors to develop the SeTrans RTO. The creation of SeTrans is not expected to have a material impact on the Company's financial statements. The outcome of this matter cannot now be determined.

Accounting Policies

Critical Policy

Gulf Power Company's significant accounting policies are described in Note 1 to the financial statements. The Company's most critical accounting policy involves rate regulation. 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 that are not specifically recoverable, and determine if any other assets have been impaired. See Note 1 to the financial statements under "Regulatory Assets and Liabilities" for additional information.

New Accounting Standards

Effective January 2001, the Company adopted FASB Statement No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended. Statement No. 133 establishes accounting and reporting standards for derivative instruments and for hedging activities. This statement requires that certain derivative instruments be recorded in the balance sheet as either an asset or liability measured at fair value and that changes in the fair value be recognized currently in earnings unless specific hedge accounting criteria are met. The impact on net income in 2001 was not material. (See Note 1 to the financial statements under "Financial Instruments" for additional information). An additional interpretation of Statement No. 133 will result in a change -- effective April 1, 2002 -- in accounting for certain contracts related to fuel supplies that contain quantity options. These contracts will be accounted for as derivatives and marked to market. However, due to the existence of specific cost-based fuel recovery clauses for the Company, this change is not expected to have a material impact on net income.

In June 2001, the FASB issued Statement No. 142, Goodwill and Other Intangible Assets, which establishes new accounting and reporting standards for acquired goodwill and other intangible assets and supersedes Accounting Principles Board Opinion No. 17. Statement No. 142 addresses how intangible assets that are acquired individually or with a group of other assets -- but not those acquired in a business combination -- should be accounted for upon acquisition and on an ongoing basis. Goodwill and intangible assets that have indefinite useful lives will not be amortized but rather will be tested at least annually for impairment. Intangible assets that have finite useful lives will continue to be amortized over their useful lives, which are no longer limited to 40 years. The Company adopted Statement No. 142 in January 2002 with no material impact on the financial statements.

Also in June 2001, the FASB issued Statement No. 143, Asset Retirement Obligations, which establishes new accounting and reporting standards for legal obligations associated with retiring assets, including decommissioning of nuclear plants. The liability for an asset's future retirement must be recorded in the period in which the liability is incurred. The cost must be capitalized as part of the related long-lived asset and depreciated over the asset's useful life. Changes in the liability resulting from the passage of time will be recognized as operating expenses. Statement No. 143 must be adopted by January 1, 2003. The Company has not yet quantified the impact of adopting Statement No. 143 on its financial statements.

FINANCIAL CONDITION

Overview

During 2001, gross property additions were $274.7 million. Funds for the Company's property additions were provided by operating activities and additional financings, which were utilized to finance the construction of the Company's new combined cycle unit. See the Statements of Cash Flows for further details.

Credit Rating Risk

The Company does not have any credit agreements that would require material changes in payment schedules or terminations as a result of a credit rating downgrade.

Exposure to Market Risks

Due to cost-based rate regulations, the Company has limited exposure to market volatility in interest rates, commodity fuel prices, and prices of electricity. To mitigate residual risks relative to movements in electricity prices, the Company enters into fixed price contracts for the purchase and sale of electricity through the wholesale electricity market and, to a lesser extent, similar contracts for gas purchases. Realized gains and losses are recognized in the income statement as incurred. At December 31, 2001, exposure from these activities was not material. Fair value of changes in energy trading contracts and year-end valuations are as follows:

	Changes During the Year
	Fair Value
	(in thousands)
Contracts beginning of year	**$110**
Contracts realized or settled	**(100)**
New contracts at inception	**–**
Changes in valuation techniques	**–**
Current period changes	**(120)**
Contracts end of year	**$(110)**

	Source of Year-End Valuation Prices		
	Total	Maturity	
	Fair Value	Year 1	1-3 Years
		(in thousands)	
Actively quoted	**$(110)**	**$(102)**	**$(8)**
External sources	-	-	-
Models and other methods	-	-	-
Contracts end of year	**$(110)**	**$(102)**	**$(8)**

If the Company sustained a 100 basis point change in interest rates for all variable rate long-term debt, the change would affect annualized interest expense by approximately $0.61 million at December 31, 2001.

Financing Activities

In 2001, the Company sold $135 million of senior notes and $30 million of trust preferred securities and used the proceeds to retire $30 million of first mortgage bonds and to pay for construction of the Company's new combined cycle unit. In 2000, there were no issuances or retirements of long-term debt. See the Statements of Cash Flows for further details.

Composite financing rates for the years 1999 through 2001 as of year end were as follows:

	2001	2000	1999
Composite interest rate on long-term debt	**5.6%**	6.2%	6.0%
Composite rate on trust preferred securities	**7.2%**	7.3%	7.3%
Composite preferred stock dividend rate	**5.1%**	5.1%	5.1%

The composite interest rate on long-term debt decreased in 2001 due to lower interest rates on variable rate pollution control bonds and lower rates on new senior notes.

Capital Requirements for Construction

The Company's gross property additions, including those amounts related to environmental compliance, are budgeted at $282 million for the three years beginning in 2002 ($103 million in 2002, $72 million in 2003, and $107 million in 2004). These amounts include $24.3 million in 2002 for the remaining cost of a 574 megawatt combined cycle gas generating unit and related interconnections to be located in the eastern portion of the Company's service area. The unit is expected to have an in-service date of June 2002. The remaining property additions budget is primarily for maintaining and upgrading transmission and distribution facilities and generating plants. Actual construction costs may vary from this estimate because of changes in such factors as the following: 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.

Other Capital Requirements

The Company will continue to retire higher-cost debt and preferred securities and replace these securities with lower-cost capital as market conditions and terms of the instruments permit.

Future note maturities, operating lease obligations, and purchase commitments – discussed in notes 4 and 8 to the financial statements -- are as follows:

	2002	2003	2004
		(in millions)	
Bonds –			
First mortgage	$ –	$ –	$ –
Pollution control	–	–	–
Notes	–	61	51
Leases –			
Capital	–	–	–
Operating	2	2	2
Purchase commitments			
Fuel	140	109	112
Purchased power	2	1	1

At the beginning of 2002, the Company had not used any of its available credit arrangements. Credit arrangements are as follows:

		Expires	
Total	Unused	2002	2003 & beyond
		(in millions)	
$103	$103	$103	$ –

Environmental Matters

In November 1990, the Clean Air Act Amendments of 1990 (Clean Air Act) was signed into law. Title IV of the Clean Air Act -- the acid rain compliance provision of the law -- significantly affected the Company. Specific reductions in sulfur dioxide and nitrogen oxide emissions from fossil-fired generating plants were required in two phases. Phase I compliance began in 1995. Southern Company achieved Phase I compliance at the affected plants by primarily switching to low-sulfur coal and with some equipment upgrades. Construction expenditures for Phase I nitrogen oxide and sulfur dioxide emissions compliance totaled approximately $42 million for the Company. Phase II sulfur dioxide compliance was required in 2000. Southern Company used emission allowances and fuel switching to comply with Phase II requirements. Also, equipment to control nitrogen oxide emissions was installed on additional system fossil-fired units as necessary to meet Phase II limits and ozone non-attainment requirements for metropolitan Atlanta through 2000. Phase II compliance did not have a material impact on the Company.

A significant portion of costs related to the acid rain and ozone non-attainment provisions 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.

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.

In July 1997, the Environmental Protection Agency (EPA) revised the national ambient air quality standards for ozone and particulate matter. This revision made the standards significantly more stringent. In the subsequent litigation of these standards, the U.S. Supreme Court found the EPA's implementation program for the new ozone standard unlawful and remanded it to the EPA. In addition, the Federal District of Columbia Circuit Court of Appeals is considering other legal challenges to these standards. If the standards are eventually upheld, implementation could be required by 2007 to 2010.

In September 1998, the EPA issued regional nitrogen oxide reduction rule to the states for implementation. Compliance is required by May 31, 2004 for most states, but for Georgia, further ratemaking is required and compliance may be delayed until May 2005. The final rule affects 21 states, including Georgia, but not Florida. See Note 5 to the financial statements under "Joint Ownership Agreements" related to the Company's ownership interest in Georgia Power's Plant Scherer Unit No. 3. The EPA is presently evaluating whether to bring an additional 15 states, not including Florida, under this regional nitrogen oxide rule.

In December 2000, the EPA completed its utility study for mercury and other hazardous air pollutants (HAPS) and issued a determination that an emission control program for mercury and, perhaps, other HAPS is warranted. The program is to be developed over the next four years under the Maximum Achievable Control Technology provisions of the Clean Air Act, and the regulations are scheduled to be finalized by the end of 2004 with implementation to take place around 2007. In January 2001, the EPA proposed guidance for the

determination of Best Available Retrofit Technology (BART) emission controls under the Regional Haze Regulations. Installation of BART controls is expected to take place around 2010. Litigation of the Regional Haze Regulations, including the BART provisions, is ongoing in the Federal District of Columbia Circuit Court of Appeals. A court decision is expected in mid-2002.

Implementation of the final state rules for these initiatives could require substantial further reductions in nitrogen oxide and sulfur dioxide and reductions in mercury and other HAPS emissions from fossil-fired generating facilities and other industries in these states. Additional compliance costs and capital expenditures resulting from the implementation of these rules and standards cannot be determined until the results of legal challenges are known, and the states have adopted their final rules.

In October 1997, EPA issued regulations setting forth requirements for Compliance Assurance Monitoring (CAM) in its state and federal operating permit programs. These regulations were amended by EPA in March 2001 in response to a court order resolving challenges to the rules brought by environmental groups and industry. Generally, this rule affects the operation and maintenance of electrostatic precipitators and could involve significant additional ongoing expense.

The EPA and state environmental regulatory agencies are also reviewing and evaluating various other matters including: control strategies to reduce regional haze; limits on pollutant discharges to impaired waters; cooling water intake restrictions; and hazardous waste disposal requirements. The impact of any new standards will depend on the development and implementation of applicable regulations.

On November 3, 1999, the EPA brought a civil action in the U.S. District Court against Alabama Power, Georgia Power, and the system service company. The complaint alleges violations of the prevention of significant deterioration and new source review provisions of the Clean Air Act with respect to five coal-fired generating facilities in Alabama and Georgia. The civil action requests penalties and injunctive relief, including an order requiring the installation of the best available control technology at the affected units. The EPA concurrently issued to the integrated Southeast utilities a notice of violation related to 10 generating facilities, including the five facilities mentioned previously and the Company's Plants Crist and Scherer. For additional information, see Note 5 to the financial statements under "Joint Ownership Agreements" related to the Company's ownership interest in Georgia Power's Plant Scherer Unit No. 3. In early 2000, the EPA filed a motion to amend its complaint to add the violations alleged in its notice of violation, and to add the Company, Mississippi Power, and Savannah Electric as defendants. The complaint and notice of violation are similar to those brought against and issued to several other electric utilities. These complaints and notices of violation allege that the utilities had failed to secure necessary permits or install additional pollution control equipment when performing maintenance and construction at coal burning plants constructed or under construction prior to 1978. The U.S. District Court granted Alabama Power's motion to dismiss for lack of jurisdiction in Georgia and granted the system service company's motion to dismiss on the grounds that it neither owned nor operated the generating units involved in the proceedings. The court directed the EPA to re-file its amended complaint limiting claims to those brought against Georgia Power and Savannah Electric. The EPA re-filed those claims as directed by the court. Also, the EPA re-filed its claims against Alabama Power in U.S. District Court in Alabama. It has not re-filed against the Company, Mississippi Power, or the system service company. The Alabama Power, Georgia Power, and Savannah Electric cases have been stayed since the spring of 2001, pending a ruling by the U.S. Court of Appeals for the Eleventh Circuit in the appeal of a very similar New Source Review enforcement action against the Tennessee Valley Authority (TVA). The TVA case involves many of the same legal issues raised by the actions against Alabama Power, Georgia Power, and Savannah Electric. Because the outcome of the TVA case could have a significant adverse impact on Alabama Power and Georgia Power, both companies are parties to that case as well. The U.S. District Court in Alabama has indicated that it will revisit the issue of a continued stay in April 2002. The U.S. District Court in Georgia is currently considering a motion by the EPA to reopen the Georgia case. Georgia Power and Savannah Electric have opposed that motion.

The Company believes that it has complied with applicable laws and the EPA's regulations and interpretations in effect at the time the work in question took place. The Clean Air Act authorizes civil penalties of up to $27,500 per day per violation at each generating unit. Prior to January 30, 1997, the penalty was $25,000 per day. An adverse outcome of this matter could require

substantial capital expenditures that cannot be determined at this time and possibly require payment of substantial penalties. This could affect future results of operations, cash flows, and possibly financial condition if such costs are not recovered through regulated rates.

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. 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, 2001, the Company had approximately $2.2 million of cash and cash equivalents and $2.6 million of unused commercial paper backed by lines of credit with banks to meet its short-term cash needs. See the Statements of Cash Flows for details related to the Company's financing activities. See Note 8 to the financial statements under "Bank Credit Arrangements" for additional information.

The Company may also meet short-term cash needs through a Southern Company subsidiary organized to issue and sell commercial paper at the request and for the benefit of the Company and the other Southern Company operating companies. At December 31, 2001, the Company had outstanding $37.4 million of commercial paper.

The Company historically has relied on issuances of first mortgage bonds and preferred stock, in addition to pollution control bonds issued for its benefit by public authorities, to meet its long-term external financing requirements. Recently, the Company's financings have consisted of unsecured debt and trust preferred securities. The Company has no restrictions on the amounts of unsecured indebtedness it may incur. However, in order to issue first mortgage bonds or preferred stock, the Company is required to meet certain coverage requirements specified in its mortgage indenture and corporate charter. 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.

Cautionary Statement Regarding Forward-Looking Information

The Company's 2001 Annual Report contains forward looking and historical information. In some cases, forward-looking statements can be identified by terminology such as "may," "will," "could," "should," "expects," "plans," "anticipates," "believes," "estimates," "projects," "predicts," "potential" or "continue" or the negative of these terms or other comparable terminology. The Company cautions that there are various important factors that could cause actual results to differ materially from those indicated in the forward-looking statements; accordingly, there can be no assurance that such indicated results will be realized. These factors include the impact of recent and future federal and state regulatory change, including legislative and regulatory initiatives regarding deregulation and restructuring of the electric utility industry and also changes in environmental and other laws and regulations to which the Company is subject, as well as changes in application of existing laws and regulations; current and future litigation, including the pending EPA civil action; the effects, extent, and timing of the entry of additional competition in the markets of the Company; the impact of fluctuations in commodity prices, interest rates and customer demand; state and federal rate regulations; political, legal, and economic conditions and developments in the United States; the performance of projects undertaken by the non-traditional business and the success of efforts to

invest in and develop new opportunities; internal restructuring or other restructuring options that may be pursued; potential business strategies, including acquisitions or dispositions of assets or businesses, which cannot be assured to be completed or beneficial to the Company the effects of, and changes in, economic conditions in the Company's service territory; the direct or indirect effects on the Company's business resulting from the terrorist incident on September 11, 2001, or any similar such incidents or responses to such incidents; the timing and acceptance of the Company's new product and services offerings; financial market conditions and the results of financing efforts; weather and other natural phenomena; the ability of the Company to obtain additional generating capacity at competitive prices; and other factors discussed elsewhere herein and in other reports (including Form 10-K) filed from time to time by the Company with the Securities and Exchange Commission.

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STATEMENTS OF INCOME
For the Years Ended December 31, 2001, 2000, and 1999
Gulf Power Company 2001 Annual Report

	2001	2000	1999
		(in thousands)	
Operating Revenues:			
Retail sales	**$584,591**	$548,640	$516,949
Sales for resale --			
Non-affiliates	**82,252**	66,890	62,354
Affiliates	**27,256**	66,995	66,110
Other revenues	**31,104**	31,794	28,686
Total operating revenues	**725,203**	714,319	674,099
Operating Expenses:			
Operation --			
Fuel	**200,633**	215,744	209,031
Purchased power --			
Non-affiliates	**65,585**	73,846	46,332
Affiliates	**40,660**	8,644	10,703
Other	**117,394**	117,146	114,670
Maintenance	**60,193**	56,281	57,830
Depreciation and amortization	**68,218**	66,873	64,589
Taxes other than income taxes	**55,261**	55,904	51,782
Total operating expenses	**607,944**	594,438	554,937
Operating Income	**117,259**	119,881	119,162
Other Income (Expense):			
Interest income	**1,258**	1,137	1,771
Other, net	**2,710**	(4,126)	(1,357)
Earnings Before Interest and Income Taxes	**121,227**	116,892	119,576
Interest and Other:			
Interest expense, net	**25,034**	28,085	26,861
Distributions on preferred securities of subsidiary	**6,477**	6,200	6,200
Total interest charges and other, net	**31,511**	34,285	33,061
Earnings Before Income Taxes	**89,716**	82,607	86,515
Income taxes (Note 7)	**31,260**	30,530	32,631
Earnings Before Cumulative Effect of Accounting Change	**58,456**	52,077	53,884
Cumulative effect of accounting change-- less income taxes of $42 thousand	**68**	-	-
Net Income	**58,524**	52,077	53,884
Dividends on Preferred Stock	**217**	234	217
Net Income After Dividends on Preferred Stock	**$ 58,307**	$ 51,843	$ 53,667

The accompanying notes are an integral part of these statements.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2001, 2000, and 1999
Gulf Power Company 2001 Annual Report

	2001	2000	1999
		(in thousands)	
Operating Activities:			
Net income	$ **58,524**	$ 52,077	$ 53,884
Adjustments to reconcile net income to net cash provided from operating activities --			
Depreciation and amortization	**72,320**	69,915	68,721
Deferred income taxes, net	**3,394**	(12,516)	(6,609)
Other, net	**(1,804)**	10,686	3,735
Changes in certain current assets and liabilities --			
Receivables, net	**15,991**	(20,212)	(10,484)
Fossil fuel stock	**(30,887)**	13,101	(5,656)
Materials and supplies	**176**	1,055	(2,063)
Accounts payable	**(14,492)**	15,924	(2,023)
Provision for rate refund	**1,530**	7,203	-
Other	**(31,249)**	12,521	7,030
Net cash provided from operating activities	**73,503**	149,754	106,535
Investing Activities:			
Gross property additions	**(274,668)**	(95,807)	(69,798)
Other	**5,290**	(4,432)	(8,856)
Net cash used for investing activities	**(269,378)**	(100,239)	(78,654)
Financing Activities:			
Increase (decrease) in notes payable, net	**44,311**	(12,000)	23,500
Proceeds --			
Other long-term debt	**135,000**	-	50,000
Preferred securities	**30,000**	-	-
Capital contributions from parent company	**72,484**	12,222	2,294
Retirements --			
First mortgage bonds	**(30,000)**	-	-
Other long-term debt	**(862)**	(1,853)	(27,074)
Preferred stock	**-**	-	-
Payment of preferred stock dividends	**(217)**	(234)	(271)
Payment of common stock dividends	**(53,275)**	(59,000)	(61,300)
Other	**(3,703)**	(22)	(246)
Net cash provided from (used for) financing activities	**193,738**	(60,887)	(13,097)
Net Change in Cash and Cash Equivalents	**(2,137)**	(11,372)	14,784
Cash and Cash Equivalents at Beginning of Period	**4,381**	15,753	969
Cash and Cash Equivalents at End of Period	$ **2,244**	$ 4,381	$ 15,753
Supplemental Cash Flow Information:			
Cash paid during the period for --			
Interest (net of amount capitalized)	**$30,813**	$32,277	$27,670
Income taxes (net of refunds)	**33,349**	42,252	29,462

The accompanying notes are an integral part of these statements.

BALANCE SHEETS
At December 31, 2001 and 2000
Gulf Power Company 2001 Annual Report

Assets	2001	2000
		(in thousands)
Current Assets:		
Cash and cash equivalents	**$ 2,244**	$ 4,381
Receivables --		
Customer accounts receivable	**64,113**	69,820
Other accounts and notes receivable	**4,316**	2,179
Affiliated companies	**2,689**	15,026
Accumulated provision for uncollectible accounts	**(1,342)**	(1,302)
Fossil fuel stock, at average cost	**47,655**	16,768
Materials and supplies, at average cost	**28,857**	29,033
Regulatory clauses under recovery	**24,912**	2,112
Other	**12,662**	6,543
Total current assets	**186,106**	144,560
Property, Plant, and Equipment:		
In service	**1,951,512**	1,892,023
Less accumulated provision for depreciation	**912,581**	867,260
	1,038,931	1,024,763
Construction work in progress	**264,525**	71,008
Total property, plant, and equipment	**1,303,456**	1,095,771
Other Property and Investments	**7,049**	4,510
Deferred Charges and Other Assets:		
Deferred charges related to income taxes (Note 7)	**16,766**	15,963
Prepaid pension costs (Note 2)	**26,364**	20,058
Debt expense, being amortized	**3,036**	2,392
Premium on reacquired debt, being amortized	**14,518**	15,866
Other	**12,222**	12,944
Total deferred charges and other assets	**72,906**	67,223
Total Assets	**$1,569,517**	$1,312,064

The accompanying notes are an integral part of these balance sheets.

BALANCE SHEETS
At December 31, 2001 and 2000
Gulf Power Company 2001 Annual Report

Liabilities and Stockholder's Equity	2001	2000
		(in thousands)
Current Liabilities:		
Notes payable	**$ 87,311**	$ 43,000
Accounts payable --		
Affiliated	**18,202**	17,558
Other	**38,308**	38,153
Customer deposits	**14,506**	13,474
Taxes accrued --		
Income taxes	**8,162**	3,864
Other	**8,053**	8,749
Interest accrued	**8,305**	8,324
Provision for rate refund	**1,530**	7,203
Vacation pay accrued	**4,725**	4,512
Regulatory clauses over recovery	**3,719**	6,848
Other	**6,528**	1,584
Total current liabilities	**199,349**	153,269
Long-term debt (See accompanying statements)	**467,784**	365,993
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes (Note 7)	**161,968**	155,074
Deferred credits related to income taxes (Note 7)	**28,293**	38,255
Accumulated deferred investment tax credits	**24,056**	25,792
Employee benefits provisions	**37,892**	31,075
Other	**26,045**	25,992
Total deferred credits and other liabilities	**278,254**	276,188
Company obligated mandatorily redeemable preferred securities of subsidiary trusts holding company junior subordinated notes (See accompanying statements)	**115,000**	85,000
Preferred stock (See accompanying statements)	**4,236**	4,236
Common stockholder's equity (See accompanying statements)	**504,894**	427,378
Total Liabilities and Stockholder's Equity	**$1,569,517**	$1,312,064

The accompanying notes are an integral part of these balance sheets.

STATEMENTS OF CAPITALIZATION
At December 31, 2001 and 2000
Gulf Power Company 2001 Annual Report

		2001	2000	2001	2000
			(in thousands)	*(percent of total)*	
Long Term Debt:					
First mortgage bonds --					
Maturity	Interest Rates				
July 1, 2003	6.125%	$ -	$ 30,000		
November 1, 2006	6.50%	**25,000**	25,000		
January 1, 2026	6.875%	**30,000**	30,000		
Total first mortgage bonds		**55,000**	85,000		
Long-term notes payable --					
4.69% due August 1, 2003		**60,000**	-		
7.05% due August 15, 2004		**50,000**	50,000		
6.10% due September 30, 2016		**75,000**	-		
7.50% due June 30, 2037		**20,000**	20,000		
6.70% due June 30, 2038		**47,211**	48,073		
Total long-term notes payable		**252,211**	118,073		
Other long-term debt --					
Pollution control revenue bonds --					
Collateralized:					
5.25% to 6.30% due 2006-2026		**108,700**	108,700		
Non-collateralized:					
Variable rates (1.75% to 1.95% at 1/1/02) due 2022-2024		**60,930**	60,930		
Total other long-term debt		**169,630**	169,630		
Unamortized debt premium (discount), net		**(9,057)**	(6,710)		
Total long-term debt (annual interest requirement -- $29.2 million)		**467,784**	365,993	**42.9%**	41.5%
Cumulative Preferred Stock:					
$100 par value, 4.64% to 5.44%		**4,236**	4,236		
Total (annual dividend requirement -- $0.2 million)		**4,236**	4,236	**0.4%**	0.5%
Company Obligated Mandatorily Redeemable Preferred Securities:					
$25 liquidation value --					
7.00%		**45,000**	45,000		
7.38%		**30,000**	-		
7.63%		**40,000**	40,000		
Total (annual distribution requirement -- $8.4 million)		**115,000**	**85,000**	**10.5%**	9.6%
Common Stockholder's Equity:					
Common stock, without par value --					
Authorized and outstanding - 992,717 shares in 2001 and 2000		**38,060**	38,060		
Paid-in capital		**305,960**	233,476		
Premium on preferred stock		**12**	12		
Retained earnings		**160,862**	155,830		
Total common stockholder's equity		**504,894**	427,378	**46.2%**	48.4%
Total Capitalization		**$1,091,914**	$882,607	**100.0%**	100.0%

The accompanying notes are an integral part of these statements.

STATEMENTS OF COMMON STOCKHOLDER'S EQUITY

For the Years Ended December 31, 2001, 2000, and 1999
Gulf Power Company 2001 Annual Report

	Common Stock	Paid-In Capital	Premium on Preferred Stock	Retained Earnings	Total
			(in thousands)		
Balance at January 1, 1999	$38,060	$218,960	$12	$170,620	$427,652
Net income after dividends on preferred stock	-	-	-	53,667	53,667
Capital contributions from parent company	-	2,294	-	-	2,294
Cash dividends on common stock	-	-	-	(51,300)	(51,300)
Other	-	-	-	(10,000)	(10,000)
Balance at December 31, 1999	38,060	221,254	12	162,987	422,313
Net income after dividends on preferred stock	-	-	-	51,843	51,843
Capital contributions from parent company	-	12,222	-	-	12,222
Cash dividends on common stock	-	-	-	(59,000)	(59,000)
Balance at December 31, 2000	38,060	233,476	12	155,830	427,378
Net income after dividends on preferred stock	-	-	-	**58,307**	**58,307**
Capital contributions from parent company	-	**72,484**	-	-	**72,484**
Cash dividends on common stock	-	-	-	**(53,275)**	**(53,275)**
Balance at December 31, 2001	**$38,060**	**$305,960**	**$12**	**$160,862**	**$504,894**

The accompanying notes are an integral part of these statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Gulf Power Company (Company) is a wholly owned subsidiary of Southern Company, which is the parent company of five operating companies, a system service company (SCS), Southern Communications Services (Southern LINC), Southern Nuclear Operating Company (Southern Nuclear), Southern Power Company (Southern Power), 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 -- related to jointly owned generating facilities, interconnecting transmission lines, and the exchange of electric power -- are regulated by the Federal Energy Regulatory Commission (FERC) and/or the Securities and Exchange Commission. SCS provides, at cost, specialized services to Southern Company and subsidiary companies. Southern LINC provides digital wireless communications services to the operating companies and also markets these services to the public within the Southeast. Southern Nuclear provides services to Southern Company's nuclear power plants. Southern Power was established in 2001 to construct, own, and manage Southern Company's competitive generation assets and sell electricity at market-based rates in the wholesale market.

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 accounting principles generally accepted in the United States and complies with the accounting policies and practices prescribed by the FPSC and the FERC. The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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.

Affiliate Transactions

The Company has an agreement with SCS under which the following services are rendered to the Company at cost: general and design engineering, purchasing, accounting and statistical, finance and treasury, tax, information resources, marketing, auditing, insurance and pension administration, human resources, systems and procedures, and other services with respect to business and operations and power pool operations. Costs for these services amounted to $45 million, $44 million, and $43 million during 2001, 2000, and 1999, respectively.

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 expected 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:

	2001	2000
	(in thousands)	
Deferred income tax charges	**$ 16,766**	$ 15,963
Deferred loss on reacquired debt	**14,518**	15,866
Environmental remediation	**7,163**	7,638
Vacation pay	**4,725**	4,512
Accumulated provision for rate refunds	**(1,530)**	(7,203)
Accumulated provision for property damage	**(13,565)**	(8,731)
Deferred income tax credits	**(28,293)**	(38,255)
Other, net	**(1,443)**	(1,074)
Total	**$ (1,659)**	$ (11,284)

In the event that a portion of the Company's operations is no longer subject to the provisions of FASB Statement No. 71, the Company would be required to write off related regulatory assets and liabilities that are not specifically recoverable through regulated rates. 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 currently operates as a vertically integrated utility providing electricity to retail customers within its service area located in northwest Florida and to wholesale customers in the Southeast.

Revenues are recognized as services are rendered. Unbilled revenues are accrued at the end of each fiscal period.

Fuel costs are expensed as the fuel is used. The Company's retail electric rates include provisions to annually adjust billings for fluctuations in fuel costs, the energy component of purchased power costs, and certain other costs. The Company also has similar retail 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.

The Company has a diversified base of customers and no single customer or industry comprises 10 percent or more of revenues. For all periods presented, uncollectible accounts averaged significantly less than 1 percent of revenues.

Depreciation and Amortization

Depreciation of the original cost of plant in service is provided primarily by using composite straight-line rates, which approximated 3.7 percent in 2001 and 3.8 percent in both 2000, and 1999. 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.

Other Income

Other income consists principally of interest and dividend income, Allowance for Funds Used During Construction (AFUDC)-equity, and income or expenses on other non-regulated activities. In 2000 and 1999, the non-regulated activities included the results of the Company's merchandising operations, which were discontinued in the latter part of 2000.

Income Taxes

The Company uses the liability method of accounting for 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.

Property, Plant, and Equipment

Property, plant, and equipment 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.

Impairment of Long-Lived Assets and Intangibles

The Company evaluates long-lived assets for impairment when events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. The determination of whether an impairment has occurred is based on an estimate of undiscounted future cash flows attributable to the assets, as compared to the carrying value of the assets. If an impairment has occurred, the amount of the impairment recognized is determined by estimating the fair value of the assets and recording a provision for loss if the carrying value is greater than the fair value. For assets identified as held for sale, the carrying value is compared to the estimated fair value less the cost to sell in order to determine if an impairment provision is required. Until the assets are disposed of, their estimated fair value is re-evaluated when circumstances or events change.

Cash and Cash Equivalents

Temporary cash investments are considered cash equivalents. Temporary cash investments are securities with original maturities of 90 days or less.

Financial Instruments

Effective January 2001, the Company adopted FASB Statement No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended. The impact on net income was immaterial.

The Company uses derivative financial instruments to hedge exposures to fluctuations in interest rates, and certain commodity prices. Gains and losses on qualifying hedges are deferred and recognized either in income or as an adjustment to the carrying amount of the hedged item when the transaction occurs.

The Company is exposed to losses related to financial instruments in the event of counterparties' nonperformance. The Company has established controls to determine and monitor the creditworthiness of counterparties in order to mitigate the Company's exposure to counterparty credit risk.

The Company and its affiliates, through SCS acting as their agent, enters into commodity related forward and option contracts to limit exposure to changing prices on certain fuel purchases and electricity purchases and sales. Substantially all of the Company's bulk energy purchases and sales contracts meet the definition of a derivative under FASB Statement No. 133, Accounting for Derivative Instruments and Hedging Activities. In many cases, these fuel and electricity contracts qualify for normal purchase and sale exceptions under Statement No. 133 and are accounted for under the accrual method. Other contracts qualify as cash flow hedges of anticipated transactions, resulting in the deferral of related gains and losses, and are recorded in other comprehensive income until the hedged transactions occur. Any ineffectiveness is recognized currently in net income. Contracts that do not qualify for the normal purchase and sale exception and that do not meet the hedge requirements are marked to market through current period income.

Other financial instruments for which the carrying amount did not equal fair value at December 31 were as follows:

	Carrying Amount	Fair Value
	(in thousands)	
Long-term debt:		
At December 31, 2001	**$467,784**	**$474,911**
At December 31, 2000	$365,993	$364,697
Capital trust preferred securities:		
At December 31, 2001	**$115,000**	**$114,898**
At December 31, 2000	$85,000	$80,988

The fair values for long-term debt and preferred 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.

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 $1.3 million and $1.2 million at December 31, 2001 and 2000, respectively, is included in other current liabilities in the accompanying Balance Sheets.

Provision for Property Damage

The Company provides for the cost of repairing damages from major storms and other uninsured property damages. This includes the full cost of major storms and other damages to its transmission and distribution lines and the cost of uninsured damages to its generation and other property. The expense of such damages is charged to the provision account. At December 31, 2001 and 2000, the accumulated provision for property damage was $13.6 million and $8.7 million, respectively. The FPSC approved annual accrual to the accumulated provision for property damage is $3.5 million, with a target level for the accumulated provision account between $25.1 and $36.0 million. The FPSC has also given the Company the flexibility to increase its annual accrual amount above $3.5 million at the Company's discretion. The Company accrued $4.5 million in 2001, $3.5 million in 2000, and $5.5 million in 1999 to the accumulated provision for property damage. The Company had a net credit of $(0.3) million to the provision account in 2001 related to insurance proceeds that exceeded actual claims. In 2000 and 1999, the Company charged $0.3 million and $1.6 million, respectively, to the provision account.

2. RETIREMENT BENEFITS

The Company has a defined benefit, trusteed, non-contributory pension plan that covers substantially all regular employees. 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 required by the Company's regulatory commissions. In late 2000, the Company adopted several pension and postretirement benefit plan changes that had the effect of increasing benefits to both current and future retirees. The measurement date for plan assets and obligations is September 30 for each year.

Pension Plan

Changes during the year in the projected benefit obligations and in the fair value of plan assets were as follows:

	Projected Benefit Obligations	
	2001	2000
	(in thousands)	
Balance at beginning of year	**$153,214**	$146,106
Service cost	**4,703**	4,367
Interest cost	**11,644**	10,695
Benefits paid	**(8,105)**	(7,169)
Actuarial gain and employee transfers, net	**(195)**	(785)
Amendments	**7,997**	–
Other	**(7)**	–
Balance at end of year	**$169,251**	$153,214

	Plan Assets	
	2001	2000
	(in thousands)	
Balance at beginning of year	**$283,266**	$241,485
Actual return on plan assets	**(40,841)**	43,833
Benefits paid	**(7,758)**	(6,973)
Employee transfers	**(961)**	4,921
Balance at end of year	**$233,706**	$283,266

The accrued pension costs recognized in the Balance Sheets were as follows:

	2001	2000
	(in thousands)	
Funded status	**$ 64,455**	$ 130,052
Unrecognized transition obligation	**(2,832)**	(3,503)
Unrecognized prior service cost	**11,689**	4,529
Unrecognized net gain	**(47,038)**	(111,092)
4th quarter cash flow adjustment	**90**	72
Prepaid asset recognized in the Balance Sheets	**$ 26,364**	$ 20,058

Components of the pension plan's net periodic cost were as follows:

	2001	2000	1999
Service cost	**$ 4,703**	$ 4,367	$ 4,556
Interest cost	**11,644**	10,695	9,729
Expected return on plan assets	**(19,312)**	(17,504)	15,968)
Recognized net gain	**(3,072)**	(2,582)	(234)
Net amortization	**165**	(235)	(1,549)
Net pension income	**$ (5,872)**	$ (5,259)	$ (3,466)

Postretirement Benefits

Changes during the year in the accumulated benefit obligations and in the fair value of plan assets were as follows:

	Accumulated Benefit Obligations	
	2001	2000
	(in thousands)	
Balance at beginning of year	**$50,025**	$48,010
Service cost	**983**	896
Interest cost	**3,886**	3,515
Benefits paid	**(1,823)**	(1,462)
Amendments	**3,412**	–
Actuarial gain	**(2,146)**	(934)
Balance at end of year	**$54,337**	$50,025

	Plan Assets	
	2001	2000
	(in thousands)	
Balance at beginning of year	**$13,388**	$11,196
Actual return on plan assets	**(1,830)**	2,079
Employer contributions	**1,897**	1,575
Benefits paid	**(1,823)**	(1,462)
Balance at end of year	**$11,632**	$13,388

The accrued postretirement costs recognized in the Balance Sheets were as follows:

	2001	2000
	(in thousands)	
Funded status	**$(42,705)**	$(36,638)
Unrecognized transition obligation	**4,012**	4,368
Unrecognized prior service cost	**5,695**	2,582
Unrecognized net loss	**1,235**	496
Fourth quarter contributions	**386**	316
Accrued liability recognized in the Balance Sheets	**$(31,377)**	$(28,876)

Components of the postretirement plan's net periodic cost were as follows:

	2001	2000	1999
Service cost	**$ 983**	$ 896	$ 1,087
Interest cost	**3,886**	3,515	3,261
Expected return on plan assets	**(1,037)**	(901)	(794)
Transition obligation	**356**	355	356
Prior service cost	**299**	159	159
Recognized net (gain)/loss	**(18)**	13	264
Net post-retirement cost	**$ 4,469**	$ 4,037	$ 4,333

The weighted average rates assumed in the actuarial calculations for both the pension plan and postretirement benefits plan were:

	2001	2000
Discount	**7.50%**	7.50%
Annual salary increase	**5.00%**	5.00%
Long-term return on plan assets	**8.50%**	8.50%

An additional assumption used in measuring the accumulated postretirement benefit obligations was a weighted average medical care cost trend rate of 9.25 percent for 2001, decreasing gradually to 5.25 percent through the year 2010, and remaining at that level thereafter.

An annual increase or decrease in the assumed medical care cost trend rate of 1 percent would affect the accumulated benefit obligation and the service and interest cost components at December 31, 2001 as follows (in thousands):

	1 Percent Increase	1 Percent Decrease
Benefit obligation	$4,575	$3,985
Service and interest costs	$410	$351

Employee Savings Plan

The Company also sponsors a 401(k) defined contribution plan covering substantially all employees. The Company provides a 75 percent matching contribution up to 6 percent of an employee's base salary. Total matching contributions made to the plan for the years 2001, 2000, and 1999 were $2.3 million, $2.2 million, and $2.0 million, respectively.

3. CONTINGENCIES AND REGULATORY MATTERS

General

The Company is subject to certain claims and legal actions arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel, the ultimate disposition of these matters is not expected to have a material adverse effect on the Company's financial condition.

Environmental Cost Recovery

In 1993, the Florida Legislature adopted legislation for an Environmental Cost Recovery Clause (ECRC), which 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. Such environmental costs include operation and maintenance expense, emission allowance expense, depreciation, and a return on invested capital.

In 1994, the FPSC approved the Company's initial petition under the ECRC for recovery of environmental costs. During 2001, 2000, and 1999, the Company recorded ECRC revenues of $10.0 million, $9.9 million, and $11.5 million, respectively.

At December 31, 2001, the Company's liability for the estimated costs of environmental remediation projects for known sites was $7.2 million. These estimated costs are expected to be expended from 2002 through 2008. These projects have been approved by the FPSC for recovery through the ECRC discussed above. Therefore, the Company recorded $1.2 million in current assets and current liabilities and $6.0 million in deferred assets and deferred liabilities representing the future recoverability of these costs.

Environmental Litigation

On November 3, 1999, the Environmental Protection Agency (EPA) brought a civil action in the U.S. District Court against Alabama Power, Georgia Power, and SCS. The complaint alleges violations of the prevention of significant deterioration and new source review provisions of the Clean Air Act with respect to five coal-fired generating facilities in Alabama and Georgia. The civil action requests penalties and

injunctive relief, including an order requiring the installation of the best available control technology at the affected units. The Clean Air Act authorizes civil penalties of up to $27,500 per day, per violation at each generating unit. Prior to January 30, 1997, the penalty was $25,000 per day.

The EPA concurrently issued to the integrated Southeast utilities a notice of violation related to 10 generating facilities, including the five facilities mentioned previously and the Company's Plants Crist and Scherer. See Note 5 under "Joint Ownership Agreements" related to the Company's ownership interest in Georgia Power's Plant Scherer Unit No. 3. In early 2000, the EPA filed a motion to amend its complaint to add the violations alleged in its notice of violation, and to add the Company, Mississippi Power, and Savannah Electric as defendants. The complaint and notice of violation are similar to those brought against and issued to several other electric utilities. These complaints and notices of violation allege that the utilities had failed to secure necessary permits or install additional pollution control equipment when performing maintenance and construction at coal burning plants constructed or under construction prior to 1978. On August 1, 2000, the U.S. District Court granted Alabama Power's motion to dismiss for lack of jurisdiction in Georgia and granted SCS's motion to dismiss on the grounds that it neither owned nor operated the generating units involved in the proceedings. The court directed the EPA to re-file its amended complaint limiting claims to those brought against Georgia Power and Savannah Electric. The EPA re-filed those claims as directed by the court. Also, the EPA re-filed its claims against Alabama Power in U.S. District Court in Alabama. It has not re-filed against the Company, Mississippi Power, or the system service company. The Alabama Power, Georgia Power, and Savannah Electric cases have been stayed since the spring of 2001, pending a ruling by the U.S. Court of Appeals for the Eleventh Circuit in the appeal of a very similar New Source Review enforcement action against the Tennessee Valley Authority (TVA). The TVA case involves many of the same legal issues raised by the actions against Alabama Power, Georgia Power, and Savannah Electric. Because the outcome of the TVA case could have a significant adverse impact on Alabama Power and Georgia Power, both companies are parties to that case as well. The U.S. District Court in Alabama has indicated that it will revisit the issue of a continued stay in April 2002. The U.S. District Court in Georgia is currently considering a motion by the EPA to reopen the Georgia case. Georgia Power and Savannah Electric have opposed that motion.

The Company believes that it has complied with applicable laws and the EPA's regulations and interpretations in effect at the time the work in question took place.

An adverse outcome of this matter could require substantial capital expenditures that cannot be determined at this time and possibly require payment of substantial penalties. This could affect future results of operations, cash flows, and possibly financial condition if such costs are not recovered through regulated rates.

Retail Revenue Sharing Plan

In early 1999, the FPSC staff and the Company became involved in discussions primarily related to reducing the Company's authorized rate of return. On October 1, 1999, the Office of Public Counsel, the Coalition for Equitable Rates, the Florida Industrial Power Users Group, and the Company jointly filed a petition to resolve the issues. The stipulation included a reduction to retail base rates of $10 million annually and provided for revenues to be shared within set ranges for 1999 through 2002. Customers receive two-thirds of any revenue within the sharing range and the Company retains one-third. Any revenue above this range is refunded to the customers. The stipulation also included authorization for the Company, at its discretion, to accrue up to an additional $5 million to the property insurance reserve and $1 million to amortize a regulatory asset related to the corporate office. The Company also filed a request to prospectively reduce its authorized return on equity (ROE) range from 11 to 13 percent to 10.5 to 12.5 percent in order to help ensure that the FPSC would approve the stipulation. The FPSC approved both the stipulation and the ROE request with an effective date of November 4, 1999.

The Company's retail revenue range for sharing was $358 million to $374 million in calendar year 2001, and $352 million to $368 million in 2000, to be shared between the Company and its retail customers on the one-third/two-thirds basis. Actual retail revenues in 2001 were $360.3 million and $362.4 million in 2000. The Company recorded revenues subject to refund of $1.5 million in 2001 and $6.9 million in 2000. The estimated refund with interest was $0.03 million in 2001 and $0.3 million in 2000 and was reflected in customer billings in February 2002 and 2001 respectively. In addition to the refund, the Company amortized $1 million of the regulatory assets related to the corporate office in 2001 and 2000, and accrued an additional $1.0 million to the property insurance reserve in 2001. For calendar year 2002, there are specified sharing ranges for each month from the

expected in-service date of Smith Unit 3 until the end of the year. The sharing plan will expire at the earlier of the in-service date of Smith Unit 3 or December 31, 2002.

Retail Rate Case

On September 10, 2001, the Company filed a request with the FPSC for a base rate increase of approximately $70 million, the majority of which is needed to recover costs related to the Smith Unit 3 combined cycle facility currently under construction and scheduled to be placed in service by June 2002. Hearings are scheduled for February 25 through March 1, 2002 with a decision expected in early May 2002 and new rates effective June 6, 2002.

4. COMMITMENTS

Construction Program

The Company is engaged in a continuous construction program, the cost of which is currently estimated to total $103 million in 2002, $72 million in 2003, and $107 million in 2004. 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, 2001, significant purchase commitments were outstanding in connection with the construction program. The Company has budgeted $24.3 million in 2002 as the remaining cost of a 574 megawatt combined cycle gas generating unit to be located in the eastern portion of its service area. The unit is expected to have an in-service date of June 2002. The Company's remaining construction program is related to maintaining and upgrading the transmission, distribution, and generating facilities.

Fuel Commitments

To supply a portion of the fuel requirements of its generating plants, the Company has entered into contract commitments for the procurement of fuel. In some cases, these contracts contain provisions for price escalations, minimum purchase levels, and other financial commitments. Total estimated obligations at December 31, 2001 were as follows:

Year	Fuel (in millions)
2002	$140
2003	109
2004	112
2005	113
2006	115
2007-2025	398
Total commitments	$987

In addition, SCS acts as agent for the five operating companies and Southern Power with regard to natural gas purchases. Natural gas purchases (in dollars) are based on various indices at the actual time of delivery; therefore, only the volume commitments are firm. The Company's committed volumes are allocated based on usage projections as of December 31 as follows:

Year	Natural Gas (MMBtu)
2002	14,194,988
2003	28,377,592
2004	15,071,438
2005	6,913,093
2006	4,187,658
2007 and thereafter	1,676,250
Total commitments	70,421,019

Additional commitments for fuel will be required in the future to supply the Company's fuel needs.

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. At the end of each lease term, the Company has the option to purchase the 745 railcars at the greater of lease termination value or fair market value, or to renew the leases at the end of the lease term.

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 inventories was $1.9 million in 2001 and $2.4 million in 2000. The annual amounts for 2002 through 2006 are expected to be $1.9 million, $1.9 million, $1.9 million, $2.0 million, and $2.0 million, respectively, and after 2006 are expected to total $11.7 million.

5. JOINT OWNERSHIP AGREEMENTS

The Company and Mississippi Power jointly own Plant Daniel Unit No. 1 and Unit No. 2. Plant Daniel is a generating plant located in Jackson County, Mississippi. In accordance with the operating agreement, Mississippi Power acts as the Company's agent with respect to the construction, operation, and maintenance of these units.

The Company and Georgia Power jointly own Plant Scherer Unit No. 3. Plant Scherer is a generating plant located near Forsyth, Georgia. In accordance with the 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, 2001, 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 Unit Nos. 1 & 2 (coal-fired)
	(in thousands)	
Plant In Service	**$184,901(1)**	**$228,278**
Accumulated Depreciation	**$73,684**	**$120,646**
Construction Work in Progress	**$1,556**	**$6,174**
Nameplate Capacity (2) (megawatts)	**205**	**500**
Ownership	**25%**	**50%**

(1) Includes net plant acquisition adjustment.
(2) Total megawatt nameplate capacity:
Plant Scherer Unit No. 3: 818
Plant Daniel Unit Nos. 1&2: 1,000

6. LONG-TERM POWER SALES AGREEMENTS

The Company and the other operating affiliates have long-term contractual agreements for the sale of capacity to certain non-affiliated utilities located outside the system's service area. The unit power sales agreements 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 from these sales were $19.5 million in 2001, $20.3 million in 2000, and $19.8 million in 1999.

Unit power from specific generating plants of Southern Company is currently being sold to Florida Power Corporation (FPC), Florida Power & Light Company (FP&L), and Jacksonville Electric Authority (JEA). Under these agreements, 210 megawatts of net dependable capacity were sold by the Company during 2001. Sales will remain close to that level, unless reduced by FP&L, FPC, and JEA with a minimum of three years notice, until the expiration of the contracts in 2010.

7. INCOME TAXES

At December 31, 2001, the tax-related regulatory assets to be recovered from customers were $16.8 million. These assets are attributable to tax benefits flowed through to customers in prior years and to taxes applicable to capitalized allowance for funds used during construction. At December 31, 2001, the tax-related regulatory liabilities to be credited to customers were $28.3 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:

	2001	2000	1999
	(in thousands)		
Total provision for income taxes:			
Federal--			
Current	**$24,207**	$37,250	$33,973
Deferred	**2,568**	(11,159)	(6,107)
	26,775	26,091	27,866
State--			
Current	**3,701**	5,796	5,267
Deferred	**826**	(1,357)	(502)
	4,527	4,439	4,765
Total	**$31,302**	$30,530	$32,631

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:

	2001	2000
	(in thousands)	
Deferred tax liabilities:		
Accelerated depreciation	**$179,071**	$172,646
Other	**27,328**	14,262
Total	**206,399**	186,908
Deferred tax assets:		
Federal effect of state deferred taxes	**9,009**	8,703
Postretirement benefits	**9,379**	9,205
Other	**17,881**	14,742
Total	**36,269**	32,650
Net deferred tax liabilities	**170,130**	154,258
Less current portion, net	**(8,162)**	(816)
Accumulated deferred income taxes in the Balance Sheets	**$161,968**	$155,074

Deferred investment tax credits are amortized over the lives of the related property with such amortization normally applied as a credit to reduce depreciation and amortization in the Statements of Income. Credits amortized in this manner amounted to $1.7 million in 2001 and $1.9 million in each of 2000 and 1999. At December 31, 2001, 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:

	2001	2000	1999
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	**(2)**	(2)	(2)
Other, net	**(3)**	(1)	–
Effective income tax rate	**35%**	37%	38%

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. In accordance with Internal Revenue Service regulations, each company is jointly and severally liable for the tax liability.

8. CAPITALIZATION

Preferred Securities

In January 1997, Gulf Power Capital Trust I (Trust I), of which the Company owns all of the common securities, issued $40 million of 7.625 percent mandatorily redeemable preferred securities. Substantially all of the assets of Trust I are $41 million aggregate principal amount of the Company's 7.625 percent junior subordinated notes due December 31, 2036.

In January 1998, Gulf Power Capital Trust II (Trust II), of which the Company owns all of the common securities, issued $45 million of 7.0 percent mandatorily redeemable preferred securities. Substantially all of the assets of Trust II are $46 million aggregate principal amount of the Company's 7.0 percent junior subordinated notes due December 31, 2037.

In November 2001, Gulf Power Capital Trust III (Trust III), of which the Company owns all of the common securities, issued $30 million of 7.375 percent mandatorily redeemable preferred securities. Substantially all of the assets of Trust III are $31 million aggregate principal amount of the Company's 7.375 percent junior subordinated notes due September 30, 2041.

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 payment obligations with respect to the preferred securities of Trust I, Trust II, and Trust III. Trust I, Trust II, and Trust III are subsidiaries of the Company, and accordingly are consolidated in the Company's financial statements.

Securities Due Within One Year

At December 31, 2001, the Company had an improvement fund requirement of $550,000. The first mortgage bond improvement 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 revenue bond 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.

The sinking fund requirements of first mortgage bonds were satisfied by certifying property additions in 2001 and 2000. It is anticipated that the 2002 requirement will be

satisfied by certifying property additions. Sinking fund requirements and/or maturities through 2006 applicable to long-term debt are as follows: none in 2002; $60.6 million in 2003; $50.6 million on 2004; none in 2005; and $37.6 million in 2006.

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, 2001, retained earnings of $127 million were restricted against the payment of cash dividends on common stock under the terms of the mortgage indenture.

Bank Credit Arrangements

At December 31, 2001, the Company had $41.5 million of lines of credit with banks subject to renewal June 1 of each year, of which $41.5 million remained unused. In addition, the Company has two unused committed lines of credit totaling $61.9 million that were 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.

The Company borrows through commercial paper programs that have the liquidity support of committed bank credit arrangements. In addition, the Company from time to time borrows under uncommitted lines of credit with banks. The amount of commercial paper outstanding at December 31, 2001 was $37.4 million.

In addition, the Company has bid-loan facilities with five major money center banks that total $110 million, of which $50 million was committed at December 31, 2001.

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.

9. QUARTERLY FINANCIAL DATA (Unaudited)

Summarized quarterly financial data for 2001 and 2000 are as follows:

Quarter Ended	Operating Revenues	Operating Income	Net Income After Dividends on Preferred Stock
		(in thousands)	
March 2001	**$165,029**	**$24,785**	**$10,196**
June 2001	**180,430**	**30,702**	**14,770**
September 2001	**226,616**	**45,504**	**26,657**
December 2001	**153,128**	**16,268**	**6,684**
March 2000	$138,498	$16,007	$4,653
June 2000	182,120	30,505	12,927
September 2000	232,533	52,614	26,438
December 2000	161,168	20,755	7,825

The Company's business is influenced by seasonal weather conditions and the timing of rate changes, among other factors.

SELECTED FINANCIAL AND OPERATING DATA 1997-2001

Gulf Power Company 2001 Annual Report

	2001	2000	1999	1998	1997
Operating Revenues (in thousands)	**$725,203**	$714,319	$674,099	$650,518	$625,856
Net Income after Dividends on Preferred Stock (in thousands)	**$58,307**	$51,843	$53,667	$56,521	$57,610
Cash Dividends on Common Stock (in thousands)	**$53,275**	$59,000	$61,300	$57,200	$64,600
Return on Average Common Equity (percent)	**12.51**	12.20	12.63	13.20	13.33
Total Assets (in thousands)	**$1,569,517**	$1,312,064	$1,308,495	$1,267,901	$1,265,612
Gross Property Additions (in thousands)	**$274,668**	$95,807	$69,798	$69,731	$54,289
Capitalization (in thousands):					
Common stock equity	**$504,894**	$427,378	$422,313	$427,652	$428,718
Preferred stock	**4,236**	4,236	4,236	4,236	13,691
Company obligated mandatorily redeemable preferred securities	**115,000**	85,000	85,000	85,000	40,000
Long-term debt	**467,784**	365,993	367,449	317,341	296,993
Total (excluding amounts due within one year)	**$1,091,914**	$882,607	$878,998	$834,229	$779,402
Capitalization Ratios (percent):					
Common stock equity	**46.2**	48.4	48.0	51.3	55.0
Preferred stock	**0.4**	0.5	0.5	0.5	1.8
Company obligated mandatorily redeemable preferred securities	**10.5**	9.6	9.7	10.2	5.1
Long-term debt	**42.9**	41.5	41.8	38.0	38.1
Total (excluding amounts due within one year)	**100.0**	100.0	100.0	100.0	100.0
Security Ratings:					
First Mortgage Bonds -					
Moody's	A1	A1	A1	A1	A1
Standard and Poor's	A+	A+	AA-	AA-	AA-
Fitch	A+	AA-	AA-	AA-	AA-
Preferred Stock -					
Moody's	Baa1	a2	a2	a2	a2
Standard and Poor's	BBB+	BBB+	A-	A	A
Fitch	A-	A	A	A+	A+
Unsecured Long-Term Debt -					
Moody's	A2	A2	A2	A2	A2
Standard and Poor's	A	A	A	A	A
Fitch	A	A+	A+	A+	A+
Customers (year-end):					
Residential	**327,128**	321,731	315,240	307,077	300,257
Commercial	**48,654**	47,666	47,728	46,370	44,589
Industrial	**270**	280	267	257	267
Other	**468**	442	316	268	264
Total	**376,520**	370,119	363,551	353,972	345,377
Employees (year-end):	**1,309**	1,327	1,339	1,328	1,328

SELECTED FINANCIAL AND OPERATING DATA 1997-2001 (continued)

Gulf Power Company 2001 Annual Report

	2001	2000	1999	1998	1997
Operating Revenues (in thousands):					
Residential	**$ 313,165**	$302,210	$ 279,238	$ 279,621	$ 276,924
Commercial	**188,759**	177,047	167,305	163,207	163,751
Industrial	**81,719**	74,095	68,222	71,119	77,045
Other	**948**	(4,712)	2,184	2,113	2,077
Total retail	**584,591**	548,640	516,949	516,060	519,797
Sales for resale - non-affiliates	**82,252**	66,890	62,354	61,893	63,697
Sales for resale - affiliates	**27,256**	66,995	66,110	42,642	16,760
Total revenues from sales of electricity	**694,099**	682,525	645,413	620,595	600,254
Other revenues	**31,104**	31,794	28,686	29,923	25,602
Total	**$725,203**	$714,319	$674,099	$650,518	$625,856
Kilowatt-Hour Sales (in thousands):					
Residential	**4,716,404**	4,790,038	4,471,118	4,437,558	4,119,492
Commercial	**3,417,427**	3,379,449	3,222,532	3,111,933	2,897,887
Industrial	**2,018,206**	1,924,749	1,846,237	1,833,575	1,903,050
Other	**21,208**	18,730	19,296	18,952	18,101
Total retail	**10,173,245**	10,112,966	9,559,183	9,402,018	8,938,530
Sales for resale - non-affiliates	**2,093,203**	1,705,486	1,561,972	1,341,990	1,531,179
Sales for resale - affiliates	**962,892**	1,916,526	2,511,983	1,758,150	848,135
Total	**13,229,340**	13,734,978	13,633,138	12,502,158	11,317,844
Average Revenue Per Kilowatt-Hour (cents):					
Residential	**6.64**	6.31	6.25	6.30	6.72
Commercial	**5.52**	5.24	5.19	5.24	5.65
Industrial	**4.05**	3.85	3.70	3.88	4.05
Total retail	**5.75**	5.43	5.41	5.49	5.82
Sales for resale	**3.58**	3.70	3.15	3.37	3.38
Total sales	**5.25**	4.97	4.73	4.96	5.30
Residential Average Annual Kilowatt-Hour Use Per Customer	**14,497**	14,992	14,318	14,577	13,894
Residential Average Annual Revenue Per Customer	**$962.57**	$945.87	$894.18	$918.56	$933.99
Plant Nameplate Capacity Ratings (year-end) (megawatts)	**2,188**	2,188	2,188	2,188	2,174
Maximum Peak-Hour Demand (megawatts):					
Winter	**2,106**	2,154	2,085	2,040	1,844
Summer	**2,223**	2,285	2,161	2,146	2,032
Annual Load Factor (percent)	**57.5**	55.4	55.2	55.3	55.5
Plant Availability Fossil-Steam (percent):	**90.1**	85.2	87.2	87.6	91.0
Source of Energy Supply (percent):					
Coal	**81.2**	87.8	89.8	89.2	87.1
Oil and gas	**1.0**	1.6	2.5	2.0	0.4
Purchased power -					
From non-affiliates	**6.5**	7.6	5.9	5.5	3.5
From affiliates	**11.3**	3.0	1.8	3.3	9.0
Total	**100.0**	100.0	100.0	100.0	100.0

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MISSISSIPPI POWER COMPANY

FINANCIAL SECTION

MANAGEMENT'S REPORT

Mississippi Power Company 2001 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 accounting principles generally accepted in the United States 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 accounting 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.

Michael D. Garrett
President and Chief Executive Officer

The audit committee of the board of directors, composed of four independent directors, 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 accounting principles generally accepted in the United States.

Michael W. Southern
Vice President, Treasurer and
Chief Financial Officer

February 13, 2002

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To 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, 2001 and 2000, and the related statements of income, common stockholder's equity, and cash flows for each of the three years in the period ended December 31, 2001. 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 auditing standards generally accepted in the United States. 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-160 through II-176) referred to above present fairly, in all material respects, the financial position of Mississippi Power Company as of December 31, 2001 and 2000, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

As explained in Note 1 to the financial statements, effective January 1, 2001, Mississippi Power Company changed its method of accounting for derivative instruments and hedging activities.

Arthur Andersen LLP

Atlanta, Georgia
February 13, 2002

RESULTS OF OPERATIONS

Earnings

Mississippi Power Company's 2001 net income after dividends on preferred stock of $63.9 million increased $8.9 million over 2000 earnings of $55.0 million, which were $0.2 million more than 1999 earnings of $54.8 million. Net income for 2001 was higher due to additional sales for resale primarily attributable to the commercial operation of the new Plant Daniel Combined Cycle Units 3 and 4 and lower interest expense.

Revenues

Operating revenues for the Company in 2001 and the changes from the prior year are as follows:

	Amount	Increase (Decrease) From Prior Year	
	2001	2001	2000
		(in thousands)	
Retail --			
Base Revenues	**$284,255**	$ (3,000)	$ (4,343)
Fuel cost recovery and other	**204,898**	(6,398)	33,460
Total retail	**489,153**	(9,398)	29,117
Sales for resale --			
Non-affiliates	**204,623**	58,692	14,927
Affiliates	**85,652**	57,737	8,469
Total sales for resale	**290,275**	116,429	23,396
Other operating revenues	**16,637**	1,432	2,085
Operating revenues	**$796,065**	$108,463	$ 54,598
Percent change		15.8%	8.6%

Total retail revenues for 2001 decreased approximately 1.9 percent when compared to 2000. The decrease resulted primarily from lower energy sales to residential, commercial, and industrial customers as a result of mild weather and a slowdown in manufacturing activity in the Company's service territory. Retail revenues for 2000 reflected a 6.2 percent increase over the prior year due to the continued growth in the service area, increased fuel revenues, and a positive weather impact.

Fuel revenues generally represent the direct recovery of fuel expense including purchased power. Therefore, changes in recoverable fuel expenses are offset with corresponding changes in fuel revenues and have no effect on net income.

Sales for resale to non-affiliates are influenced by those utilities' own customer demand, plant availability, and the cost of their predominant fuels. 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 decreased 3.7 percent in 2001 and increased 10.9 percent in 2000, with the related revenues decreasing 2.4 percent and rising 10.8 percent, respectively. The customer demand experienced by these utilities is determined by factors very similar to those of the Company. Revenues from other sales outside the service area increased in 2001 when compared to 2000 as a result of a new long term contract made possible by the commercial operation of Plant Daniel Units 3 and 4.

Energy sales to affiliated companies within the Southern Company electric system, as well as purchases, will vary from year to year depending on demand and the availability and cost of generating resources at each company. These sales do not have a significant impact on earnings.

Below is a breakdown of kilowatt-hour sales for 2001 and the percent change for the last two years:

	2001	Percent Change	
	KWH	**2001**	2000
	(in millions)		
Residential	**2,163**	**(5.4)%**	1.7%
Commercial	**2,841**	**(1.5)**	1.3
Industrial	**4,276**	**(2.3)**	(0.7)
Other	**40**	**(0.3)**	2.5
Total retail	**9,320**	**(2.8)**	0.5
Sales for Resale --			
Non-affiliates	**5,011**	**36.4**	12.9
Affiliates	**2,953**	**552.3**	(16.2)
Total	**17,284**	**26.0**	2.8

Residential sales decreased 5.4 percent due to unusually mild weather in the Company's service area. Commercial sales decreased 1.5 percent and industrial sales fell 2.3 percent due to an economic slowdown. Total retail kilowatt-hour sales increased slightly in 2000. This increase primarily resulted from the continued growth in the service area, increased tourism, and the positive impact of weather. Kilowatt-hour sales from outside the service area increased in 2001 when compared to 2000 as a result of a new contract made possible by the

commercial operation of Plant Daniel Combined Cycle Units 3 and 4. Again, sales to affiliates will vary year to year depending on demand and cost of generating resources at each company.

Expenses

Total operating expenses were $663 million in 2001, reflecting an increase of $98 million or 17.4 percent over the prior year. The increase was due primarily to the commercial operation of Plant Daniel Combined Cycle Units 3 and 4. In 2000, total operating expenses increased by 10.1 percent over the prior year due primarily to higher fuel and purchased power expenses.

Fuel costs are the single largest expense for the Company. Fuel expenses for 2001 and 2000 increased 45.4 percent and 10.7 percent, respectively. The increase for 2001 was due to increased generation especially from Plant Daniel Combined Cycle Units 3 and 4 and a higher average cost of fuel. The 2000 increase was due to increased generation and a higher average cost of fuel.

In 2001, expenses related to purchased power from non-affiliates decreased 26.4 percent, while expenses related to purchased power from affiliates increased 5.7 percent which, in total, resulted in a 11.1 percent decrease when compared to 2000. This decrease in purchased power is primarily due to the commercial operation of Plant Daniel Combined Cycle Units 3 and 4 and the expiration of non-affiliated purchase power contracts in 2000. Sales and purchases among the Company and its affiliates will vary from period to period depending on demand and the availability and variable production cost of each generating unit in the Southern Company electric system.

The amount and sources of generation and the average cost of fuel per net kilowatt-hour generated were as follows:

	2001	2000	1999
Total generation (millions of kilowatt hours)	**15,770**	11,688	11,599
Sources of generation (percent) --			
Coal	**59**	83	81
Gas	**41**	17	19
Average cost of fuel per net kilowatt-hour generated (cents) --	**1.89**	1.80	1.65

Other operation expenses increased 17.2 percent in 2001 primarily due to an increase in other production expenses due to the commercial operation of Plant Daniel Combined Cycle Units 3 and 4. In 2000, other operation expense decreased 8.2 percent primarily due to a decrease in administrative and general expenses. Maintenance expense in 2001 increased primarily due to the commercial operation of Plant Daniel Combined Cycle Units 3 and 4, while maintenance expense in 2000 increased primarily due to additional scheduled maintenance. Depreciation and amortization expense increased 7.6 percent in 2001 due to a growth in plant investment and the amortization of the Company's regulatory asset related to its Environmental Compliance Overview Plan (ECO Plan). In 2000, depreciation expense increased slightly due to growth in plant investment and new depreciation rates, which became effective January 2000.

Taxes other than income taxes decreased 7.6 percent in 2001 due to reduced ad valorem taxes related to a change in the tax rate. These taxes increased 1.7 percent in 2000 due to higher municipal franchise taxes resulting from higher retail revenues. Interest on long-term debt decreased in 2001 as a result of lower interest rates on debt outstanding.

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 utility plant with long economic lives. 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 securities. Any recognition of inflation by regulatory authorities is reflected in the rate of return allowed.

Future Earnings Potential

General

The results of continuing operations for the past three years are not necessarily indicative of future earnings

potential. The level of the Company's future earnings depends on numerous factors ranging from weather to energy sales growth to a less regulated and more competitive environment. Expenses are subject to constant review and cost control programs. The Company is also maximizing the utility of invested capital and minimizing the need for additional capital by refinancing outstanding obligations, managing the size of its fuel stockpile, raising generating plant availability and efficiency, and aggressively controlling its construction budget.

The Company currently operates as a vertically integrated utility providing electricity to customers within its traditional service area located in southeastern Mississippi. Prices for electricity provided by the Company to retail customers are set by the Mississippi Public Service Commission (MPSC) under cost-based regulatory principles. The Federal Energy Regulatory Commission (FERC) regulates the Company's wholesale rate schedules, power sales contracts, and transmission facilities.

Operating revenues will be affected by any changes in rates under the Performance Evaluation Plan (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 MPSC, most of which are required to comply with Clean Air Act Amendments of 1990 (Clean Air Act) and the regulations thereunder. The ECO Plan is operated independently of PEP. Compliance costs related to the Clean Air Act could affect earnings if such costs cannot be recovered. The Company filed its 2001 ECO Plan in January 2001 which was approved, as filed, by the Mississippi PSC on March 7, 2001, and resulted in a slight increase in customer prices. The Company filed its 2002 ECO Plan in January 2002, which, if approved as filed, will result in a slight increase in rates. See Note 3 to the financial statements under "Litigation and Regulatory Matters" for additional information. The Clean Air Act and other important environmental items are discussed later under "Environmental Matters."

In August 2001, the Company filed a request with the MPSC for a retail rate increase of approximately $46 million. In order to consider the Company's request, the MPSC suspended the semi-annual evaluations under PEP. In December 2001, after a full investigation and hearing on the Company's request, the MPSC approved an increase of approximately $39 million, which took effect in January 2002. Additionally, the MPSC ordered the Company to reactivate the semi-annual evaluations under PEP, beginning in February 2003 for the year 2002. PEP will remain in effect until the MPSC modifies, suspends, or terminates the plan. The MPSC also set for hearing in 2002 a review of the return on equity models used in PEP in setting the Company's authorized return on equity. This proceeding will conclude in 2002, so that changes to the PEP return on equity models, if any, may be incorporated into the February 2003 PEP evaluation filing for the period ending December 31, 2002. The outcome of this matter and any future impact to the Company cannot now be determined.

In February 2002, the Company reached an agreement with certain of its wholesale customers to increase its wholesale tariff rates effective June 2002. The agreement results in an annual increase of approximately $10.5 million and the adoption of an Energy Cost Management clause similar to the one approved by the Company's retail jurisdiction (see Note 1 to the financials). In addition, the Company and its customers agreed that neither party would seek a unilateral change to the new rates prior to December 31, 2003, except for changes due to the operation of the fuel adjustment and energy cost management clauses. The Company and its customers will file the agreement with the FERC for its approval. Though the FERC has accepted settlement agreements as filed in the past, the ultimate outcome of this matter before the FERC cannot now be determined.

In accordance with Financial Accounting Standards Board (FASB) Statement No. 87, Employers' Accounting for Pensions, the Company recorded non-cash pension income of approximately $3.2 million in 2001. Future pension income is dependent on several factors including trust earnings and changes to the plan. For the Company, pension income is a component of the regulated rates and does not have a significant effect on net income. For more information, see Note 2 to the financial statements.

The 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 current and future environmental laws, regulations, and litigation 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."

Future earnings in the near term will depend upon growth in energy sales, which is subject to a number of factors. These factors include 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. The Company anticipates somewhat slower growth in energy sales as the tourism industry stabilizes within its service area. In addition to tourism, the healthcare and retail trade sectors will provide most of the anticipated energy growth for the commercial class of customers, while shipbuilding, chemicals, and the U.S. government will provide much of the basis for anticipated growth in the industrial sector.

Industry Restructuring

The electric utility industry in the United States is continuing to evolve as a result of regulatory and competitive factors. Among the primary agents of change has been the Energy Policy Act of 1992 (Energy Act). 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 affected by wholesale transmission access and numerous potential new energy suppliers, including power marketers and brokers.

Although the Energy Act does not permit retail customer access, it was a major catalyst for the current restructuring and consolidation taking place within the utility industry. Numerous federal and state initiatives are in various stages to promote wholesale and retail competition. Among other things, these initiatives allow customers to choose their electricity provider. As these initiatives materialize, the structure of the utility industry could radically change. In May 2000, the MPSC ordered that its docket reviewing restructuring of the electric industry in the State of Mississippi be suspended. The MPSC found that retail competition may not be in the public interest at this time, and ordered that no further formal hearings would be held on this subject. It found that the current regulatory structure produced reliable low cost power and "should not be changed without clear and convincing demonstration that change would be in the public interest." The MPSC will continue to monitor retail and wholesale restructuring activities throughout the United States and reserves its right to order further formal hearings on the matter should new evidence demonstrate that retail competition would be in the public interest and all customers could receive a reduction in the total cost of their electric service. If the MPSC decides to hold future restructuring hearings on this matter, enactment would require numerous issues to be resolved, including significant ones relating to recovery of any stranded investments, full cost recovery of energy produced, and other issues related to the energy crisis that occurred in California. As a result of that crisis, many states have either discontinued or delayed implementation of initiatives involving retail deregulation.

Continuing to be a low-cost producer could provide significant opportunities to increase market share and profitability in markets that evolve with changing regulation. Conversely, unless the Company remains a low-cost producer and provides quality service, the Company's energy sales growth could be limited, and this could significantly erode earnings.

In December 1999, the FERC issued its final ruling on Regional Transmission Organizations (RTOs). The order encourages utilities owning transmission systems to form RTOs on a voluntary basis. Southern Company and its operating companies, including the Company, have submitted a series of status reports informing the FERC of progress toward the development of a Southeastern RTO. In these status reports, Southern Company explained that it is developing a for-profit RTO known as SeTrans with a number of non-jurisdictional cooperative and public power entities. Recently, Entergy Corporation and Cleco Power joined the SeTrans development process. In January 2002, the sponsors of SeTrans held a public meeting to form a Stakeholder Advisory Committee, which will participate in the development of the RTO. Southern Company continues to work with the other sponsors to develop the SeTrans RTO. While the creation of SeTrans is not expected to have a material impact on the Company's financial statements, the outcome of this matter cannot now be determined.

Accounting Policies

Critical Policies

The Company's significant accounting policies are described in Note 1 to the financial statements. The Company's most critical accounting policy involves rate regulation. 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 operation is no longer subject to these provisions, the Company would be required to write off related regulatory assets and liabilities that are not specifically recoverable and determine if any other assets have been impaired. See Note 1 to the financial statements under "Regulatory Assets and Liabilities" for additional information.

Additionally, the Company accounts for its lease agreement with Escatawpa Funding, Limited Partnership (Escatawpa) as an operating lease. Under this agreement, Escatawpa, a special purpose entity, is owner-lessor of the combined-cycle generating units at the Company's Plant Daniel. The Company does not consolidate this entity since parties unrelated to the Company have made substantive residual equity capital investments in excess of 3 percent. The FASB has recently issued a draft interpretation that addresses issues related to identifying and accounting for certain special purpose entities. One proposed change would increase the 3 percent outside equity requirement to 10 percent. This interpretation is in draft form; therefore, final conclusions may differ from the draft. However, a change to a ten percent equity requirement could result in the Company having to change its accounting for this lease agreement, including having to consolidate the leased asset and related debt. See Note 4 to the financial statements where the lease agreement and the Company's related obligations are discussed.

New Accounting Standards

Effective January 2001, the Company adopted FASB Statement No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended. Statement No. 133 establishes accounting and reporting standards for derivative instruments and for hedging activities. This statement requires that certain derivative instruments be recorded in the balance sheet as either an asset or liability measured at fair value, and that changes in the fair value be recognized currently in earnings unless specific hedge accounting criteria are met. See Note 1 to the financial statements under "Financial Instruments" for additional information. The impact on the Company's net income in 2001 was not material. An additional interpretation of Statement No. 133 will result in a change – effective April 1, 2002 – in accounting for certain contracts related to fuel supplies that contain quantity options. These contracts will be accounted for as derivatives and marked to market. However, due to the existence of the Company's cost-based fuel recovery clause, this change is not expected to have a material impact on net income.

In June 2001, the FASB issued Statement No. 142, Goodwill and Other Intangible Assets, which establishes new accounting and reporting standards for acquired goodwill and other intangible assets and supersedes Accounting Principles Board Opinion No. 17. Statement No. 142 addresses how intangible assets that are acquired individually or with a group of other assets -- but not those acquired in a business combination -- should be accounted for upon acquisition and on an ongoing basis. Goodwill and intangible assets that have indefinite useful lives will not be amortized but rather will be tested at least annually for impairment. Intangible assets that have finite useful lives will continue to be amortized over their useful lives, which are no longer limited to 40 years. The Company adopted Statement No.142 in January 2002 with no material impact on the financial statements.

Also in June 2001, the FASB issued Statement No. 143, Asset Retirement Obligations, which establishes new accounting and reporting standards for legal obligations associated with retiring assets, including decommissioning of nuclear plants. The liability for an asset's future retirement must be recorded in the period in which the liability is incurred. The cost must be capitalized as part of the related long-lived asset and depreciated over the asset's useful life. Changes in the liability resulting from the passage of time will be recognized as operating expenses. Statement No. 143 must be adopted by January 1, 2003. The Company has not yet quantified the impact of adopting Statement No. 143 on its financial statements.

FINANCIAL CONDITION

Overview

The principal change in the Company's financial condition during 2001 was the addition of approximately $61 million to utility plant. Funding for these additions

and other capital requirements were derived primarily from operations. The Statements of Cash Flows provide additional details.

Credit Rating Risk

The Company does not have any credit agreements that would require material changes in payment schedules or terminations as a result of a credit rating downgrade. There are certain fixed-price physical gas purchase contracts that could require collateral – but not accelerated payment – in the event of a credit rating change to below investment grade; however, at December 31, 2001, this exposure was immaterial.

Exposure to Market Risks

Due to cost-based rate regulations, the Company has limited exposure to market volatility in interest rates, commodity fuel prices, and prices of electricity. To mitigate residual risks relative to movements in electricity prices, the Company enters into fixed price contracts for the purchase and sale of electricity through the wholesale electricity market. Realized gains and losses are recognized in the income statements as incurred. At December 31, 2001, exposure from these activities was not material to the Company's financial statements. Also, based on the Company's overall variable rate long-term debt exposure at December 31, 2001, a near-term 100 basis point change in interest rates would not materially affect the Company's financial statements. Fair value of changes in energy trading contracts and year-end valuations are as follows:

	Changes During the Year
	Fair Value
	(in thousands)
Contracts beginning of year	$ 112
Contracts realized or settled	(101)
New contracts at inception	-
Changes in valuation techniques	-
Current period changes	(3,841)
Contracts end of year	$(3,830)

	Source of Year-End Valuation Prices		
	Total	Maturity	
	Fair Value	Year 1	1-3 Years
	(in thousands)		
Actively quoted	$(3,830)	$(3,517)	$(313)
External sources	-	-	-
Models and other methods	-	-	-
Contracts end of year	$(3,830)	$(3,517)	$(313)

For additional information, see Note 1 to the financial statements under "Financial Instruments."

In June 2001, the MPSC approved the Company's request to implement an Energy Cost Management Clause (ECM). ECM, among other things, allows the Company to utilize financial instruments to hedge its fuel commitments. Amounts paid or received as a result of the use of these instruments are recognized as fuel related expense and are recovered or credited through the ECM factor calculated annually and applied to customer billings. The Company records the fair value of these financial instruments (cash flow hedges) in its financial statements in accordance with FASB Statement No. 133 with a related regulatory asset or liability recorded under the provisions of FASB Statement No. 71.

As of December 31, 2001, the Company had financial instruments related to natural gas commodity contracts that had a contract value of approximately $31 million and $30 million expiring in 2002 and 2003, respectively. The market values as of December 31, 2001 for these contracts were approximately $27 million and $30 million, respectively. The amounts settled and recognized in the financial statements for 2001 were not material. Currently, the Company does not have any fixed price natural gas commitments, either physical or financial, beyond 2003.

Sources of Capital

To meet short-term cash needs and contingencies, the Company had at December 31, 2001 approximately $18.9 million of cash and cash equivalents and approximately $114.5 million of unused committed credit agreements.

The Company may also meet short-term cash needs through a Southern Company subsidiary organized to issue and sell commercial paper at the request and for the benefit

of the Company and the other Southern Company operating companies. At December 31, 2001, the Company had outstanding $16 million of commercial paper.

It is anticipated that the funds required for construction and other purposes, including compliance with environmental regulations, will be derived from sources similar to those used in the past. These sources were primarily the issuance of first mortgage bonds and preferred securities, in addition to pollution control revenue bonds issued for the Company's benefit by public authorities. The Company also utilized unsecured debt and lease arrangements in the past as well.

The Company has no restrictions on the amounts of unsecured indebtedness it may incur. However, 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 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.

Financing Activity

In May 2001, the Company received a $70 million capital contribution which was used to retire $35 million of 6.60 percent first mortgage bonds, $20 million of series C variable-rate senior notes, and $15 million in short term debt. The Company plans to continue, to the extent possible, a program to retire higher-cost debt and replace these securities with lower-cost capital. See the Statements of Cash Flows for further details.

Composite financing rates decreased for the year 2001 when compared to 2000 and 1999. As of year-end, the composite rates were as follows:

	2001	2000	1999
Composite interest rate on long-term debt	**4.60%**	6.41%	6.19%
Composite preferred stock dividend rate	**6.33%**	6.33%	6.33%
Composite interest rate on preferred securities	**7.75%**	7.75%	7.75%

Off-Balance Sheet Financing Arrangements

In 1999, the Company signed an Agreement for Lease and a Lease Agreement with Escatawpa. These agreements called for the Company to design and construct, as agent for Escatawpa, a 1,064 megawatt natural gas combined cycle facility at the Company's Plant Victor J. Daniel Facility (Facility). In May 2001, the Facility was completed and placed into commercial operation. Effective with commercial operation of the Facility, the initial 10-year lease term under its lease arrangement for the Facility with Escatawpa began. The completion cost was approximately $370 million. The lease provides for a residual value guarantee (approximately 71% of the completion cost) by the Company that is due upon termination of the lease in certain circumstances. The lease also includes purchase and renewal options. Upon termination of the lease, at the Company's option, the Company may either exercise its purchase option or the Facility can be sold to a third party. The Company expects that the fair market value of the leased Facility would substantially reduce or eliminate the Company's payment under the residual value guarantee. In 2001, the Company recognized approximately $18 million in lease expense. See Note 4 to the financial statements for additional information.

Capital Structure

At year-end 2001, the Company's ratio of common equity to total capitalization, excluding long-term debt due within one year, increased from 48.1 percent in 2000 to 62.1 percent. The Company plans to replace the long-term debt due within one year with new issues.

Capital Requirements for Construction

The Company's projected construction expenditures for the next three years total $241 million ($84 million in 2002, $72 million in 2003, and $85 million in 2004). The major emphasis within the construction program will be on the upgrade of existing facilities.

Revisions to projected construction expenditures may be necessary because of factors such as changes in business conditions, revised load projections, the availability and cost of capital, changes in environmental regulations, and alternatives such as leasing.

Other Capital Requirements

In addition to the funds required for the Company's construction program, approximately $115 million will be required by the end of 2003 for present sinking fund requirements and maturities of long-term debt. The Company 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.

These capital requirements, lease obligations, and purchase commitments – discussed in notes 4 and 8 to the financial statements – are as follows:

	2002	2003	2004
	(in thousands)		
Bonds -			
First mortgage	$ -	$ -	$ -
Pollution control	20	25	25
Notes	80,000	35,000	-
Lease obligations	27,000	27,000	27,000
Purchase commitments			
Fuel	225,000	188,000	7,000
Purchased power	-	-	-

At the beginning of 2002, the Company had not used any of its available credit arrangements. Credit arrangements are as follows:

		Expires	
Total	Unused	2002	2003 & Beyond
	(in millions)		
$114.5	$114.5	$109.5	5.0

Environmental Matters

On November 3, 1999, the Environmental Protection Agency (EPA), brought a civil action in the U.S. District Court against Alabama Power Company, Georgia Power Company, and the system service company. The complaint alleges violations of the New Source Review provisions of the Clean Air Act with respect to five coal-fired generating facilities in Alabama and Georgia. The civil action requests penalties and injunctive relief, including an order requiring the installation of the best available control technology at the affected units. The EPA concurrently issued to the operating companies a notice of violation related to 10 generating facilities, which includes the five facilities mentioned previously, and the Company's plants Watson and Greene County. In early 2000, the EPA filed a motion to amend its complaint to add the violations alleged in its notice of violation, and to add Gulf Power, Savannah Electric, and the Company as defendants. The complaint and notice of violation are similar to those brought against and issued to several other electric utilities. These complaints and notices of violation allege that the utilities had failed to secure necessary permits or install additional pollution control equipment when performing maintenance and construction at coal burning plants constructed or under construction prior to 1978. The U.S. District Court in Georgia granted Alabama Power's motion to dismiss for lack of jurisdiction in Georgia and granted the system service company's motion to dismiss on the grounds that it neither owned nor operated the generating units involved in the proceedings. The court granted the EPA's motion to add Savannah Electric as a defendant, but it denied the motion to add Gulf Power and the Company based on lack of jurisdiction over those companies. The court directed the EPA to re-file its amended complaint limiting claims to those brought against Georgia Power and Savannah Electric. The EPA re-filed those claims as directed by the court. Also, the EPA re-filed its claims against Alabama Power in U.S. District Court in Alabama. It has not re-filed against Gulf Power, the system service company, or the Company.

The Alabama Power, Georgia Power, and Savannah Electric cases have been stayed since the spring of 2001, pending a ruling by the U.S. Court of Appeals for the Eleventh Circuit in the appeal of a very similar New Source Review enforcement action against the Tennessee Valley Authority (TVA). The TVA case involves many of the same legal issues raised by the actions against Alabama Power, Georgia Power, and Savannah Electric. Because the outcome of the TVA case could have a significant adverse impact on Alabama Power and Georgia Power, both companies are parties to that case as well. The U.S. District Court in Alabama has indicated that it will revisit the issue of a continued stay in April 2002. The U.S. District Court in Georgia is currently considering a motion by the EPA to reopen the Georgia case. Georgia Power and Savannah Electric have opposed that motion.

The Company believes that it complied with applicable laws and the EPA's regulations and interpretations in effect at the time the work in question took place. The Clean Air Act authorizes civil penalties of up to $27,500 per day per violation at each generating

unit. Prior to January 30, 1997, the penalty was $25,000 per day. An adverse outcome of this matter could require substantial capital expenditures that cannot be determined at this time and possibly require payment of substantial penalties. This could affect future results of operations, cash flows and possibly financial condition unless such costs can be recovered through regulated rates.

In November 1990, the Clean Air Act Amendments of 1990 (Clean Air Act) were signed into law. Title IV of the Clean Air Act -- the acid rain compliance provision of the law -- significantly affected Southern Company. Reductions in sulfur dioxide and nitrogen oxide emissions from fossil-fired generating plants were required in two phases. Phase I compliance began in 1995.

Southern Company achieved Phase I compliance at its affected plants by primarily switching to low-sulfur coal and with some equipment upgrades. Construction expenditures for Phase I nitrogen oxide and sulfur dioxide emissions compliance totaled approximately $65 million for the Company.

Phase II sulfur dioxide compliance was required in 2000. Southern Company used emission allowances and fuel switching to comply with Phase II requirements. Also, equipment to control nitrogen oxide emissions was installed on additional system fossil-fired units as necessary to meet Phase II limits and ozone non-attainment requirements for metropolitan Atlanta through 2000. Phase II compliance did not have a material impact on the Company.

The Company'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. The Company's management believes that the ECO Plan provides for recovery of the 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 and ozone non-attainment provisions 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.

In July 1997, the EPA revised the national ambient air quality standards for ozone and fine particulate matter. This revision made the standards significantly more stringent. In the subsequent litigation of these standards, the U.S. Supreme Court found the EPA's implementation program for the new ozone standard unlawful and remanded it to the EPA. In addition, the Federal District of Columbia Circuit Court of Appeals is considering other legal challenges to these standards. A court decision is expected in the spring of 2002. If the standards are eventually upheld, implementation could be required by 2007 to 2010.

In September 1998, the EPA issued regional nitrogen oxide reduction rules to the states for implementation. Compliance is required by May 31, 2004 for most states including Alabama. For Georgia, further rulemaking was required, and proposed compliance was delayed until May 1, 2005. The final rules affect 21 states that do not include Mississippi. The EPA is presently evaluating whether or not to bring an additional 15 states including Mississippi, under this regional nitrogen oxide rule.

In December 2000, having completed its utility studies for mercury and other hazardous air pollutants (HAPS), the EPA issued a determination that an emission control program for mercury and, perhaps, other HAPS is warranted. The program is being developed under the Maximum Achievable Control Technology provisions of the Clean Air Act, and the regulations are scheduled to be finalized by the end of 2004 with implementation to take place around 2007. In January 2001, the EPA proposed guidance for the determination of Best Available Retrofit Technology (BART) emission controls under the Regional Haze Regulations. Installation of BART controls is expected to take place in 2010. Litigation of the Regional Haze Regulations, including the BART provisions, is ongoing in the Federal District of Columbia Circuit Court of Appeals. A court decision is expected in mid-2002.

Implementation of the final state rules for these initiatives could require substantial further reductions in nitrogen oxide and sulfur dioxide and reductions in mercury and other HAPS emissions from fossil-fired generating facilities and other industries in these states. Additional compliance costs and capital expenditures resulting from the implementation of these rules and standards cannot be determined until the results of legal

challenges are known, and the states have adopted their final rules.

In October 1997, the EPA issued regulations setting forth requirements for Compliance Assurance Monitoring (CAM) in its state and federal operating permit programs. These regulations were amended by the EPA in March 2001 in response to a court order resolving challenges to the rules brought by environmental groups and industry. Generally, this rule affects the operation and maintenance of electrostatic precipitators and could involve significant additional ongoing expense.

The EPA and state environmental regulatory agencies are reviewing and evaluating various other matters including: control strategies to reduce regional haze; limits on pollutant discharges to impaired waters; cooling water intake restrictions; and hazardous waste disposal requirements. The impact of any 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. Should remediation be determined to be probable, reasonable estimates of costs to clean up such sites are developed and recognized in the financial statements.

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 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.

Cautionary Statement Regarding Forward-Looking Information

This Annual Report includes forward-looking statements in addition to historical information. Forward-looking information includes, among other things, statements concerning projected sales growth and scheduled completion of new generation. In some cases, forward-looking statements can be identified by terminology such as "may," "will," "should," "could," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "projects," "potential," or "continue" or the negative of these terms or other comparable terminology. The Company cautions that there are various important factors that could cause actual results to differ materially from those indicated in the forward-looking statements; accordingly, there can be no assurance that such indicated results will be realized. These factors include the impact of recent and future federal and state regulatory change, including legislative and regulatory initiatives regarding deregulation and restructuring of the electric utility industry and also changes in environmental and other laws and regulations to which the Company is subject, as well as changes in application of existing laws and regulations; current and future litigation, including the pending EPA civil action against the Company; the effects, extent and timing of the entry of additional competition in the markets of the Company; the impact of fluctuations in commodity prices, interest rates, and customer demand; state and federal rate regulations; political, legal, and economic conditions and developments in the United States; internal restructuring or other restructuring options that may be pursued; potential business strategies, including acquisitions or dispositions of assets or businesses, which cannot be assured to be completed or beneficial to the Company; the effects of, and changes in, economic conditions in the areas in which the Company operates; the direct or indirect effects on the Company's business resulting from the terrorist incidents on September 11, 2001, or any similar such incidents or responses to such incidents; financial market conditions and the results of financing efforts; the timing and acceptance of the Company's new product and service offerings; the ability of the Company to obtain additional generating capacity at competitive prices; weather and other natural phenomena; and other factors discussed elsewhere herein and in other reports (including Form 10-K) filed from time to time by the Company with the Securities and Exchange Commission.

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STATEMENTS OF INCOME

For the Years Ended December 31, 2001, 2000, and 1999
Mississippi Power Company 2001 Annual Report

	2001	2000	1999
		(in thousands)	
Operating Revenues:			
Retail sales	**$489,153**	$498,551	$469,434
Sales for resale --			
Non-affiliates	**204,623**	145,931	131,004
Affiliates	**85,652**	27,915	19,446
Other revenues	**16,637**	15,205	13,120
Total operating revenues	**796,065**	687,602	633,004
Operating Expenses:			
Operation --			
Fuel	**277,946**	191,127	172,686
Purchased power --			
Non-affiliates	**41,254**	56,082	40,080
Affiliates	**53,990**	51,057	31,007
Other	**134,845**	115,055	125,291
Maintenance	**56,153**	52,750	47,085
Depreciation and amortization	**54,077**	50,275	49,206
Taxes other than income taxes	**44,966**	48,686	47,893
Total operating expenses	**663,231**	565,032	513,248
Operating Income	**132,834**	122,570	119,756
Other Income (Expense):			
Interest income	**369**	347	189
Other, net	**(532)**	(647)	1,675
Earnings Before Interest and Income Taxes	**132,671**	122,270	121,620
Interest Expense and Other:			
Interest expense, net	**23,568**	28,101	27,969
Distributions on preferred securities of subsidiary	**2,712**	2,712	2,712
Total interest charges and other, net	**26,280**	30,813	30,681
Earnings Before Income Taxes	**106,391**	91,457	90,939
Income taxes	**40,533**	34,356	34,117
Earnings Before Cumulative Effect of Accounting Change	**65,858**	57,101	56,822
Cumulative effect of accounting change-- less income taxes of $43 thousand	**70**	-	-
Net Income	**65,928**	57,101	56,822
Dividends on Preferred Stock	**2,041**	2,129	2,013
Net Income After Dividends on Preferred Stock	**$ 63,887**	$ 54,972	$ 54,809

The accompanying notes are an integral part of these statements.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2001, 2000, and 1999
Mississippi Power Company 2001 Annual Report

	2001	2000	1999
		(in thousands)	
Operating Activities:			
Net income	**$ 65,928**	$ 57,101	$ 56,822
Adjustments to reconcile net income			
to net cash provided from operating activities --			
Depreciation and amortization	**58,105**	54,638	53,427
Deferred income taxes and investment tax credits, net	**(9,718)**	752	(4,143)
Other, net	**2,441**	(1,747)	5,531
Changes in certain current assets and liabilities --			
Receivables, net	**(7,796)**	(3,231)	(39,304)
Fossil fuel stock	**(20,269)**	14,577	(9,379)
Materials and supplies	**(1,529)**	(1,056)	(1,903)
Accounts payable	**53,462**	1,309	1,391
Other	**11,251**	2,952	14,206
Net cash provided from operating activities	**151,875**	125,295	76,648
Investing Activities:			
Gross property additions	**(61,193)**	(81,211)	(75,888)
Other	**(2,988)**	(9,153)	1,009
Net cash used for investing activities	**(64,181)**	(90,364)	(74,879)
Financing Activities:			
Increase (decrease) in notes payable, net	**(40,027)**	(1,500)	44,500
Proceeds --			
Other long-term debt	**-**	100,000	59,400
Capital contributions from parent company	**73,095**	12,659	2,028
Retirements --			
First mortgage bonds	**(36,000)**	-	-
Other long-term debt	**(21,021)**	(81,405)	(50,456)
Preferred stock	**-**	-	-
Payment of preferred stock dividends	**(2,041)**	(2,129)	(2,013)
Payment of common stock dividends	**(50,200)**	(54,700)	(56,100)
Other	**(81)**	(498)	(282)
Net cash used for financing activities	**(76,275)**	(27,573)	(2,923)
Net Change in Cash and Cash Equivalents	**11,419**	7,358	(1,154)
Cash and Cash Equivalents at Beginning of Period	**7,531**	173	1,327
Cash and Cash Equivalents at End of Period	**$ 18,950**	$ 7,531	$ 173
Supplemental Cash Flow Information:			
Cash paid during the period for --			
Interest (net of amount capitalized)	**$28,126**	$30,570	$25,486
Income taxes (net of refunds)	**45,761**	33,276	39,729

The accompanying notes are an integral part of these statements.

BALANCE SHEETS
At December 31, 2001 and 2000
Mississippi Power Company 2001 Annual Report

Assets	2001	2000
		(in thousands)
Current Assets:		
Cash and cash equivalents	**$ 18,950**	$ 7,531
Receivables --		
Customer accounts receivable	**63,286**	72,064
Other accounts and notes receivable	**26,068**	21,843
Affiliated companies	**22,569**	10,071
Accumulated provision for uncollectible accounts	**(856)**	(571)
Fossil fuel stock, at average cost	**31,489**	11,220
Materials and supplies, at average cost	**23,223**	21,694
Other	**16,002**	8,320
Total current assets	**200,731**	152,172
Property, Plant, and Equipment:		
In service	**1,741,499**	1,665,879
Less accumulated provision for depreciation	**698,681**	652,891
	1,042,818	1,012,988
Construction work in progress	**38,253**	60,951
Total property, plant, and equipment	**1,081,071**	1,073,939
Other Property and Investments	**1,900**	2,268
Deferred Charges and Other Assets:		
Deferred charges related to income taxes	**13,394**	13,860
Prepaid pension costs	**4,501**	434
Debt expense, being amortized	**4,396**	4,628
Premium on reacquired debt, being amortized	**6,719**	7,168
Other	**20,821**	14,312
Total deferred charges and other assets	**49,831**	40,402
Total Assets	**$1,333,533**	$1,268,781

The accompanying notes are an integral part of these balance sheets.

BALANCE SHEETS
At December 31, 2001 and 2000
Mississippi Power Company 2001 Annual Report

Liabilities and Stockholder's Equity	2001	2000
	(in thousands)	
Current Liabilities:		
Securities due within one year	$ **80,020**	$ 20
Notes payable	**15,973**	56,000
Accounts payable --		
Affiliated	**6,175**	10,715
Other	**105,834**	48,146
Customer deposits	**6,540**	5,274
Taxes accrued --		
Income taxes	**14,981**	8,769
Other	**35,282**	36,799
Interest accrued	**5,079**	4,482
Vacation pay accrued	**5,810**	5,701
Other	**11,483**	6,473
Total current liabilities	**287,177**	182,379
Long-term debt (See accompanying statements)	**233,753**	370,511
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	**138,913**	139,909
Deferred credits related to income taxes	**23,626**	25,603
Accumulated deferred investment tax credits	**22,268**	23,481
Employee benefits provisions	**31,041**	28,911
Workforce reduction plan	**8,263**	9,734
Other	**30,003**	16,546
Total deferred credits and other liabilities	**254,114**	244,184
Company obligated mandatorily redeemable preferred securities of subsidiary trust holding company junior subordinated notes (See accompanying statements)	**35,000**	35,000
Preferred stock (See accompanying statements)	**31,809**	31,809
Common stockholder's equity (See accompanying statements)	**491,680**	404,898
Total Liabilities and Stockholder's Equity	**$1,333,533**	$1,268,781

The accompanying notes are an integral part of these balance sheets.

STATEMENTS OF CAPITALIZATION
At December 31, 2001 and 2000
Mississippi Power Company 2001 Annual Report

		2001	2000	2001	2000
			(in thousands)	*(percent of total)*	
Long-Term Debt:					
First mortgage bonds --					
Maturity	Interest Rates				
June 1, 2023	7.45%	**$ 34,000**	$ 35,000		
March 1, 2004	6.60%	**-**	35,000		
December 1, 2025	6.875%	**30,000**	30,000		
Total first mortgage bonds		**64,000**	100,000		
Long-term notes payable --					
6.05% due May 1, 2003		**35,000**	35,000		
6.75% due June 30, 2038		**52,178**	53,179		
Adjustable rates (2.0056% at 1/1/02) due 2000-2002		**80,000**	100,000		
Total long-term notes payable		**167,178**	188,179		
Other long-term debt --					
Pollution control revenue bonds --					
Collateralized:					
5.65% to 5.80% due 2007-2023		**26,745**	26,765		
Non-collateralized:					
Variable rates (1.90% to 2.00% at 1/1/02) due 2020-2028		**56,820**	56,820		
Total other long-term debt		**83,565**	83,585		
Unamortized debt premium (discount), net		**(970)**	(1,233)		
Total long-term debt (annual interest requirement -- $14.5 million)		**313,773**	370,531		
Less amount due within one year		**80,020**	20		
Long-term debt excluding amount due within one year		**$233,753**	$370,511	**29.5%**	43.9%

STATEMENTS OF CAPITALIZATION (continued)
At December 31, 2001 and 2000
Mississippi Power Company 2001 Annual Report

	2001	2000	2001	2000
		(in thousands)	*(percent of total)*	
Company Obligated Mandatorily Redeemable Preferred Securities:(Note 8)				
$25 liquidation value --				
7.75%	**$ 35,000**	$ 35,000		
Total (annual distribution requirement -- $2.7 million)	**35,000**	35,000	**4.4**	4.2
Cumulative Preferred Stock:				
$100 par value				
4.40% to 7.00%	**31,809**	31,809		
Total (annual dividend requirement -- $2.0 million)	**31,809**	31,809	**4.0**	3.8
Common Stockholder's Equity:				
Common stock, without par value --				
Authorized - 1,130,000 shares				
Outstanding - 1,121,000 shares in 2001 and 2000	**37,691**	37,691		
Paid-in capital	**267,256**	194,161		
Premium on preferred stock	**326**	326		
Retained earnings	**186,407**	172,720		
Total common stockholder's equity	**491,680**	404,898	**62.1**	48.1
Total Capitalization	**$792,242**	$842,218	**100.0%**	100.0%

The accompanying notes are an integral part of these statements.

STATEMENTS OF COMMON STOCKHOLDER'S EQUITY

For the Years Ended December 31, 2001, 2000, and 1999
Mississippi Power Company 2001 Annual Report

	Common Stock	Paid-In Capital	Premium on Preferred Stock	Retained Earnings	Total
			(in thousands)		
Balance at January 1, 1999	$37,691	$179,474	$326	$173,740	$391,231
Net income after dividends on preferred stock	-	-	-	54,809	54,809
Capital contributions from parent company	-	2,028	-	-	2,028
Cash dividends on common stock	-	-	-	(56,100)	(56,100)
Balance at December 31, 1999	37,691	181,502	326	172,449	391,968
Net income after dividends on preferred stock	-	-	-	54,972	54,972
Capital contributions from parent company	-	12,659	-	-	12,659
Cash dividends on common stock	-	-	-	(54,700)	(54,700)
Other	-	-	-	(1)	(1)
Balance at December 31, 2000	37,691	194,161	326	172,720	404,898
Net income after dividends on preferred stock	-	-	-	**63,887**	**63,887**
Capital contributions from parent company	-	**73,095**	-	-	**73,095**
Cash dividends on common stock	-	-	-	**(50,200)**	**(50,200)**
Balance at December 31, 2001	**$37,691**	**$267,256**	**$326**	**$186,407**	**$491,680**

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, a system service company, Southern Communications Services (Southern LINC), Southern Nuclear Operating Company (Southern Nuclear), Southern Power Company (Southern Power), 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 -- related to jointly owned generating facilities, interconnecting transmission lines, and the exchange of electric power -- are regulated by the Federal Energy Regulatory Commission (FERC) and/or the Securities and Exchange Commission. The system service company provides, at cost, specialized services to Southern Company and subsidiary companies. Southern LINC provides digital wireless communications services to the operating companies and also markets these services to the public within the Southeast. Southern Nuclear provides services to Southern Company's nuclear power plants. Southern Power was established in 2001 to construct, own, and manage Southern Company's competitive generation assets and sell electricity at market-based rates in the wholesale market.

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 Company is also subject to regulation by the FERC and the Mississippi Public Service Commission (MPSC). The Company follows accounting principles generally accepted in the United States and complies with the accounting policies and practices prescribed by the respective commissions. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires the use of estimates, and the actual results may differ from those estimates.

Prior years' data presented in the financial statements have been reclassified to conform with the current year presentation.

Affiliate Transactions

The Company has an agreement with the system service company under which the following services are rendered to the Company at cost: general and design engineering, purchasing, accounting and statistical, finance and treasury, tax, information resources, marketing, auditing, insurance and pension administration, human resources, systems and procedures, and other services with respect to business and operations and power pool operations. Costs for these services amounted to $44.1 million, $46.2 million, and $45.5 million during 2001, 2000, and 1999, respectively.

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 expected 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:

	2001	2000
	(in thousands)	
Deferred income tax charges	**$ 13,394**	$ 13,860
Vacation pay	**5,810**	5,701
Premium on reacquired debt	**6,719**	7,168
Fuel commitments	**4,328**	-
Property damage reserve	**(4,044)**	(3,519)
Deferred income tax credits	**(23,626)**	(25,603)
Other, net	**(1,066)**	(505)
Total	**$ 1,515**	$ (2,898)

In the event that a portion of the Company's operations is no longer subject to the provisions of FASB Statement No. 71, the Company would be required to write off related regulatory assets and liabilities that are not specifically recoverable through regulated rates. In addition, the Company would be required to determine if any impairment to other assets exists, including plant, and write down the assets, if impaired, to their fair value.

Revenues and Fuel Costs

The Company currently operates as a vertically integrated utility providing electricity to retail customers within its traditional service area located within the state of Mississippi and to wholesale customers in the Southeast.

Revenues are recognized as services are rendered. Unbilled revenues are accrued at the end of each fiscal period. The Company's retail and wholesale rates include provisions to adjust billings for fluctuations in fuel costs, the energy component of purchased power costs, and certain other costs. Retail rates also include provisions to adjust billings for fluctuations in costs for ad valorem taxes, certain qualifying environmental costs, and energy cost management activities. 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. For all periods presented, uncollectible accounts continued to average less than 1 percent of revenues.

Depreciation

Depreciation of the original cost of plant in service is provided primarily by using composite straight-line rates, which approximated 3.5 percent in 2001, 3.5 percent in 2000, and 3.3 percent in 1999. When property subject to depreciation is retired or otherwise disposed of in the normal course of business, its original cost -- together with the cost of removal, less salvage -- is charged to accumulated 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

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.

Property, Plant, and Equipment

Property, plant, and equipment 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, if applicable. 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 capitalized.

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

Effective January 2001, the Company adopted FASB Statement No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended. The 2001 impact on net income was immaterial. The Company uses derivative financial instruments to hedge exposure to fluctuations in interest rates and certain commodity prices. Gains and losses on qualifying hedges are deferred and recognized either as income or as an adjustment to the carrying amount of the hedged item when the transaction occurs. The Company is exposed to losses related to financial instruments in the event of counterparties' nonperformance. The Company has established controls to determine and monitor the creditworthiness of counterparties in order to mitigate the Company's exposure to counterparty credit risk.

The Company and its affiliates, through the system service company acting as their agent, enters into commodity related forward and option contracts to limit

exposure to changing prices on certain fuel purchases and electricity purchases and sales. Substantially all of these bulk energy purchases and sales contracts meet the definition of a derivative under FASB Statement No. 133, Accounting for Derivative Instruments and Hedging Activities. In many cases, these fuel and electricity contracts qualify for normal purchase and sale exceptions under Statement No. 133 and are accounted for under the accrual method. Other contracts qualify as cash flow hedges of anticipated transactions, resulting in the deferral of related gains and losses, and are recorded in other comprehensive income until the hedged transactions occur. Any ineffectiveness is recognized currently in net income. Contracts that do not qualify for the normal purchase and sale exception and that do not meet the hedge requirements are marked to market through current period income.

In June 2001, the MPSC approved the Company's request to implement an Energy Cost Management Clause (ECM). ECM, among other things, allows the Company to utilize financial instruments that are used to hedge its fuel commitments. Amounts paid or received as a result of financial settlement of these instruments are classified as fuel expense and are included in the ECM factor applied to customer billings. The Company records the fair value of these financial instruments (cash flow hedges) in its financial statements in accordance with FASB Statement No. 133 with a related regulatory asset or liability recorded under the provisions of FASB Statement No. 71.

As of December 31, 2001, the Company had financial instruments related to natural gas commodity contracts that had a contract value of approximately $31 million and $30 million expiring in 2002 and 2003, respectively. The market values as of December 31, 2001 for these contracts were approximately $27 million and $30 million, respectively. The amounts settled and recognized in the financial statements for 2001 were not material. Currently, the Company does not have any fixed price natural gas commitments, either physical or financial, beyond 2003.

The Company's other financial instruments for which the carrying amount did not equal fair value at December 31 were as follows:

	Carrying Amount	Fair Value
	(in millions)	
Long-term debt:		
At December 31, 2001	**$314**	**$309**
At December 31, 2000	$371	$362
Capital trust preferred securities:		
At December 31, 2001	**$ 35**	**$ 35**
At December 31, 2000	$ 35	$ 34

The fair values for long-term debt and preferred securities were 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

The Company 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 accrues for the cost of such damage by charging expense and crediting an accumulated provision. The cost of repairing damage resulting from such events that individually exceed $50 thousand is charged to the accumulated provision. In 1999, an order from the MPSC increased the maximum Property Damage Reserve from $18 million to $23 million and allows an annual accrual of up to $4.6 million. In 2001, the Company provided for such costs by charges to income of $2.5 million. In 2000 and 1999, the Company provided for such costs by charges to income of $3.5 million and $4.4 million, respectively. As of December 31, 2001, the accumulated provision amounted to $4.0 million.

2. RETIREMENT BENEFITS

The Company has a defined benefit, trusteed, pension plan that covers substantially all employees. The 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. The Company funds trusts to the extent deductible under federal income tax regulations or the extent required by regulatory authorities. In late 2000, the Company adopted several pension and postretirement benefits plan changes that had the effect of increasing benefits to both current and future retirees. The measurement date for plan assets and obligations is September 30 for each year.

Pension Plan

Changes during the year in the projected benefit obligations and in the fair value of plan assets were as follows:

	Projected Benefit Obligations	
	2001	2000
	(in thousands)	
Balance at beginning of year	**$154,411**	$148,657
Service cost	**4,797**	4,357
Interest cost	**11,817**	10,912
Benefits paid	**(8,456)**	(8,169)
Actuarial gain and employee transfers	**1,268**	(1,646)
Amendments	**8,406**	300
Other	**(76)**	-
Balance at end of year	**$172,167**	$154,411

	Plan Assets	
	2001	2000
	(in thousands)	
Balance at beginning of year	**$256,648**	$221,487
Actual return on plan assets	**(37,214)**	39,737
Benefits paid	**(7,850)**	(7,593)
Employee transfers	**(38)**	3,017
Balance at end of year	**$211,546**	$256,648

The accrued pension costs recognized in the Balance Sheets were as follows:

	2001	2000
	(in thousands)	
Funded status	**$ 39,379**	$ 102,238
Unrecognized transition obligation	**(2,716)**	(3,253)
Unrecognized prior service cost	**13,656**	6,298
Unrecognized net gain	**(45,818)**	(104,849)
Prepaid asset recognized in the Balance Sheets	**$ 4,501**	$ 434

Components of the pension plans' net periodic cost were as follows:

	2001	2000	1999
	(in thousands)		
Service cost	**$ 4,797**	$ 4,357	$ 4,501
Interest cost	**11,818**	10,912	10,025
Expected return on plan assets	**(17,328)**	(15,910)	(14,681)
Recognized net gain	**(3,012)**	(2,577)	(1,670)
Net amortization	**511**	76	76
Net pension income	**$ (3,214)**	$ (3,142)	$ (1,749)

Postretirement Benefits

Changes during the year in the accumulated benefit obligations and in the fair value of plan assets were as follows:

	Accumulated Benefit Obligations	
	2001	2000
	(in thousands)	
Balance at beginning of year	**$44,952**	$45,390
Service cost	**922**	830
Interest cost	**3,411**	3,309
Benefits paid	**(2,918)**	(2,628)
Actuarial gain and employee transfers	**3,256**	(1,949)
Amendments	**1,900**	-
Balance at end of year	**$51,523**	$44,952

	Plan Assets	
	2001	2000
	(in thousands)	
Balance at beginning of year	**$17,843**	$14,998
Actual return on plan assets	**(1,888)**	2,511
Employer contributions	**3,232**	2,961
Benefits paid	**(2,918)**	(2,627)
Balance at end of year	**$16,269**	$17,843

The accrued postretirement costs recognized in the Balance Sheets were as follows:

	2001	2000
	(in thousands)	
Funded status	**$(35,254)**	$(27,109)
Unrecognized transition obligation	**3,928**	4,275
Unrecognized prior service cost	**1,821**	-
Unrecognized net gain	**(40)**	(6,632)
Fourth quarter contributions	**1,268**	1,065
Accrued liability recognized in the Balance Sheets	**$(28,277)**	$(28,401)

Components of the postretirement plans' net periodic cost were as follows:

	2001	2000	1999
		(in thousands)	
Service cost	**$ 922**	$ 830	$ 981
Interest cost	**3,411**	3,309	3,105
Expected return on plan assets	**(1,409)**	(1,235)	$(1,100)
Transition obligation	**346**	346	346
Prior service cost	**80**	-	-
Recognized net loss	**(38)**	-	-
Net postretirement cost	**$ 3,312**	$ 3,250	$ 3,332

The weighted average rates assumed in the actuarial calculations for both the pension plans and postretirement benefits plan were:

	2001	2000
Discount	**7.50%**	7.50%
Annual salary increase	**5.00**	5.00
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 9.25 percent for 2001, decreasing gradually to 5.25 percent through the year 2010 and remaining at that level thereafter. An annual increase or decrease in the assumed medical care cost trend rate of 1 percent would affect the accumulated benefit obligation and the service and interest cost components at December 31, 2001 as follows:

	1 Percent Increase	1 Percent Decrease
	(in thousands)	
Benefit obligation	**$4,037**	**$3,551**
Service and interest costs	**314**	**273**

Employee Savings Plan

The Company also sponsors a 401(k) defined contribution plan covering substantially all employees. The Company provides a 75 percent matching contribution up to 6 percent of an employee's base salary. Total matching contributions made to the plan for the years 2001, 2000, and 1999 were $2.5 million, $2.3 million, and $2.2 million, respectively.

3. LITIGATION AND REGULATORY MATTERS

General

The Company is subject to certain claims and legal actions arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel, the ultimate disposition of these matters is not expected to have a material adverse effect on the Company's financial condition.

Environmental Litigation

On November 3, 1999, the Environmental Protection Agency (EPA) brought a civil action in the U.S. District Court in Georgia against Alabama Power, Georgia Power and the system service company. The complaint alleges violations of the New Source Review provisions of the Clean Air Act with respect to five coal-fired generating facilities in Alabama and Georgia. The civil action requests penalties and injunctive relief, including an order requiring the installation of the best available control technology at the affected units. The Clean Air Act authorizes civil penalties of up to $27,500 per day per violation at each generating unit. Prior to January 30, 1997, the penalty was $25,000 per day.

The EPA concurrently issued to the operating companies a notice of violation related to 10 generating facilities, which includes the five facilities mentioned previously, and the Company's plants Watson and Greene County. In early 2000, the EPA filed a motion to amend its complaint to add the violations alleged in its notice of violation and to add Gulf Power, Savannah Electric and

the Company as defendants. The complaint and notice of violation are similar to those brought against and issued to several other electric utilities. These complaints and notices of violation allege that the utilities had failed to secure necessary permits or install additional pollution control equipment when performing maintenance and construction at coal burning plants constructed or under construction prior to 1978. The U.S. District Court in Georgia granted Alabama Power's motion to dismiss for lack of jurisdiction and granted the system service company's motion to dismiss on the grounds that it neither owned nor operated the generating units involved in the proceedings. The court granted the EPA's motion to add Savannah Electric as a defendant, but it denied the motion to add Gulf Power and the Company based on lack of jurisdiction over those companies. The court directed the EPA to re-file its amended complaint limiting claims to those brought against Georgia Power and Savannah Electric. The EPA re-filed those claims as directed by the court. Also, the EPA re-filed its claims against Alabama Power in U.S. District Court in Alabama. It has not re-filed against Gulf Power, the system service company, or the Company.

The Alabama Power, Georgia Power, and Savannah Electric cases have been stayed since the spring of 2001, pending a ruling by the U.S. Court of Appeals for the Eleventh Circuit in the appeal of a very similar New Source Review enforcement action against the Tennessee Valley Authority (TVA). The TVA case involves many of the same legal issues raised by the actions against Alabama Power, Georgia Power, and Savannah Electric. Because the outcome of the TVA case could have a significant adverse impact on Alabama Power and Georgia Power, both companies are parties to that case as well. The U.S. District Court in Alabama has indicated that it will revisit the issue of a continued stay in April 2002. The U.S. District Court in Georgia is currently considering a motion by the EPA to reopen the Georgia case. Georgia Power and Savannah Electric have opposed that motion.

The Company believes that it complied with applicable laws and the EPA's regulations and interpretations in effect at the time the work in question took place. An adverse outcome of this matter could require substantial capital expenditures that cannot be determined at this time and could possibly require payment of substantial penalties. This could affect future results of operations, cash flows and possibly financial condition unless such costs can be recovered through regulated rates.

Retail Rate Adjustment Plans

The Company's retail base rates are set under a Performance Evaluation Plan (PEP) approved by the MPSC in 1994. PEP was designed with the objective that the plan would reduce the impact of rate changes on the customer and provide incentives for the Company to keep customer prices low. PEP includes a mechanism for 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 provides for semiannual evaluations of the Company's performance-based return on investment. Any change in rates is limited to 2 percent of retail revenues per evaluation period.

In August 2001, the Company filed a request with the MPSC for a retail rate increase of approximately $46 million. In order to consider the Company's request, the MPSC suspended the semi-annual evaluations under PEP. In December 2001, after a full investigation and hearing on the Company's request, the MPSC approved an increase of approximately $39 million, which took effect in January 2002. Additionally, the MPSC ordered the Company to reactivate the semi-annual evaluations under PEP, beginning in February 2003 for the year 2002. PEP will remain in effect until the MPSC modifies, suspends, or terminates the plan. The MPSC also set for hearing in 2002 a review of the return on equity models used in PEP in setting the Company's authorized return on equity. This proceeding will conclude in 2002, so that changes to the PEP return on equity models, if any, may be incorporated into the February 2003 PEP evaluation filing for the period ending December 31, 2002. The outcome of this matter and any future impact to the Company cannot now be determined.

Environmental Compliance Overview Plan

The MPSC approved the Company's Environmental Compliance Overview Plan (ECO Plan) in 1992. The ECO 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. Under the ECO Plan, any increase in the annual

revenue requirement is limited to 2 percent of retail revenues. However, the ECO Plan also provides for carryover of any amount over the 2 percent limit into the next year's revenue requirement. The Company conducts studies, when possible, to determine the extent of any required environmental remediation. Should such remediation be determined to be probable, reasonable estimates of costs to clean up such sites are developed and recognized in the financial statements. The Company recovers such costs under the ECO Plan as they are incurred, as provided for in the Company's 1995 ECO Plan Order. The Company filed its 2002 ECO Plan in January, which, if approved as filed, will result in a slight increase in customer prices.

Approval for New Capacity

In January 1998, the Company was granted a Certificate of Public Convenience and Necessity by the MPSC to build approximately 1,064 megawatts of combined cycle generation at the Company's Plant Daniel site, to be placed in service by June 2001. In December 1998, the Company requested approval to transfer the ownership rights under the certificate to Escatawpa Funding, Limited Partnership (Escatawpa), which will lease the facility to the Company (see Note 4, Commitments). In September 2000, the Company and the Mississippi Public Utilities Staff entered, and the MPSC in October 2000 approved, a new stipulation that modifies a January 1999 stipulation and order covering cost allocation. The 1999 stipulation and MPSC order would have excluded the new capacity from retail rate base and would have assigned the Company's existing generating facilities entirely to the retail jurisdiction. The new stipulation and MPSC order allocates a pro-rata share of the new capacity along with the Company's existing generating capacity to the retail jurisdiction. The Company's 2001 retail rate case reflected this methodology and the MPSC's December 2001 order on the retail rate case filing approved the Company's cost allocations.

4. COMMITMENTS

Construction Program

The Company is engaged in continuous construction programs, the costs of which are currently estimated to total $84 million in 2002, $72 million in 2003, and $85 million in 2004. 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. Significant construction will continue related to transmission and distribution facilities, and the upgrading of generating plants.

Lease Agreements

In 1989, the Company 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 also entered into for twenty-two years. The Company has the option to purchase the 745 railcars at the greater of lease termination value or fair market value, or to renew the leases at the end of the lease term. Both of these leases were for the transport of coal to Plant Daniel.

Gulf Power, as joint owner of Plant Daniel Units 1 and 2, is responsible for one half of the lease cost. The Company's share (50%) of the leases, charged to fuel stock, was $1.9 million in 2001, $2.1 million in 2000, and $2.8 million in 1999. The Company's annual lease payments for 2002 through 2006 will average approximately $2.0 million and after 2006, lease payments total in aggregate approximately $12 million.

In 1999, the Company signed an Agreement for Lease and a Lease Agreement with Escatawpa Funding, Limited Partnership (Escatawpa). These agreements called for the Company to design and construct, as agent for Escatawpa, a 1,064 megawatt natural gas combined cycle facility at the Company's Plant Victor J. Daniel Facility (Facility). In May 2001, the Facility was completed and placed into commercial operation. Effective with commercial operation of the Facility at Plant Daniel, the initial 10-year lease term under its lease arrangement for the Facility with Escatawpa began. The completion cost was approximately $370 million. The lease provides for a residual value guarantee (approximately 71% of the completion cost) by the Company that is due upon termination of the lease in certain circumstances. The lease also includes a purchase and renewal option. Upon termination of the lease, at the Company's option, the Company may either exercise its purchase option or the Facility can be sold to a third party. The Company expects that the fair market value of the leased Facility

would substantially reduce or eliminate the Company's payment under the residual value guarantee. In 2001, the Company recognized approximately $18 million in lease expense. The Company estimates that its annual amount of future minimum operating lease payments, exclusive of any payment related to the residual value guarantee, as of December 31, 2001, were as follows:

Year	Lease Payments (in millions)
2002	$26.4
2003	25.5
2004	25.2
2005	25.0
2006	24.7
2007 and thereafter	143.0
Total commitments	$269.8

Fuel

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 fuel. In most cases, these contracts contain provisions for price escalations, minimum production levels, and other financial commitments. In addition, the Company utilizes financial instruments to eliminated price volatility. Total estimated fixed-price obligations at December 31, 2001, were as follows:

Year	Fuel (in millions)
2002	$225
2003	188
2004	7
2005	7
2006	7
2007 and thereafter	86
Total commitments	$520

In addition, the system service company acts as agent for the five operating companies and Southern Power with regard to natural gas purchases. Natural gas purchases (in dollars) are based on various indices at the actual time of delivery; therefore, only the volume commitments are firm. The Company's committed volumes allocated based on usage projections, as of December 31, 2001 are as follows:

Year	Natural Gas (MMBtu)
2002	40,345,416
2003	39,723,953
2004	22,521,216
2005	11,161,628
2006	8,044,570
2007 and thereafter	2,981,474
Total commitments	124,778,257

Additional commitments for fuel will be required in the future to supply the Company's fuel needs.

5. JOINT OWNERSHIP AGREEMENTS

The Company and Alabama Power own as tenants in common Units 1 and 2 at Plant Greene County located in Alabama. Additionally, the Company and Gulf Power own as tenants in common Units 1 and 2 at Plant Daniel located Mississippi.

At December 31, 2001, the Company's percentage ownership and investment in these jointly owned facilities were as follows:

Generating Plant	Total Capacity (Megawatts)	Percent Ownership	Company's Gross Investment (in thousands)	Accumulated Depreciation (in thousands)
Greene County Units 1 and 2	500	40%	$ 65,486	$ 35,116
Daniel Units 1 and 2	1,000	50%	$236,979	$116,766

The Company's share of plant operating expenses is included in the corresponding operating expenses in the Statements of Income.

6. LONG-TERM CAPACITY SALES AND LEASE AGREEMENTS

The Company and the other operating companies 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. 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 under these agreements were not material during the periods reported.

In 1984, the Company and Entergy Corp. (formerly Gulf States Utilities) entered into a 40-year transmission facilities agreement whereby Entergy 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 2001, use fees collected under this agreement, net of related expenses, amounted to approximately $2.7 million each year and are included within Other Income in the Statements of Income.

During 2000, the Company entered into a 10-year capacity lease that began in mid 2001. The minimum capacity lease revenue that the Company will receive will average approximately $21 million per year over the 10-year period. Capacity revenues for 2001 were approximately $12.3 million and were classified as sales for resale in the financial statements.

7. INCOME TAXES

At December 31, 2001, the tax-related regulatory assets and liabilities were $13 million and $24 million, respectively. These assets are attributable to tax benefits flowed through to customers in prior years and to taxes applicable to capitalized interest. 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:

	2001	2000	1999
	(in thousands)		
Total provision for income taxes			
Federal --			
Current	**$43,596**	$28,934	$33,379
Deferred	**(8,661)**	622	(3,973)
	34,935	29,556	29,406
State --			
Current	**6,698**	4,670	4,881
Deferred	**(1,057)**	130	(170)
	5,641	4,800	4,711
Total	**$40,576**	$34,356	$34,117

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:

	2001	2000
	(in thousands)	
Deferred tax liabilities:		
Accelerated depreciation	**$147,147**	$151,278
Basis differences	**8,271**	8,559
Other	**34,544**	24,136
Total	**189,962**	183,973
Deferred tax assets:		
Other property basis differences	**15,983**	17,147
Pension and other benefits	**9,474**	9,528
Property insurance	**1,547**	3,558
Unbilled fuel	**5,596**	5,727
Other	**27,269**	9,669
Total	**59,869**	45,629
Total deferred tax liabilities, net	**130,093**	138,344
Portion included in current assets, net	**8,820**	1,565
Accumulated deferred income taxes in the Balance Sheets	**$138,913**	$139,909

Deferred investment tax credits are amortized over the lives 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 $1.2 million in 2001, 2000, and 1999. At December 31, 2001, 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:

	2001	2000	1999
Federal statutory rate	**35.0%**	35.0%	35.0%
State income tax, net of federal deduction	**3.4**	3.4	3.4
Non-deductible book depreciation	**0.5**	0.6	0.7
Other	**(0.8)**	(1.5)	(1.6)
Effective income tax rate	**38.1%**	37.5%	37.5%

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. In accordance with Internal Revenue Service regulations, each company is jointly and severally liable for the tax liability.

8. CAPITALIZATION

Preferred Securities

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.

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 the Trust's payment obligations with respect to the preferred securities.

Trust I is a subsidiary of the Company, and accordingly is consolidated in the Company's financial statements.

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:

	2001	2000
	(in thousands)	
Bond improvement fund requirement	**$ 650**	$1,000
Less: Portion to be satisfied by certifying property additions	**650**	1,000
Cash sinking fund requirement	**-**	-
Current portion of other long-term debt	**80,000**	-
Pollution control bond cash sinking fund requirements	**20**	20
Total	**$80,020**	$ 20

The first mortgage bond improvement fund requirement is one percent of each outstanding series authenticated under the indenture of the Company 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.

Bank Credit Arrangements

At December 31, 2001, the Company had total committed credit agreements with banks for approximately $114.5 million. At year-end 2001, the unused portion of these committed credit agreements was approximately $114.5 million. These credit agreements expire at various dates in 2002 and 2003. 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. The amount of commercial paper outstanding at December 31, 2001 was $16 million.

Assets Subject to Lien

The Company'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 of the Company's fixed property and franchises.

Dividend Restrictions

The Company's first mortgage bond indenture and the corporate charter contain various common stock dividend restrictions. At December 31, 2001, 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.

9. QUARTERLY FINANCIAL DATA (UNAUDITED)

Summarized quarterly financial data for 2001 and 2000 are as follows:

Quarter Ended	Operating Revenues	Operating Income	Net Income After Dividends On Preferred Stock
		(in thousands)	
March 2001	**$171,312**	**$23,615**	**$ 9,757**
June 2001	**203,949**	**32,640**	**16,571**
September 2001	**235,916**	**53,263**	**30,379**
December 2001	**184,888**	**23,315**	**7,180**
March 2000	$134,705	$18,593	$ 6,722
June 2000	176,028	28,130	12,232
September 2000	220,119	53,943	28,762
December 2000	156,750	21,904	7,256

The Company's business is influenced by seasonal weather conditions and the timing of rate changes.

SELECTED FINANCIAL AND OPERATING DATA 1997-2001

Mississippi Power Company 2001 Annual Report

	2001	2000	1999	1998	1997
Operating Revenues (in thousands)*	**$796,065**	$687,602	$633,004	$595,131	$543,588
Net Income after Dividends on Preferred Stock (in thousands)	**$63,887**	$54,972	$54,809	$55,105	$54,010
Cash Dividends on Common Stock (in thousands)	**$50,200**	$54,700	$56,100	$51,700	$49,400
Return on Average Common Equity (percent)	**14.25**	13.80	14.00	14.15	14.00
Total Assets (in thousands)	**$1,333,533**	$1,268,781	$1,251,136	$1,189,605	$1,166,829
Gross Property Additions (in thousands)	**$61,193**	$81,211	$75,888	$68,231	$55,375
Capitalization (in thousands):					
Common stock equity	**$491,680**	$404,898	$391,968	$391,231	$387,824
Preferred stock	**31,809**	31,809	31,809	31,809	31,896
Company obligated mandatorily redeemable preferred securities	**35,000**	35,000	35,000	35,000	35,000
Long-term debt	**233,753**	370,511	321,802	292,744	291,665
Total (excluding amounts due within one year)	**$792,242**	$842,218	$780,579	$750,784	$746,385
Capitalization Ratios (percent):					
Common stock equity	**62.1**	48.1	50.2	52.1	52.0
Preferred stock	**4.0**	3.8	4.1	4.2	4.3
Company obligated mandatorily redeemable preferred securities	**4.4**	4.2	4.5	4.7	4.7
Long-term debt	**29.5**	43.9	41.2	39.0	39.0
Total (excluding amounts due within one year)	**100.0**	100.0	100.0	100.0	100.0
Security Ratings:					
First Mortgage Bonds -					
Moody's	Aa3	Aa3	Aa3	Aa3	Aa3
Standard and Poor's	A+	A+	AA-	AA-	AA-
Fitch	AA-	AA-	AA-	AA-	AA-
Preferred Stock -					
Moody's	A3	a1	a1	a1	a1
Standard and Poor's	BBB+	BBB+	A-	A	A
Fitch	A	A	A	A+	A+
Unsecured Long-Term Debt -					
Moody's	A1	-	-	-	-
Standard and Poor's	A	-	-	-	-
Fitch	A+	-	-	-	-
Customers (year-end):					
Residential	**158,852**	158,253	157,592	156,530	156,650
Commercial	**32,538**	32,372	31,837	31,319	31,667
Industrial	**498**	517	546	587	642
Other	**173**	206	202	200	200
Total	**192,061**	191,348	190,177	188,636	189,159
Employees (year-end):	**1,316**	1,319	1,328	1,230	1,245

* 1999 data includes the true-up of the unbilled revenue estimates.

SELECTED FINANCIAL AND OPERATING DATA 1997-2001 (continued)

Mississippi Power Company 2001 Annual Report

	2001	2000	1999	1998	1997
Operating Revenues (in thousands)*:					
Residential	**$ 164,716**	$170,729	$159,945	$157,642	$138,608
Commercial	**163,253**	163,552	153,936	145,677	134,208
Industrial	**156,525**	159,705	151,244	135,039	140,233
Other	**4,659**	4,565	4,309	4,209	4,193
Total retail	**489,153**	498,551	469,434	442,567	417,242
Sales for resale - non-affiliates	**204,623**	145,931	131,004	121,225	105,141
Sales for resale - affiliates	**85,652**	27,915	19,446	18,285	10,143
Total revenues from sales of electricity	**779,428**	672,397	619,884	582,077	532,526
Other revenues	**16,637**	15,205	13,120	13,054	11,062
Total	**$796,065**	$687,602	$633,004	$595,131	$543,588
Kilowatt-Hour Sales (in thousands)*:					
Residential	**2,162,623**	2,286,143	2,248,255	2,248,915	2,039,042
Commercial	**2,840,840**	2,883,197	2,847,342	2,623,276	2,407,520
Industrial	**4,275,781**	4,376,171	4,407,445	3,729,166	3,981,875
Other	**41,009**	41,153	40,091	39,772	40,508
Total retail	**9,320,253**	9,586,664	9,543,133	8,641,129	8,468,945
Sales for resale - non-affiliates	**5,011,212**	3,674,621	3,256,175	3,157,837	2,895,182
Sales for resale - affiliates	**2,952,455**	452,611	539,939	552,142	478,884
Total	**17,283,920**	13,713,896	13,339,247	12,351,108	11,843,011
Average Revenue Per Kilowatt-Hour (cents)*:					
Residential	**7.62**	7.47	7.11	7.01	6.80
Commercial	**5.75**	5.67	5.41	5.55	5.57
Industrial	**3.66**	3.65	3.43	3.62	3.52
Total retail	**5.25**	5.20	4.92	5.12	4.93
Sales for resale	**3.64**	4.21	3.96	3.76	3.42
Total sales	**4.51**	4.90	4.65	4.71	4.50
Residential Average Annual Kilowatt-Hour Use Per Customer *	**13,634**	14,445	14,301	14,376	13,132
Residential Average Annual Revenue Per Customer *	**$1,038.41**	$1,078.76	$1,017.42	$1,007.68	$892.68
Plant Nameplate Capacity Ratings (year-end) (megawatts)	**3,156**	2,086	2,086	2,086	2,086
Maximum Peak-Hour Demand (megawatts):					
Winter	**2,249**	2,305	2,125	1,740	1,922
Summer	**2,466**	2,593	2,439	2,339	2,209
Annual Load Factor (percent)	**60.7**	59.3	59.6	58.0	59.1
Plant Availability Fossil-Steam (percent):	**92.8**	92.6	91.0	90.0	92.4
Source of Energy Supply (percent):					
Coal	**52.0**	67.8	69.4	66.5	70.5
Oil and gas	**35.9**	13.5	15.9	14.5	12.5
Purchased power -					
From non-affiliates	**3.1**	7.7	6.2	8.0	3.0
From affiliates	**9.0**	11.0	8.5	11.0	14.0
Total	**100.0**	100.0	100.0	100.0	100.0

* 1999 data includes the true-up of the unbilled revenue estimates.

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SAVANNAH ELECTRIC AND POWER COMPANY

FINANCIAL SECTION

MANAGEMENT'S REPORT

Savannah Electric and Power Company 2001 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 accounting principles generally accepted in the United States 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 accounting 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 independent 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 accounting principles generally accepted in the United States.

Anthony R. James
President
and Chief Executive Officer

K. R. Willis
Vice President,
Treasurer, Chief Financial Officer
and Assistant Secretary

February 13, 2002

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To 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, 2001 and 2000, and the related statements of income, common stockholder's equity, and cash flows for each of the three years in the period ended December 31, 2001. 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 auditing standards generally accepted in the United States. 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-206) referred to above present fairly, in all material respects, the financial position of Savannah Electric and Power Company as of December 31, 2001 and 2000, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

As explained in Note 1 to the financial statements, effective January 1, 2001, Savannah Electric and Power Company changed its method of accounting for derivative instruments and hedging activities.

Arthur Andersen LLP

Atlanta, Georgia
February 13, 2002

RESULTS OF OPERATIONS

Earnings

Savannah Electric and Power Company's net income for 2001 totaled $22.1 million, representing a decrease of $0.9 million or 3.9 percent from the prior year. Earnings were down primarily due to lower retail revenues.

In 2000, earnings were $23.0 million, representing no significant change from the prior year.

Revenues

Total operating revenues for 2001 were $283.9 million, reflecting a 4.0 percent decrease when compared to 2000. The following table summarizes the factors affecting operating revenues for the past two years:

	Amount	Increase (Decrease) From Prior Year	
	2001	**2001**	2000
		(in thousands)	
Retail --			
Base Revenues	**$159,839**	**$ (1,968)**	$ 9,272
Fuel cost recovery and other	**109,333**	**(11,482)**	31,085
Total retail	**269,172**	**(13,450)**	40,357
Sales for resale --			
Non-affiliates	**8,884**	**4,136**	1,353
Affiliates	**3,205**	**(1,769)**	823
Total sales for resale	**12,089**	**2,367**	2,176
Other operating revenues	**2,591**	**(783)**	1,591
Total operating revenues	**$283,852**	**$(11,866)**	$44,124
Percent change		**(4.0)%**	17.5%

Retail revenues decreased 4.8 percent or $13.5 million in 2001 as compared to 2000. The primary contributors to the decrease were the negative impact of mild weather on energy sales and a decrease in fuel revenues, partially due to a lower average cost of fuel consumed.

Electric rates include provisions to adjust billings for fluctuations in fuel costs, the energy component of purchased power costs, and certain other costs. Under these fuel recovery provisions, fuel revenues generally equal fuel expenses--including the fuel component of purchased energy--and do not affect net income. However, cash flow is affected by the economic loss from untimely recovery of these receivables. In May 2001, the Company implemented a Fuel Cost Recovery (FCR) rate increase under a Georgia Public Service Commission (GPSC) rate order. The order established a new fuel rate to better reflect current fuel costs and to collect the under-recovered balance. The GPSC-approved FCR anticipated a three year recovery of the under-recovered fuel balance. Due to the current year decreases in fuel costs, the Company recovered approximately 70 percent of this balance by year-end 2001.

Revenues from sales to utilities outside the service area under long-term contracts consist of capacity and energy components. These transactions do not have a significant impact on earnings.

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 energy sales do not have a significant impact on earnings.

Energy Sales

Changes in revenues are influenced heavily by the amount of energy sold each year. Kilowatt-hour (KWH) sales for 2001 and the percent change by year were as follows:

	KWH	Percent Change	
	2001	**2001**	2000
	(in millions)		
Residential	**1,659**	**(0.7)%**	5.8%
Commercial	**1,388**	**1.4**	6.3
Industrial	**788**	**(1.6)**	12.2
Other	**134**	**(1.4)**	2.5
Total retail	**3,969**	**(0.2)**	7.1
Sales for resale --			
Non-affiliates	**111**	**43.4**	50.3
Affiliates	**88**	**(1.0)**	15.1
Total	**4,168**	**0.6%**	7.8%

Total retail energy sales in 2001 decreased slightly from the prior year. Residential sales decreased reflecting mild weather, somewhat offset by continued growth in customers. Industrial sales decreased reflecting a slowing of the economy. Commercial energy sales increased 1.4 percent reflecting continued customer growth.

In 2000, total retail energy sales were up by 7.1 percent from the prior year, reflecting increased energy sales of 12.2 percent to industrial customers due to the re-opening of an industrial facility under new ownership. Residential and commercial energy sales also increased reflecting weather related demand and customer growth.

Expenses

Total operating expenses for 2001 were $234.3 million, a decrease of $9.0 million from the prior year due primarily to decreases in fuel expense and purchased power from both affiliates and non-affiliates. The decrease in fuel expense is attributable to a decrease in generation and lower fuel costs. Purchased power decreased due principally to lower energy costs. Other operation expense was lower reflecting decreased costs associated with discontinuation of a marketing program and lower administrative and general expenses. Maintenance expense increased from 2000 reflecting higher power delivery costs to support improved customer reliability.

In 2000, total operating expenses were $243.3 million, an increase of $41.8 million from the prior year. This increase was due primarily to increases in purchased power from both affiliates and non-affiliates and fuel expense. Purchased power increased due principally to higher energy costs. Other operation expense was higher reflecting increased benefit expenses. Maintenance expense increased from 1999 reflecting higher power delivery and power generation maintenance costs to support improved customer reliability and unit availability, respectively. Depreciation and amortization increased reflecting additional depreciation charges related to the GPSC accounting order. See Note 3 to the financial statements for additional information on the GPSC's 1998 accounting order.

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 and the total average cost of energy supply were as follows:

	2001	2000	1999
Total energy supply (millions of KWHs)	**4,310**	4,286	4,039
Sources of energy supply (percent) --			
Coal	**50**	52	45
Oil	**1**	2	2
Gas	**3**	5	10
Purchased Power	**46**	41	43
Total average cost of energy supply (cents)	**2.87**	3.09	2.44

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 utility plant with long economic lives. 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 trust preferred securities. Any recognition of inflation by regulatory authorities is reflected in the rate of return allowed.

Future Earnings Potential

General

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. These factors include weather, competition, new short and long-term 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.

The Company currently operates as a vertically integrated utility providing electricity to customers within the traditional service area of southeastern Georgia. Prices for electricity provided by the Company to retail customers are set by the GPSC. Prices for electricity relating to jointly owned generating facilities, interconnecting transmission lines, and the exchange of electric power are set by the Federal Energy Regulatory Commission (FERC).

As part of the Company's retail rate settlement in 1992, it was informally agreed that the Company's earned rate of return on common equity should be 12.95 percent. In 1998, the GPSC issued a four-year accounting order settling its review of the Company's earnings. See Note 3 to the financial statements for additional information.

Southern Power Company, a new Southern Company affiliate formed in 2001 to construct, own, and manage wholesale generating assets in the Southeast, is currently constructing two 566 megawatt combined cycle units at Plant Wansley to begin operation in 2002. The GPSC has certified the Company's purchase of 200 megawatts of capacity from these units to serve its retail customers for approximately seven years.

The Company filed a base rate case on November 30, 2001 for the first time since 1985. The primary reason for this base rate case is to recover significant new costs related to the Plant Wansley power purchase agreement beginning June 2002, as well as other operation and maintenance expense changes. The requested increase is 7.6 percent of total rates (base plus fuel). In the filing, the Company announced it would file for a fuel decrease in early 2002 to offset most, if not all, of the base rate increase.

The 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 current and future environmental laws and regulations could affect earnings if such costs are not fully recovered. The Clean Air Act and other important environmental items are discussed under "Environmental Matters."

Industry Restructuring

The electric utility industry in the United States is currently undergoing a period of dramatic change as a result of regulatory and competitive factors. Among the primary agents of change has been the Energy Policy Act of 1992 (Energy Act). 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 other utilities. Also, electricity sales for resale rates are affected by wholesale transmission access and numerous potential new energy suppliers, including power marketers and brokers.

Although the Energy Act does not permit retail customer access, it was a major catalyst for the current restructuring and consolidation taking place within the utility industry. Numerous federal and state initiatives are in varying stages to promote wholesale and retail competition. Among other things, these initiatives allow customers to choose their electricity provider. Some states have approved initiatives that result in a separation of the ownership and/or operation of generating facilities from the ownership and/or operation of transmission and distribution facilities. While the GPSC has held workshops to discuss retail competition and industry restructuring, there has been no proposed or enacted legislation to date in Georgia. Enactment would require numerous issues to be resolved, including significant ones relating to recovery of any stranded investments, full cost recovery of energy produced, and other issues related to the energy crisis that occurred in California. As a result of that crisis, many states have either discontinued or delayed implementation of initiatives involving retail deregulation. The Company does 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.

In December 1999, the FERC issued its final rule on Regional Transmission Organizations (RTOs). The order encouraged utilities owning transmission systems to form RTOs on a voluntary basis. Southern Company and its operating companies, including the Company, have submitted a series of status reports informing the

FERC of progress toward the development of a Southeastern RTO. In these status reports, Southern Company explained that it is developing a for-profit RTO known as SeTrans with a number of non-jurisdictional cooperative and public power entities. Recently, Entergy Corporation and Cleco Power joined the SeTrans development process. In January 2002, the sponsors of SeTrans held a public meeting to form a Stakeholder Advisory Committee, which will participate in the development of the RTO. Southern Company continues to work with the other sponsors to develop the SeTrans RTO. The creation of SeTrans is not expected to have a material impact on Southern Company's financial statements. The outcome of this matter cannot now be determined.

Accounting Policies

Critical Policy

The Company's significant accounting policies are described in Note 1 to the financial statements. The Company's most critical accounting policy involves rate regulation. 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 that are not specifically recoverable and determine if any other assets have been impaired. See Note 1 to the financial statements under "Regulatory Assets and Liabilities" for additional information.

New Accounting Standards

Effective January 2001, the Company adopted FASB Statement No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended. Statement No. 133 establishes accounting and reporting standards for derivative instruments and for hedging activities. This statement requires that certain derivative instruments be recorded in the balance sheet as either an asset or liability measured at fair value, and that changes in the fair value be recognized currently in earnings unless specific hedge accounting criteria are met. See Note 1 to the financial statements under "Financial Instruments" for additional information. The impact on net income in 2001 was not material. An additional interpretation of Statement No. 133 will result in a change -- effective April 1, 2002 -- in accounting for certain contracts related to fuel supplies that contain quantity options. These contracts will be accounted for as derivatives and marked to market. However, due to the existence of the Company's cost-based fuel recovery clause, this change is not expected to have a material impact on net income.

On June 1, 2001, the Company implemented a natural gas/oil hedging program which was ordered by the GPSC as part of the fuel cost recovery increase filing. The maximum annual dollar amount of the hedges recoverable through the fuel cost recovery clause is 10 percent of the annual gas/oil budget or $1.5 million for 2001 and $2.4 million for 2002.

In June 2001, the FASB issued Statement No. 142, Goodwill and Other Intangible Assets, which establishes new accounting and reporting standards for acquired goodwill and other intangible assets and supersedes Accounting Principles Board Opinion No. 17. Statement No. 142 addresses how intangible assets that are acquired individually or with a group of other assets -- but not those acquired in a business combination -- should be accounted for upon acquisition and on an ongoing basis. Goodwill and intangible assets that have indefinite useful lives will not be amortized but rather will be tested at least annually for impairment. Intangible assets that have finite useful lives will continue to be amortized over their useful lives, which are no longer limited to 40 years. The Company adopted Statement No. 142 in January 2002 with no material impact on the financial statements.

Also in June 2001, the FASB issued Statement No. 143, Asset Retirement Obligations, which establishes new accounting and reporting standards for legal obligations associated with retiring assets, including decommissioning of nuclear plants. The liability for an asset's future retirement must be recorded in the period in which the liability is incurred. The cost must be capitalized as part of the related long-lived asset and depreciated over the asset's useful life. Changes in the liability resulting from the passage of time will be recognized as operating expenses. Statement No. 143 must be adopted by January 1, 2003. The Company has not yet quantified the impact of adopting Statement No. 143 on its financial statements.

FINANCIAL CONDITION

Overview

The principal change in the Company's financial condition in 2001 was the addition of $31.3 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.

Credit Rating Risk

The Company does not have any credit agreements that would require material changes in payment schedules or terminations as a result of a credit rating downgrade.

Exposure to Market Risks

Due to cost-based regulation, the Company has limited exposure to market volatility in interest rates, commodity fuel prices, and prices of electricity. To mitigate residual risks relative to movements in electricity prices, the Company enters into fixed price contracts for the purchase and sale of electricity through the wholesale electricity market. At December 31, 2001, exposure from these activities was not material to the Company's financial statements. Also, if the Company sustained a 100 basis point change in interest rates for all variable rate long-term debt, the change would affect annualized interest expense by approximately $0.2 million at December 31, 2001. Fair values of changes in energy trading contracts and year-end valuations are as follows:

	Changes During the Year
	Fair Value
	(in thousands)
Contracts beginning of year	$ 36
Contracts realized or settled	(32)
New contracts at inception	-
Changes in valuation techniques	-
Current period changes	(1,057)
Contracts end of year	$(1,053)

	Source of Year-End Valuation Prices		
	Total Fair Value	Maturity Year 1	Maturity 1-3 Years
	(in thousands)		
Actively quoted	$(1,053)	$(1,051)	$(2)
External sources	-	-	-
Models and other methods	-	-	
Contracts end of Year	$(1,053)	$(1,051)	$(2)

For additional information, see Note 1 to the financial statements under "Financial Instruments."

Capital Structure

As of December 31, 2001, the Company's capital structure consisted of 46.8 percent common stockholder's equity, 10.6 percent trust preferred securities, and 42.6 percent long-term debt, excluding amounts due within one year.

Maturities and retirements of long-term debt were $50.7 million in 2001, $0.4 million in 2000, and $16.2 million in 1999.

In May 2001, the Company issued $20 million of series B 5.12% senior notes maturing in 2003 and $45 million of series C 6.55% senior notes maturing in 2008. The Company used these proceeds to redeem its $20 million 6 3/8 Series First Mortgage Bonds due in 2003, to repay long-term bank loans in the amount of $30 million, and to repay a portion of its short-term indebtedness.

The composite interest rates and dividend rates for the years 1999 through 2001 as of year-end were as follows:

	2001	2000	1999
Composite interest rates on long-term debt	5.9%	6.6%	6.4%
Trust preferred securities dividend rate	6.9%	6.9%	6.9%

Capital Requirements for Construction

The Company's projected construction expenditures for the next three years total $115.7 million ($34.8 million in 2002, $37.6 million in 2003, and $43.3 million in 2004). 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. Construction and upgrading of new and existing 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 $22.5 million will be needed by the end of 2004 for maturities of long-term debt and present sinking fund requirements.

Capital requirements, lease obligations, and purchase commitments – discussed in Notes 4 and 6 to the financial statements -- are as follows:

	2002	2003	2004
		(in thousands)	
Notes	$ -	$20,000	$ -
Bonds -			
First mortgage	436	-	-
Pollution control	-	-	-
Leases -			
Capital	742	688	627
Operating	429	429	429
Purchase commitments			
Fuel	34,000	300	300
Purchased power	9,944	13,640	13,656

Credit arrangements at the beginning of 2002 are as follows:

	Expires	
Total	2002	2003
	(in thousands)	
$65,500	$45,500	$20,000

For additional information, see Note 6 to the financial statements under "Bank Credit Arrangements".

Environmental Matters

On November 3, 1999, the Environmental Protection Agency (EPA) brought a civil action in the U.S. District Court against Alabama Power, Georgia Power, and the system service company. The complaint alleges violations of the prevention of significant deterioration and new source review provisions of the Clean Air Act with respect to five coal-fired generating facilities in Alabama and Georgia. The civil action requests penalties and injunctive relief, including an order requiring the installation of the best available control technology at the affected units. The EPA concurrently issued to Southern Company's operating companies a notice of violation related to 10 generating facilities, which includes the five facilities mentioned previously and the Company's Plant Kraft. In early 2000, the EPA filed a motion to amend its complaint to add the violations alleged in its notice of violation, and to add Gulf Power, Mississippi Power, and the Company as defendants. The complaint and notice of violation are similar to those brought against and issued to several other electric utilities. These complaints and notices of violation allege that the utilities had failed to secure necessary permits or install additional pollution control equipment when performing maintenance and construction at coal burning plants constructed or under construction prior to 1978. The U.S. District Court in Georgia granted Alabama Power's motion to dismiss for lack of jurisdiction in Georgia and granted the system service company's motion to dismiss on the grounds that it neither owned nor operated the generating units involved in the proceedings. The court granted the EPA's motion to add the Company as a defendant, but it denied the motion to add Gulf Power and Mississippi Power based on lack of jurisdiction over those companies. The court directed the EPA to re-file its amended complaint limiting claims to those brought against Georgia Power and the Company. The EPA re-filed those claims as directed by the court. Also, the EPA re-filed its claims against Alabama Power in U.S. District Court in Alabama. It has not re-filed against Gulf Power, Mississippi Power, or the system service company. The Alabama Power, Georgia Power, and the Company's cases have been stayed since the spring of 2001, pending a ruling by the U.S. Court of Appeals for the Eleventh Circuit in the appeal of a very similar New Source Review enforcement action against the Tennessee Valley Authority (TVA). The TVA case involves many of the same legal issues raised by the actions against Alabama Power, Georgia Power, and the Company. Because the

outcome of the TVA case could have a significant adverse impact on Alabama Power and Georgia Power, both companies are parties to that case as well. The U.S. District Court in Alabama has indicated that it will revisit the issue of a continued stay in April 2002. The U.S. District Court in Georgia is currently considering a motion by the EPA to reopen the Georgia case. Georgia Power and the Company have opposed that motion.

The Company believes that it complied with applicable laws and the EPA's regulations and interpretations in effect at the time the work in question took place. The Clean Air Act authorizes civil penalties of up to $27,500 per day per violation at each generating unit. Prior to January 30, 1997, the penalty was $25,000 per day. An adverse outcome of this matter could require substantial capital expenditures that cannot be determined at this time and possibly require payment of substantial penalties. This could affect future results of operations, cash flows, and possibly financial condition if such costs are not recovered through regulated rates.

In November 1990, the Clean Air Act Amendments of 1990 (Clean Air Act) were signed into law. Title IV of the Clean Air Act--the acid rain compliance provision of the law--significantly affected the Company and other subsidiaries of Southern Company. Specific reductions in sulfur dioxide and nitrogen oxide emissions from fossil-fired generating plants were required in two phases. Phase I compliance began in 1995. Southern Company's subsidiaries, including the Company, achieved Phase I compliance at the affected plants by primarily switching to low-sulfur coal and with some equipment upgrades. The construction expenditures for Phase I compliance totaled approximately $2 million for the Company.

Phase II sulfur dioxide compliance was required in 2000. Southern Company used emission allowances and fuel switching to comply with Phase II requirements. Phase II compliance had no significant impact on the Company.

A significant portion of costs related to the acid rain and ozone non-attainment provisions 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.

In July 1997, the EPA revised the national ambient air quality standards for ozone and particulate matter. This revision made the standards significantly more stringent. In the subsequent litigation of these standards, the U.S. Supreme Court found the EPA's implementation program for the new ozone standard unlawful and remanded it to the EPA. In addition, the Federal District of Columbia Circuit Court of Appeals is considering other legal challenges to these standards. If the standards are eventually upheld, implementation could be required by 2007 to 2010.

In September 1998, the EPA issued regional nitrogen oxide reduction rules to the states for implementation. The final rule affects 21 states, including Georgia. Compliance is required by May 31, 2004 for most states. For Georgia, further rulemaking was required, and proposed compliance was delayed until May 1, 2005.

In December 2000, having completed its utility studies for mercury and other hazardous air pollutants (HAPS), the EPA issued a determination that an emission control program for mercury and, perhaps, other HAPS is warranted. The program is being developed under the Maximum Achievable Control Technology provisions of the Clean Air Act, and the regulations are scheduled to be finalized by the end of 2004 with implementation to take place around 2007. In January 2001, the EPA proposed guidance for the determination of Best Available Retrofit Technology (BART) emission controls under the Regional Haze Regulations. Installation of BART controls is expected to take place around 2010. Litigation of the Regional Haze Regulations, including the BART provisions, is ongoing in the Federal District of Columbia Circuit Court of Appeals. A court decision is expected in mid-2002.

Implementation of the final state rules for these initiatives could require substantial further reductions in nitrogen oxide and sulfur dioxide and reductions in mercury and other HAPS emissions from fossil-fired generating facilities and other industries in these states. Additional compliance costs and capital expenditures resulting from the implementation of these rules and standards cannot be determined until the results of legal challenges are known, and the states have adopted their final rules.

In October 1997, the EPA issued regulations setting forth requirements for Compliance Assurance Monitoring (CAM) in its state and federal operating permit programs. These regulations were amended by the EPA in March 2001 in response to a court order resolving challenges to the rules brought by environmental groups and industry. Generally, this rule affects the operation and maintenance of electrostatic precipitators and could involve significant additional ongoing expense.

The EPA and state environmental regulatory agencies are reviewing and evaluating various other matters including: control strategies to reduce regional haze; limits on pollutant discharges to impaired waters; cooling water intake restrictions; and hazardous waste disposal requirements. The impact of any 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. The Company conducts studies to determine the extent of any required cleanup and will recognize 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 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.

Sources of Capital

At December 31, 2001, the Company had $65.5 million of short-term and revolving credit arrangements with banks to meet its short-term cash needs and to provide additional interim funding for the Company's construction program. Revolving credit arrangements total $20 million, of which $10 million expires April 30, 2003 and $10 million expires December 31, 2003.

The Company may also meet short-term cash needs through a Southern Company subsidiary organized to issue and sell commercial paper at the request and for the benefit of the Company and the other Southern Company operating companies. At December 31, 2001, the Company had outstanding $32.2 million of commercial paper.

The Company's committed credit arrangements provide liquidity support to the Company's variable rate obligations and to its commercial paper program. The amount of variable rate obligations outstanding at December 31, 2001 was $22.6 million.

It is anticipated that the funds required for construction and other purposes, including compliance with environmental regulations, will be derived from sources similar to those used in the past. These sources were primarily from the issuances of first mortgage bonds, other long-term debt, and preferred stock, in addition to pollution control revenue bonds issued for the Company's benefit by public authorities, to meet long-term external financing requirements. Recently, the Company's financings have consisted of unsecured debt and trust preferred securities. 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. There are no restrictions on the amount of unsecured indebtedness allowed. 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.

Cautionary Statement Regarding Forward-Looking Information

This Annual Report includes forward-looking statements in addition to historical information. In some cases, forward-looking statements can be identified by terminology such as "may," "will," "should," "could," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "projects," "potential" or "continue" or the negative of these terms or other comparable terminology. The Company cautions that there are various important factors that could cause actual results to differ materially from those indicated in the forward-looking statements; accordingly, there can be no assurance that such indicated results will be realized. These factors include the impact of recent and future federal and state regulatory change, including legislative and regulatory initiatives regarding deregulation and restructuring of the electric utility industry and also changes in environmental and other laws and regulations to which the Company is subject, as well as changes in application of existing laws and regulations; current and future litigation, including the pending EPA civil action against the Company; the effects, extent, and timing of the entry of additional competition in the markets of the Company; the impact of fluctuations in commodity prices, interest rates, and customer demand; state and federal rate regulations; political, legal, and economic conditions and developments in the United States; internal restructuring or other restructuring options that may be pursued; potential business strategies, including acquisitions or dispositions of assets or businesses, which cannot be assured to be completed or beneficial; the effects of, and changes in, economic conditions in the United States; the direct or indirect effects on the Company's business resulting from the terrorist incidents on September 11, 2001, or any similar such incidents or responses to such incidents; financial market conditions and the results of financing efforts; the ability of the Company to obtain additional generating capacity at competitive prices; weather and other natural phenomena; and other factors discussed elsewhere herein and in other reports (including the Form 10-K) filed from time to time by the Company with the Securities and Exchange Commission.

STATEMENTS OF INCOME
For the Years Ended December 31, 2001, 2000, and 1999
Savannah Electric and Power Company 2001 Annual Report

	2001	2000	1999
		(in thousands)	
Operating Revenues:			
Retail sales	**$269,172**	$282,622	$242,265
Sales for resale --			
Non-affiliates	**8,884**	4,748	3,395
Affiliates	**3,205**	4,974	4,151
Other revenues	**2,591**	3,374	1,783
Total operating revenues	**283,852**	295,718	251,594
Operating Expenses:			
Operation --			
Fuel	**50,796**	57,177	50,530
Purchased power --			
Non-affiliates	**23,147**	25,229	14,398
Affiliates	**49,939**	50,111	33,398
Other	**50,607**	53,086	50,341
Maintenance	**19,886**	19,334	16,333
Depreciation and amortization (Note 3)	**25,951**	25,240	23,841
Taxes other than income taxes	**13,984**	13,116	12,690
Total operating expenses	**234,310**	243,293	201,531
Operating Income	**49,542**	52,425	50,063
Other Income (Expense):			
Interest income	**173**	252	169
Other, net	**(686)**	(657)	(663)
Earnings Before Interest and Income Taxes	**49,029**	52,020	49,569
Interest and Other:			
Interest expense, net	**12,517**	12,737	11,938
Distributions on preferred securities of subsidiary	**2,740**	2,740	2,740
Total interest and other, net	**15,257**	15,477	14,678
Earnings Before Income Taxes	**33,772**	36,543	34,891
Income taxes (Note 5)	**11,731**	13,574	11,808
Earnings Before Cumulative Effect of Accounting Change	**22,041**	22,969	23,083
Cumulative effect of accounting change-- less income taxes of $14 thousand	**22**	-	-
Net Income	**$ 22,063**	$ 22,969	$ 23,083

The accompanying notes are an integral part of these statements.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2001, 2000, and 1999
Savannah Electric and Power Company 2001 Annual Report

	2001	2000	1999
		(in thousands)	
Operating Activities:			
Net income	**$22,063**	$22,969	$23,083
Adjustments to reconcile net income			
to net cash provided from operating activities --			
Depreciation and amortization	**27,895**	26,639	25,454
Deferred income taxes and investment tax credits, net	**(20,528)**	728	(3,353)
Other, net	**4,084**	3,835	(47)
Changes in certain current assets and liabilities --			
Receivables, net	**24,079**	(23,260)	(5,999)
Fossil fuel stock	**(2,711)**	(31)	(2,125)
Materials and supplies	**(4,025)**	(542)	(1,906)
Accounts payable	**(8,439)**	8,881	1,133
Other	**12,631**	(4,674)	1,731
Net cash provided from operating activities	**55,049**	34,545	37,971
Investing Activities:			
Gross property additions	**(31,296)**	(27,290)	(29,833)
Other	**(1,875)**	(1,835)	(1,715)
Net cash used for investing activities	**(33,171)**	(29,125)	(31,548)
Financing Activities:			
Increase (decrease) in notes payable, net	**(13,241)**	11,100	34,300
Proceeds --			
Other long-term debt	**65,000**	-	-
Capital contributions from parent company	**1,561**	1,478	1,099
Retirements --			
First mortgage bonds	**(20,642)**	-	(15,800)
Other long-term debt	**(30,071)**	(251)	(481)
Payment of common stock dividends	**(21,700)**	(24,300)	(25,200)
Other	**(394)**	-	250
Net cash used for financing activities	**(19,487)**	(11,973)	(5,832)
Net Change in Cash and Cash Equivalents	**2,391**	(6,553)	591
Cash and Cash Equivalents at Beginning of Period	**-**	6,553	5,962
Cash and Cash Equivalents at End of Period	**$ 2,391**	$ -	$ 6,553
Supplemental Cash Flow Information:			
Cash paid during the period for --			
Interest (net of amount capitalized)	**$15,340**	$13,329	$14,212
Income taxes (net of refunds)	**$21,034**	$19,939	$12,647

The accompanying notes are an integral part of these statements.

BALANCE SHEETS
At December 31, 2001 and 2000
Savannah Electric and Power Company 2001 Annual Report

Assets	2001	2000
	(in thousands)	
Current Assets:		
Cash and cash equivalents	**$ 2,391**	$ -
Receivables --		
Customer accounts receivable	**29,959**	28,189
Under-recovered retail fuel clause revenue	**11,974**	39,632
Other accounts and notes receivable	**2,882**	1,412
Affiliated companies	**1,170**	738
Accumulated provision for uncollectible accounts	**(500)**	(407)
Fossil fuel stock, at average cost	**9,851**	7,140
Materials and supplies, at average cost	**12,969**	8,944
Prepaid taxes	**12,511**	8,651
Other	**586**	377
Total current assets	**83,793**	94,676
Property, Plant, and Equipment:		
In service (Note 6)	**855,290**	829,270
Less accumulated provision for depreciation	**402,492**	382,030
	452,798	447,240
Construction work in progress	**8,540**	6,782
Total property, plant, and equipment	**461,338**	454,022
Other Property and Investments	**2,742**	2,066
Deferred Charges and Other Assets:		
Deferred charges related to income taxes (Note 5)	**12,283**	12,404
Cash surrender value of life insurance for deferred compensation plans	**20,002**	17,954
Debt expense, being amortized	**3,197**	3,003
Premium on reacquired debt, being amortized	**6,890**	7,575
Other	**4,498**	2,527
Total deferred charges and other assets	**46,870**	43,463
Total Assets	**$594,743**	$594,227

The accompanying notes are an integral part of these balance sheets.

BALANCE SHEETS
At December 31, 2001 and 2000
Savannah Electric and Power Company 2001 Annual Report

Liabilities and Stockholder's Equity	2001	2000
		(in thousands)
Current Liabilities:		
Securities due within one year (Note 6)	**$ 1,178**	$ 30,698
Notes payable	**32,159**	45,400
Accounts payable --		
Affiliated	**5,087**	16,153
Other	**10,160**	7,738
Customer deposits	**6,237**	5,696
Taxes accrued --		
Income taxes	**2,587**	3,450
Other	**1,668**	1,435
Interest accrued	**4,014**	4,541
Vacation pay accrued	**2,361**	2,276
Other	**9,097**	7,973
Total current liabilities	**74,548**	125,360
Long-term debt (See accompanying statements)	**160,709**	116,902
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes (Note 5)	**77,331**	79,756
Deferred credits related to income taxes (Note 5)	**13,776**	16,038
Accumulated deferred investment tax credits (Note 5)	**9,952**	10,616
Deferred compensation plans	**8,550**	7,695
Employee benefits provisions (Note 2)	**18,936**	13,509
Other	**14,023**	9,357
Total deferred credits and other liabilities	**142,568**	136,971
Company obligated mandatorily redeemable preferred securities of subsidiary trusts holding company junior subordinated notes (See accompanying statements) (Note 6)	**40,000**	40,000
Common stockholder's equity (See accompanying statements)	**176,918**	174,994
Total Liabilities and Stockholder's Equity	**$594,743**	$594,227

The accompanying notes are an integral part of these balance sheets.

STATEMENTS OF CAPITALIZATION
At December 31, 2001 and 2000
Savannah Electric and Power Company 2001 Annual Report

		2001	2000	2001	2000
			(in thousands)	*(percent of total)*	
Long-Term Debt (Note 6):					
First mortgage bonds --					
Maturity	Interest Rates				
July 1, 2003	6.375%	**$ -**	$ 20,000		
May 1, 2006	6.90%	**20,000**	20,000		
July 1, 2023	7.40%	**23,558**	24,200		
Total first mortgage bonds		**43,558**	64,200		
Long-term notes payable --					
6.88% due June 1, 2001		**-**	10,000		
5.12% due May 15, 2003		**20,000**	-		
6.55% due May 15, 2008		**45,000**	-		
6.625% due March 17, 2015		**30,000**	30,000		
Adjustable rates (6.71% to 6.86% at 1/1/01) due 2001		**-**	20,000		
Total long-term notes payable		**95,000**	60,000		
Other long-term debt --					
Pollution control revenue bonds --					
Non-collateralized:					
Variable rates (1.90% at 1/1/02) due 2016-2037		**17,955**	17,955		
Total other long-term debt		**17,955**	17,955		
Capitalized lease obligations		**5,374**	5,445		
Total long-term debt (annual interest requirement -- $9.6 million)		**161,887**	147,600		
Less amount due within one year (Note 6)		**1,178**	30,698		
Long-term debt excluding amount due within one year		**160,709**	116,902	**42.6%**	35.2%
Company Obligated Mandatorily Redeemable Preferred Securities (Note 6):					
$25 liquidation value --					
6.85%		**40,000**	40,000		
Total (annual distribution requirement -- $2.7 million)		**40,000**	40,000	**10.6**	12.1
Common Stockholder's Equity (Note 6):					
Common stock, par value $5 per share --					
Authorized - 16,000,000 shares					
Outstanding - 10,844,635 shares in 2001 and 2000					
Par value		**54,223**	54,223		
Paid-in capital		**12,826**	11,265		
Retained earnings		**109,869**	109,506		
Total common stockholder's equity		**176,918**	174,994	**46.8**	52.7
Total Capitalization		**$377,627**	$331,896	**100.0%**	100.0%

The accompanying notes are an integral part of these statements.

STATEMENTS OF COMMON STOCKHOLDER'S EQUITY

For the Years Ended December 31, 2001, 2000, and 1999
Savannah Electric and Power Company 2001 Annual Report

	Common Stock	Paid-In Capital	Retained Earnings	Total
		(in thousands)		
Balance at January 1, 1999	$54,223	$ 8,688	$112,954	$175,865
Net income	-	-	23,083	23,083
Capital contributions from parent company	-	1,099	-	1,099
Cash dividends on common stock	-	-	(25,200)	(25,200)
Balance at December 31, 1999	54,223	9,787	110,837	174,847
Net income	-	-	22,969	22,969
Capital contributions from parent company	-	1,478	-	1,478
Cash dividends on common stock	-	-	(24,300)	(24,300)
Balance at December 31, 2000	54,223	11,265	109,506	174,994
Net income	-	-	**22,063**	**22,063**
Capital contributions from parent company	-	**1,561**	-	**1,561**
Cash dividends on common stock	-	-	**(21,700)**	**(21,700)**
Balance at December 31, 2001 (Note 6)	**$54,223**	**$12,826**	**$109,869**	**$176,918**

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 LINC), Southern Nuclear Operating Company (Southern Nuclear), Southern Power Company (Southern Power), and other direct and indirect subsidiaries. The operating companies provide electric service in four states. Contracts among the operating companies--related to jointly owned generating facilities, interconnecting transmission lines, and the exchange of electric power--are regulated by the Federal Energy Regulatory Commission (FERC) and/or the Securities and Exchange Commission. The system service company provides, at cost, specialized services to Southern Company and subsidiary companies. Southern LINC provides digital wireless communications services to the operating companies and also markets these services to the public within the Southeast. Southern Nuclear provides services to Southern Company's nuclear power plants. Southern Power was established in 2001 to construct, own, and manage Southern Company's competitive generation assets and sell electricity at market-based rates in the wholesale market.

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 accounting principles generally accepted in the United States and complies with the accounting policies and practices prescribed by the GPSC. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires the use of estimates, and the actual results may differ from those estimates.

Certain prior years' data presented in the financial statements has been reclassified to conform with the current year presentation.

Affiliate Transactions

The Company has an agreement with the system service company under which the following services are rendered to the Company at cost: general and design engineering, purchasing, accounting and statistical, finance and treasury, tax, information resources, marketing, auditing, insurance and employee benefits, human resources, systems and procedures, and other administrative services with respect to business and operations and power pool operations. Costs for these services amounted to $15.0 million, $15.1 million, and $16.0 million during 2001, 2000, and 1999, respectively.

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 expected to be credited to customers through the ratemaking process. Regulatory assets and (liabilities) reflected in the Balance Sheets at December 31 relate to:

	2001	2000
	(in thousands)	
Deferred income tax charges	**$12,283**	$ 12,404
Premium on reacquired debt	**6,890**	7,575
Gas by-pass facility	**209**	299
Deferred income tax credits	**(13,776)**	(16,038)
Storm damage reserves	**(4,228)**	(2,733)
Accelerated depreciation	**(8,000)**	(5,500)
Total	**$ (6,622)**	$ (3,993)

In the event that a portion of the Company's operations is no longer subject to the provisions of FASB Statement No. 71, the Company would be required to write off related regulatory assets and liabilities that are not specifically recoverable through regulated rates. In addition, the Company would be required to determine if any impairment to other assets exists, including plant, and write down the assets, if impaired, to their fair value.

Revenues and Fuel Costs

The Company currently operates as a vertically integrated utility providing electricity to retail customers within its traditional service area of southeastern Georgia and to wholesale customers in the Southeast.

Revenues are recognized as services are rendered. Unbilled revenues are accrued at the end of each fiscal period. Fuel costs are expensed as the fuel is used. Electric rates for the Company include provisions to adjust billings for fluctuations in fuel costs, the energy component of purchased power costs, and certain other costs. Revenues are adjusted for differences between recoverable fuel costs and amounts actually recovered in current regulated rates.

The Company has a diversified base of customers. No single customer or industry comprises 10 percent or more of revenues. For all periods presented, uncollectible accounts averaged less than 1 percent of revenues.

In 2001, the GPSC approved an increase in the Company's fuel cost recovery rate amounting to a total average annual rate increase of 18 percent for all customer classes. An increase of slightly over one-third of a cent per kilowatt-hour was approved in 2000.

Depreciation and Amortization

Depreciation of the original cost of plant in service is provided primarily by using composite straight-line rates, which approximated 3.0 percent in 2001, 2000, and 1999. 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. In 2001, 2000, and 1999, the Company recorded accelerated depreciation of $2.5 million, $2.5 million, and $2.0 million, respectively, in accordance with the GPSC's 1998 rate order. See Note 3 to the financial statements for more information.

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 rates used by the Company to calculate AFUDC were 5.13 percent in 2001, 6.87 percent in 2000, and 6.26 percent in 1999.

Property, Plant, and Equipment

Property, plant, and equipment is stated at original cost less regulatory disallowances and impairments. 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 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 capitalized.

Cash and Cash Equivalents

For purposes of the financial statements, temporary cash investments are considered cash equivalents. Temporary cash investments are securities with original maturities of 90 days or less.

Materials and Supplies

Generally, materials and supplies include the costs 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.

Financial Instruments

Effective January 2001, the Company adopted FASB Statement No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended. The impact on net income was immaterial. The Company uses derivative financial instruments to hedge exposure to fluctuations in certain commodity prices. Gains and losses on qualifying hedges are deferred and recognized either as income or as an adjustment to the carrying amount of the hedged item when the transaction occurs.

The Company is exposed to losses related to financial instruments in the event of counterparties' nonperformance. The Company has established controls to determine and monitor the creditworthiness of counterparties in order to mitigate the Company's exposure to counterparty credit risk.

The five operating companies and Southern Power enter into commodity related forward and option contracts to limit exposure to changing prices on certain fuel purchases and electricity purchases and sales. Substantially all of Southern Company's bulk energy purchases and sales contracts meet the definition of a derivative under FASB Statement No. 133, Accounting for Derivative Instruments and Hedging Activities. In many cases, these fuel and electricity contracts qualify for normal purchase and sale exceptions under Statement No. 133 and are accounted for under the accrual method. Other contracts qualify as cash flow hedges of anticipated transactions, resulting in the deferral of related gains and losses, and are recorded in other comprehensive income until the hedged transactions occur. Any ineffectiveness is recognized currently in net income. Contracts that do not qualify for the normal purchase and sale exception and that do not meet the hedge requirements are marked to market through current period income.

On June 1, 2001, the Company implemented a natural gas/oil hedging program which was ordered by the GPSC as part of the fuel cost recovery increase filing. The maximum annual dollar amount of the hedges recoverable through the fuel cost recovery clause is 10 percent of the annual gas/oil budget or $1.5 million for 2001 and $2.4 million for 2002.

The Company's other financial instruments for which the carrying amounts did not equal fair value at December 31 were as follows:

	Carrying Amount	Fair Value
	(in millions)	
Long-term debt:		
At December 31, 2001	**$157**	**$157**
At December 31, 2000	$142	$140
Trust preferred securities:		
At December 31, 2001	**$40**	**$38**
At December 31, 2000	$40	$36

The fair values for long-term debt and trust preferred securities were based on either closing market prices or closing prices of comparable instruments.

2. RETIREMENT BENEFITS

The Company has defined benefit, trusteed, non-contributory pension plans that cover substantially all employees. The Company provides certain medical care and life insurance benefits for retired employees. The Company funds trusts to the extent required by the GPSC and the FERC. The measurement date for plan assets and obligations is September 30 of each year. In late 2000, the Company adopted several pension and postretirement benefit plan changes that had the effect of increasing benefits to both current and future retirees.

Pension Plans

Changes during the year in the projected benefit obligations and in the fair value of plan assets were as follows:

	Projected Benefit Obligations	
	2001	2000
	(in thousands)	
Balance at beginning of year	**$71,521**	$66,509
Service cost	**2,074**	1,844
Interest cost	**5,426**	4,854
Benefits paid	**(3,986)**	(3,469)
Actuarial loss and employee transfers	**894**	1,564
Amendments	**3,621**	219
Balance at end of year	**$79,550**	$71,521

	Plan Assets	
	2001	2000
	(in thousands)	
Balance at beginning of year	**$61,880**	$54,480
Actual return on plan assets	**(8,911)**	10,493
Benefits paid	**(3,570)**	(3,210)
Employee transfers	**1,459**	117
Balance at end of year	**$50,858**	$61,880

The accrued pension costs recognized in the Balance Sheets were as follows:

	2001	2000
	(in thousands)	
Funded status	**$(28,692)**	$(9,641)
Unrecognized transition obligation	**-**	89
Unrecognized prior service cost	**7,401**	4,391
Unrecognized net loss (gain)	**12,336**	(235)
Accrued liability recognized in the Balance Sheets	**$(8,955)**	$(5,396)

Components of the pension plan's net periodic cost were as follows:

	2001	2000	1999
	(in thousands)		
Service cost	**$2,074**	$1,844	$1,838
Interest cost	**5,426**	4,854	4,327
Expected return on plan assets	**(4,215)**	(4,174)	(4,063)
Recognized net loss	**16**	-	171
Net amortization	**700**	503	478
Net pension cost	**$4,001**	$3,027	$2,751

Postretirement Benefits

Changes during the year in the accumulated benefit obligations and in the fair value of plan assets were as follows:

	Accumulated Benefit Obligations	
	2001	2000
	(in thousands)	
Balance at beginning of year	**$26,124**	$22,904
Service cost	**433**	376
Interest cost	**2,022**	1,865
Benefits paid	**(987)**	(963)
Actuarial gain and employee transfers	**(1,214)**	(1,367)
Amendments	**1,743**	3,309
Balance at end of year	**$28,121**	$26,124

	Plan Assets	
	2001	2000
	(in thousands)	
Balance at beginning of year	**$6,910**	$5,254
Actual return on plan assets	**(789)**	606
Employer contributions	**2,267**	2,013
Benefits paid	**(987)**	(963)
Balance at end of year	**$7,401**	$6,910

The accrued postretirement costs recognized in the Balance Sheets were as follows:

	2001	2000
	(in thousands)	
Funded status	**$(20,720)**	$(19,214)
Unrecognized transition obligation	**5,431**	5,925
Unamortized prior service cost	**4,691**	3,185
Unrecognized net loss	**1,831**	1,701
Fourth quarter contributions	**1,577**	1,493
Accrued liability recognized in the Balance Sheets	**$(7,190)**	$(6,910)

Components of the postretirement plan's net periodic cost were as follows:

	2001	2000	1999
	(in thousands)		
Service cost	**$ 433**	$ 376	$ 404
Interest cost	**2,022**	1,865	1,549
Expected return on plan assets	**(555)**	(429)	(345)
Recognized net loss	**-**	66	152
Net amortization	**731**	618	494
Net postretirement cost	**$2,631**	$2,496	$2,254

The weighted average rates assumed in the actuarial calculations for both the pension plan and postretirement benefits plan were:

	2001	2000
Discount	**7.50%**	7.50%
Annual salary increase	**5.00**	5.00
Long-term return on plan assets	**8.50**	8.50

An additional assumption used in measuring the accumulated postretirement benefit obligations was a weighted average medical care cost trend rate of 9.25 percent for 2001, decreasing gradually to 5.25 percent through the year 2010, and remaining at that level thereafter. An annual increase or decrease in the assumed

medical care cost trend rate of 1 percent would affect the accumulated benefit obligation and the service and interest cost components at December 31, 2001 as follows:

	1 Percent Increase	1 Percent Decrease
	(in thousands)	
Benefit obligation	**$2,070**	**$2,051**
Service and interest costs	**181**	**179**

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.

Employee Savings Plan

The Company also sponsors a 401(k) defined contribution plan covering substantially all employees. The Company provides a 75 percent matching contribution up to 6 percent of an employee's base salary. Total matching contributions made to the plan for the years 2001, 2000, and 1999 were $1.0 million, $0.9 million, and $0.9 million, respectively.

3. CONTINGENCIES AND REGULATORY MATTERS

General

The Company is subject to certain claims and legal actions arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel, the ultimate disposition of these matters is not expected to have a material adverse effect on the Company's financial condition.

Environmental Litigation

On November 3, 1999, the Environmental Protection Agency (EPA) brought a civil action in the U.S. District Court against Alabama Power, Georgia Power, and the system service company. The complaint alleges violations of the prevention of significant deterioration and new source review provisions of the Clean Air Act with respect to five coal-fired generating facilities in Alabama and Georgia. The civil action requests penalties and injunctive relief, including an order requiring the installation of the best available control technology at the affected units. The Clean Air Act authorizes civil penalties of up to $27,500 per day, per violation at each generating unit. Prior to January 30, 1997, the penalty was $25,000 per day.

The EPA concurrently issued to the operating companies a notice of violation related to 10 generating facilities, which includes the five facilities mentioned previously and the Company's Plant Kraft. In early 2000, the EPA filed a motion to amend its complaint to add the violations alleged in its notice of violation, and to add Gulf Power, Mississippi Power, and the Company as defendants. The complaint and notice of violation are similar to those brought against and issued to several other electric utilities. These complaints and notices of violation allege that the utilities had failed to secure necessary permits or install additional pollution control equipment when performing maintenance and construction at coal burning plants constructed or under construction prior to 1978. The U.S. District Court in Georgia granted Alabama Power's motion to dismiss for lack of jurisdiction in Georgia and granted the system service company's motion to dismiss on the grounds that it neither owned nor operated the generating units involved in the proceedings. The court granted the EPA's motion to add the Company as a defendant, but it denied the motion to add Gulf Power and Mississippi Power based on lack of jurisdiction over those companies. The court directed the EPA to re-file its amended complaint limiting claims to those brought against Georgia Power and the Company. The EPA re-filed those claims as directed by the court. Also, the EPA re-filed its claims against Alabama Power in U.S. District Court in Alabama. It has not re-filed against Gulf Power, Mississippi Power, or the system service company.

The Alabama Power, Georgia Power, and the Company's cases have been stayed since the spring of 2001, pending a ruling by the U.S. Court of Appeals for the Eleventh Circuit in the appeal of a very similar New Source Review enforcement action against the Tennessee Valley Authority (TVA). The TVA case involves many of the same legal issues raised by the actions against Alabama Power, Georgia Power, and the Company. Because the outcome of the TVA case could have a significant adverse impact on Alabama

Power and Georgia Power, both companies are parties to that case as well. The U.S. District Court in Alabama has indicated that it will revisit the issue of a continued stay in April 2002. The U.S. District Court in Georgia is currently considering a motion by the EPA to reopen the Georgia case. Georgia Power and the Company have opposed that motion.

The Company believes that it complied with applicable laws and the EPA's regulations and interpretations in effect at the time the work in question took place. An adverse outcome of this matter could require substantial capital expenditures that cannot be determined at this time and possibly require payment of substantial penalties. This could affect future results of operations, cash flows, and possibly financial condition if such costs are not recovered through regulated rates.

Retail Regulatory Matters

Rates to retail customers served by the Company are regulated by the GPSC. As part of the Company's rate settlement in 1992, it was informally agreed that the Company's earned rate of return on common equity should be 12.95 percent.

In 1998, the GPSC approved a four-year accounting order for the Company. Under this order, the Company will reduce the electric rates of its small business customers by approximately $11 million over four years. The Company will also expense an additional $1.95 million in storm damage accruals and accrue an additional $8 million in depreciation on generating assets over the term of the order. The additional depreciation will be accumulated in a regulatory liability account to be available to mitigate any potential stranded costs. In addition, the Company has discretionary authority to provide up to an additional $0.3 million per year in storm damage accruals and up to an additional $4.0 million in depreciation expense over the four years. Total storm damages accrued under the order were $1.5 million per year in 2001, 2000, and 1999 which included discretionary expense of $0.3 million in each year. No discretionary depreciation was recorded in the last three years. Over the term of the order, the Company is precluded from asking for a rate increase except upon significant changes in economic conditions, new laws, or regulations. There is a quarterly monitoring of the Company's earnings performance.

The Company filed a base rate case November 30, 2001 for the first time since 1985. The primary reason for this base rate case is to recover significant new costs related to the 200 megawatt Plant Wansley power purchase agreement beginning June 2002, as well as other operation and maintenance expense changes. The requested increase is 7.6 percent of total rates (base plus fuel). In the filing, the Company announced it would file in early 2002 for a fuel decrease which would offset most, if not all, of the base rate increase.

4. COMMITMENTS

Construction Program

The Company is engaged in a continuous construction program, currently estimated to total $34.8 million in 2002, $37.6 million in 2003, and $43.3 million in 2004. 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 changes in cost of capital. The Company does not have any traditional baseload generating plants under construction. However, construction related to new and upgrading of existing transmission and distribution facilities and the upgrading of generating plants will continue.

Fuel and Purchased Power 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. The Company has fuel commitments of $34 million for 2002, $0.3 million for each of the four years 2003 through 2006, and $6 million for 2007 and beyond.

In addition, the system service company acts as agent for the Company and the other operating companies and Southern Power with regard to natural gas purchases. Natural gas purchases (in dollars) are based on various indices at the actual time of delivery; therefore, only the volume commitments are firm. The Company's committed volumes allocated based on usage projections

as of December 31, 2001 are as follows:

Year	Natural Gas (MMBtu)
2002	4,765,152
2003	4,356,394
2004	3,049,457
2005	2,115,548
2006	1,804,674
2007 and beyond	612,901
Total commitments	16,704,126

The Company has entered into various long-term commitments for the purchase of electricity, substantially all from affiliated companies, including the Plant Wansley purchased power agreement. Estimated total long-term obligations at December 31, 2001 were as follows:

Year	Commitments (in thousands)
2002	$ 9,944
2003	13,640
2004	13,656
2005	13,670
2006	13,686
2007 and beyond	41,152
Total commitments	$105,748

Operating Leases

The Company has rental agreements with various terms and expiration dates. Rental expenses totaled $0.4 million for 2001, $0.4 million for 2000, and $0.5 million for 1999.

At December 31, 2001, estimated future minimum lease payments for noncancelable operating leases were as follows:

	Rental Commitments (in thousands)
2002	$ 429
2003	429
2004	429
2005	429
2006	429
2007 and thereafter	4,894
Total commitments	$7,039

5. INCOME TAXES

At December 31, 2001, tax-related regulatory assets and liabilities were $12.3 million and $13.8 million, respectively. The assets are attributable to tax benefits flowed through to customers in prior years and to taxes applicable to capitalized interest. 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 income tax provisions are as follows:

	2001	2000	1999
	(in thousands)		
Total provision for income taxes			
Federal --			
Currently payable	**$27,991**	$11,102	$12,968
Deferred	**(17,951)**	75	(3,329)
	10,040	11,177	9,639
State --			
Currently payable	**4,282**	1,744	2,193
Deferred	**(2,577)**	653	(24)
	1,705	2,397	2,169
Total	**$11,745**	$13,574	$11,808

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:

	2001	2000
	(in thousands)	
Deferred tax liabilities:		
Accelerated depreciation	**$81,654**	$76,901
Property basis differences	**(1,437)**	5,904
Other	**6,566**	17,807
Total	**86,783**	100,612
Deferred tax assets:		
Pension and other benefits	**11,403**	9,744
Other	**10,560**	7,662
Total	**21,963**	17,406
Total deferred tax liabilities, net	**64,820**	83,206
Portion included in current assets (liabilities), net	**12,511**	(3,450)
Accumulated deferred income taxes in the Balance Sheets	**$77,331**	$79,756

In accordance with regulatory requirements, deferred investment tax credits are amortized over the lives 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 per year in 2001, 2000, and 1999. At December 31, 2001, 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:

	2001	2000	1999
Federal statutory tax rate	**35%**	35%	35%
State income tax, net of Federal income tax benefit	**3**	4	4
Other	**(3)**	(2)	(5)
Effective income tax rate	**35%**	37%	34%

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. In accordance with Internal Revenue Service regulations, each company is jointly and severally liable for the tax liability.

6. CAPITALIZATION

Trust Preferred Securities

In December 1998, Savannah Electric Capital Trust I, of which the Company owns all of the common securities, issued $40 million of 6.85% mandatorily redeemable preferred securities. Substantially all of the assets of the Trust are $40 million aggregate principal amount of the Company's 6.85% junior subordinated notes due December 31, 2028.

The Company considers that the mechanisms and obligations relating to the trust preferred securities, taken together, constitute a full and unconditional guarantee by the Company of payment obligations with respect to the preferred securities of Savannah Electric Capital Trust I.

Savannah Electric Capital Trust I is a subsidiary of the Company, and accordingly is consolidated in the Company's financial statements.

Long-Term Debt and Capital Leases

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.

Maturities and retirements of long-term debt were $50.7 million in 2001, $0.4 million in 2000, and $16.2 million in 1999.

In May 2001, the Company issued $20 million of series B 5.12% senior notes maturing May 15, 2003 and $45 million of series C 6.55% senior notes maturing May 15, 2008. The Company used these proceeds to redeem its $20 million 6 3/8 Series First Mortgage Bonds due July 1, 2003, to repay long-term bank loans in the amount of $30 million, and to repay a portion of its short-term indebtedness.

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.

Securities 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:

	2001	2000
	(in thousands)	
Bond sinking fund requirement	**$ 436**	$ 642
Less:		
Portion to be satisfied by certifying property additions	**-**	642
Cash sinking fund requirement	**436**	-
Other long-term debt maturities	**742**	30,698
Total	**$1,178**	$30,698

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.

The sinking fund requirements of first mortgage bonds were satisfied by cash redemption in 2001 and by certifying property additions in 2000. It is anticipated that the 2002 requirement will be satisfied by cash

redemption. Sinking fund requirements and/or maturities through 2006 applicable to long-term debt are as follows: $1.2 million in 2002; $20.7 million in 2003; $0.6 million in 2004; $0.6 million in 2005; and $20.6 million in 2006.

Bank Credit Arrangements

At the end of 2001, unused credit arrangements with five banks totaled $65.5 million and expire at various times during 2002 and 2003.

The Company has revolving credit arrangements of $20 million, of which $10 million expires April 30, 2003 and $10 million expires December 31, 2003. One of these agreements allows 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.

The Company may also meet short-term cash needs through a Southern Company subsidiary organized to issue and sell commercial paper at the request and for the benefit of the Company and the other Southern Company operating companies. At December 31, 2001, the Company had outstanding $32.2 million of commercial paper.

The Company's committed credit arrangements provide liquidity support to the Company's variable rate obligations and to its commercial paper program. The amount of variable rate obligations outstanding at December 31, 2001 was $22.6 million.

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 $14 million in pollution control obligations is secured by a portion of the Plant McIntosh property.

Common Stock Dividend Restrictions

The Company's Indenture contains certain limitations on the payment of cash dividends on common stock. At December 31, 2001, approximately $68 million of retained earnings was restricted against the payment of cash dividends on common stock under the terms of the Indenture.

7. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

Summarized quarterly financial data for 2001 and 2000 are as follows (in thousands):

Quarter Ended	Operating Revenues	Operating Income	Net Income After Dividends on Preferred Stock
March 2001	**$61,691**	**$ 6,799**	**$ 1,476**
June 2001	**73,970**	**14,620**	**6,246**
September 2001	**93,583**	**22,332**	**11,309**
December 2001	**54,608**	**5,791**	**3,032**
March 2000	$52,390	$ 6,583	$ 1,643
June 2000	72,780	14,904	6,287
September 2000	98,849	24,461	12,351
December 2000	71,699	6,477	2,688

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 1997-2001

Savannah Electric and Power Company 2001 Annual Report

	2001	2000	1999	1998	1997
Operating Revenues (in thousands)	**$283,852**	$295,718	$251,594	$254,455	$226,277
Net Income after Dividends on Preferred Stock (in thousands)	**$22,063**	$22,969	$23,083	$23,644	$23,847
Cash Dividends on Common Stock (in thousands)	**$21,700**	$24,300	$25,200	$23,500	$20,500
Return on Average Common Equity (percent)	**12.54**	13.13	13.16	13.44	13.71
Total Assets (in thousands)	**$594,743**	$594,227	$570,218	$555,799	$547,352
Gross Property Additions (in thousands)	**$31,296**	$27,290	$29,833	$18,071	$18,846
Capitalization (in thousands):					
Common stock equity	**$176,918**	$174,994	$174,847	$175,865	$175,631
Preferred stock	**-**	-	-	-	35,000
Company obligated mandatorily redeemable preferred securities	**40,000**	40,000	40,000	40,000	-
Long-term debt	**160,709**	116,902	147,147	163,443	142,846
Total (excluding amounts due within one year)	**$377,627**	$331,896	$361,994	$379,308	$353,477
Capitalization Ratios (percent):					
Common stock equity	**46.8**	52.7	48.3	46.4	49.7
Preferred stock	**-**	-	-	-	9.9
Company obligated mandatorily redeemable preferred securities	**10.6**	12.1	11.0	10.5	-
Long-term debt	**42.6**	35.2	40.7	43.1	40.4
Total (excluding amounts due within one year)	**100.0**	100.0	100.0	100.0	100.0
Security Ratings:					
First Mortgage Bonds -					
Moody's	**A1**	A1	A1	A1	A1
Standard and Poor's	**A+**	A+	AA-	AA-	AA-
Preferred Stock -					
Moody's	**Baa1**	a2	a2	a2	a2
Standard and Poor's	**BBB+**	BBB+	A-	A	A
Unsecured Long-Term Debt -					
Moody's	**A2**	-	-	-	-
Standard and Poor's	**A**	-	-	-	-
Customers (year-end):					
Residential	**117,199**	115,646	112,891	110,437	109,092
Commercial	**16,121**	15,727	15,433	15,328	14,233
Industrial	**76**	75	67	63	64
Other	**474**	444	417	377	1,129
Total	**133,870**	131,892	128,808	126,205	124,518
Employees (year-end):	**550**	554	533	542	535

SELECTED FINANCIAL AND OPERATING DATA 1997-2001 (continued)

Savannah Electric and Power Company 2001 Annual Report

	2001	2000	1999	1998	1997
Operating Revenues (in thousands):					
Residential	**$123,819**	$129,520	$112,371	$109,393	$ 96,587
Commercial	**100,835**	102,116	88,449	86,231	78,949
Industrial	**34,971**	40,839	32,233	37,865	35,301
Other	**'9,547**	10,147	9,212	8,838	8,621
Total retail	**269,172**	282,622	242,265	242,327	219,458
Sales for resale - non-affiliates	**8,884**	4,748	3,395	4,548	3,467
Sales for resale - affiliates	**3,205**	4,974	4,151	3,016	2,052
Total revenues from sales of electricity	**281,261**	292,344	249,811	249,891	224,977
Other revenues	**2,591**	3,374	1,783	4,564	1,300
Total	**$283,852**	$295,718	$251,594	$254,455	$226,277
Kilowatt-Hour Sales (in thousands):					
Residential	**1,658,735**	1,671,089	1,579,068	1,539,792	1,428,337
Commercial	**1,388,357**	1,369,448	1,287,832	1,236,337	1,156,078
Industrial	**787,674**	800,150	713,448	900,012	881,261
Other	**133,967**	135,824	132,555	131,142	124,490
Total retail	**3,968,733**	3,976,511	3,712,903	3,807,283	3,590,166
Sales for resale - non-affiliates	**111,145**	77,481	51,548	53,294	94,280
Sales for resale - affiliates	**87,799**	88,646	76,988	58,415	54,509
Total	**4,167,677**	4,142,638	3,841,439	3,918,992	3,738,955
Average Revenue Per Kilowatt-Hour (cents):					
Residential	**7.46**	7.75	7.12	7.10	6.76
Commercial	**7.26**	7.46	6.87	6.97	6.83
Industrial	**4.44**	5.10	4.52	4.21	4.01
Total retail	**6.78**	7.11	6.52	6.36	6.11
Sales for resale	**6.08**	5.85	5.87	6.77	3.71
Total sales	**6.75**	7.06	6.50	6.38	6.02
Residential Average Annual Kilowatt-Hour Use Per Customer	**14,241**	14,593	14,100	14,061	13,231
Residential Average Annual Revenue Per Customer	**$1,063.07**	$1,131.08	$1,003.39	$998.94	$894.73
Plant Nameplate Capacity Ratings (year-end) (megawatts)	**788**	788	788	788	788
Maximum Peak-Hour Demand (megawatts):					
Winter	**758**	724	719	582	625
Summer	**846**	878	875	846	802
Annual Load Factor (percent)	**55.9**	53.4	51.2	54.9	54.3
Plant Availability Fossil-Steam (percent):	**81.2**	78.5	72.8	72.9	93.7
Source of Energy Supply (percent):					
Coal	**50.5**	51.6	44.6	41.6	34.4
Oil and gas	**4.0**	6.9	12.3	12.9	5.2
Purchased power -					
From non-affiliates	**5.3**	7.7	5.3	3.4	1.4
From affiliates	**40.2**	33.8	37.8	42.1	59.0
Total	**100.0**	100.0	100.0	100.0	100.0

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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 2002 Annual Meeting of Stockholders.

Additionally, Items 10, 11, 12 and 13 for ALABAMA, GEORGIA, GULF and MISSISSIPPI are incorporated by reference to the Information Statements of ALABAMA, GEORGIA, GULF and MISSISSIPPI relating to each of their respective 2002 Annual Meetings of Shareholders.

The ages of directors and executive officers in Item 10 set forth below are as of December 31, 2001.

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Identification of directors of SAVANNAH.

Anthony R. James
President and Chief Executive Officer
Age 51
Served as Director since 5-3-01

Gus H. Bell (1)
Age 64
Served as Director since 7-20-99

Archie H. Davis (1)
Age 60
Served as Director since 2-18-97

Walter D. Gnann (1)
Age 66
Served as Director since 5-17-83

Robert B. Miller, III (1)
Age 56
Served as Director since 5-17-83

Arnold M. Tenenbaum (1)
Age 65
Served as Director since 5-17-77

(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 3, 2001) for one year until the next annual meeting or until a successor is elected and qualified, except for Mr. James, 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 SAVANNAH acting solely in their capacities as such.

Identification of executive officers of SAVANNAH.

Anthony R. James
President, Chief Executive Officer and Director
Age 51
Served as Executive Officer since 7-27-00

W. Miles Greer
Vice President – Customer Operations and External Affairs
Age 58
Served as Executive Officer since 11-20-85

Sandra R. Miller
Vice President - Power Generation
Age 49
Served as Executive Officer since 7-26-01

Kirby R. Willis
Vice President, Treasurer and Chief Financial Officer
Age 50
Served as Executive Officer since 1-1-94

Each of the above is currently an executive officer of SAVANNAH, serving a term running from the meeting of the directors held on July 26, 2001 for the ensuing year.

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 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.

Anthony R. James – President and Chief Executive Officer since 2001. He previously served as Vice President of Power Generation and Senior Production Officer from 2000 to 2001 and also as Central Cluster Manager at GEORGIA's Plant Scherer from 2000 to 2001. He served as Plant Manager at GEORGIA's Plant Scherer from 1996 to 2000. Director of SunTrust Bank of Savannah.

Gus H. Bell, III – President and Chief Executive Officer of Hussey, Gay, Bell and DeYoung, Inc., (specializing in environmental, industrial, structural, architectural and civil engineering), Savannah, Georgia. Director of SunTrust Bank of Savannah.

Archie H. Davis - President and Chief Executive Officer of The Savannah Bancorp and Chief Executive Officer of The Savannah Bank, N.A., Savannah, Georgia. Member of the Board of Directors of Thomaston Mills, Thomaston, Georgia.

Walter D. Gnann - President of Walt's TV, Appliance and Furniture Co., Inc., Springfield, Georgia.

Robert B. Miller, III - President of American Building Systems, Inc., Savannah, Georgia.

Arnold M. Tenenbaum - President and Director of Chatham Steel Corporation. Director of First Union Bank of Georgia, First Union Bank of Savannah and Cerulean Corporation.

W. Miles Greer - Vice President of Customer Operations and External Affairs since 1998. He previously served as Vice President of Marketing and Customer Service from 1994 to 1998. Responsible for customer services, transmission and distribution, engineering, system operation and external affairs.

Sandra R. Miller - Vice President of Power Generation since 2001. She previously served as Manager of Technical Training at SCS from 1998 to 2001 and Team Leader at GEORGIA's Plant Bowen from June 1996 to June 1998. Responsible for operations and maintenance of Plants Kraft, Riverside and McIntosh.

Kirby R. Willis – Vice President, Treasurer and Chief Financial Officer since 1994 and Assistant Corporate Secretary since 1998. Responsible primarily for accounting, financial, labor relations, corporate services, corporate compliance, environmental and safety activities.

Involvement in certain legal proceedings.

None

Section 16(a) Beneficial Ownership Reporting Compliance.

No late filers.

ITEM 11. EXECUTIVE COMPENSATION

Summary Compensation Table. The following table sets forth information concerning any Chief Executive Officer and the three most highly compensated executive officers of SAVANNAH serving during 2001.

		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]
G. Edison Holland, Jr.[4]							
President,	2001	333,539	324,022	3,692	68,071	-	49,827
Chief Executive	2000	295,812	243,263	24,438	25,667	-	15,453
Officer, Director	1999	254,914	42,626	21,588	8,375	166,052	13,392
Anthony R. James[5]							
President, Chief	2001	210,856	177,858	1,328	31,363	-	30,195
Executive Officer,	2000	175,048	161,442	-	12,752	-	7,582
Director	1999	-	-	-	-	-	-
W. Miles Greer	2001	184,066	104,286	666	32,505	-	8,567
Vice President	2000	177,013	100,923	601	13,416	-	16,982
	1999	168,713	21,322	1,874	6,130	79,476	15,150
Kirby R. Willis							
Vice President,	2001	168,747	100,480	490	29,993	-	8,495
Chief Financial	2000	162,279	97,394	4,908	8,785	-	12,159
Officer, Treasurer	1999	156,068	19,546	259	5,028	79,476	11,767
Sandra R. Miller[6]	2001	112,802	83,015	8,123	1,896	-	20,749
Vice President	2000	-	-	-	-	-	-
	1999	-	-	-	-	-	-

1 Tax reimbursement by SAVANNAH on certain personal benefits.

2 Payouts made in 2000 for the four-year performance period ending December 31, 1999.

3 SAVANNAH contributions in 2001 to the Employee Savings Plan (ESP), Employee Stock Ownership Plan (ESOP), Supplemental Benefit Plan (SBP) or Above-Market Earnings on deferred compensation (AME) and tax sharing benefits paid to participants who elected receipt of dividends on SOUTHERN's common stock held in the ESP are as follows:

Name	ESP	ESOP	SBP or AME	ESP Tax Sharing Benefits
G. Edison Holland, Jr.	$6,853	$764	$9,861	$721
Anthony R. James	6,853	764	3,181	-
W. Miles Greer	7,650	764	153	-
Kirby R. Willis	5,923	764	1,808	-
Sandra R. Miller	5,051	698	-	-

In 2001, this amount for Mr. Holland, Mr. James and Ms. Miller includes $31,628, $19,397 and $15,000, respectively, of additional incentive compensation.

4 Mr. Holland transferred to SOUTHERN on May 1, 2001.

5 Mr. James became President and Chief Executive Officer effective May 1, 2001.

6 Ms. Miller became an executive officer of SAVANNAH on July 26, 2001.

STOCK OPTION GRANTS IN 2001

Stock Option Grants. The following table sets forth all stock option grants to the named executive officers of SAVANNAH during the year ending December 31, 2001.

	Individual Grants				Grant Date Value
Name	# of Securities Underlying Options Granted[7]	% of Total Options Granted to Employees in Fiscal Year[8]	Exercise or Base Price ($/Sh)[7]	Expiration Date[7]	Grant Date Present Value($)[9]
SAVANNAH					
G. Edison Holland, Jr.	33,159	17	19.0762	2/16/2011	146,894
	34,912	17	22.4250	4/16/2011	166,530
Anthony R. James	17,794	9	19.0762	2/16/2011	78,827
	13,569	7	22.4250	4/16/2011	64,724
W. Miles Greer	17,007	8	19.0762	2/16/2011	75,341
	15,498	8	22.4250	4/16/2011	73,925
Kirby R. Willis	15,591	8	19.0762	2/16/2011	69,068
	14,402	7	22.4250	4/16/2001	68,698
Sandra R. Miller	1,337	1	19.0762	2/16/2011	5,923
	559	0	22.4250	4/16/2011	2,666

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7 Under the terms of the Omnibus Incentive Compensation Plan, stock option grants were made on February 16, 2001 and April 16, 2001, and vest annually at a rate of one-third on the anniversary date of the grant. Grants fully vest upon termination as a result of death, total disability or retirement and expire five years after retirement, three years after death or total disability or their normal expiration date if earlier. The exercise price is the average of the high and low price of SOUTHERN's common stock on the date granted. Options may be transferred to certain family members, family trusts and family limited partnerships. The number of options granted on February 16, 2001 and the exercise price thereof were adjusted after the spin-off of Mirant under the antidilution provisions of the plan such that the options had the same aggregate intrinsic value on the day of the spin-off as the day before.

8 A total of 200,946 stock options were granted in 2001.

9 Value was calculated using the Black-Scholes option valuation model. The actual value, if any, ultimately realized depends on the market value of SOUTHERN's common stock at a future date. Significant assumptions are shown below:

Grant Date	Volatility	Risk-free rate of return	Dividend opportunity	Term	Discount for forfeiture risk: before vesting	after vesting
2/16/01	25.63%	4.83%	50%	10	7.79%	12.45%
4/16/01	26.50%	4.65%	50%	10	7.79%	11.77%

These assumptions reflect the effects of cash dividend equivalents paid to participants under SOUTHERN's Performance Dividend Plan assuming targets are met.

AGGREGATED STOCK OPTION EXERCISES IN 2001 AND YEAR-END OPTION VALUES

Aggregated Stock Option Exercises. The following table sets forth information concerning options exercised during the year ending December 31, 2001 by the named executive officers and the value of unexercised options held by them as of December 31, 2001.

Name	Shares Acquired on Exercise (#)	Value Realized($)[11]	Number of Securities Underlying Unexercised Options at Fiscal Year-End (#) Exercisable/ Unexercisable	Value of Unexercised In-the-Money Options at Fiscal Year-End($)[10] Exercisable/ Unexercisable
SAVANNAH				
G. Edison Holland, Jr.	38,297	419,217	35,004/99,611	325,235/637,703
Anthony R. James	6,757	67,947	17,972/47,384	166,611/317,077
W. Miles Greer	-	-	29,132/49,916	288,866/331,185
Kirby R. Willis	6,218	55,902	25,096/41,929	248,549/261,847
Sandra R. Miller	-	-	560/3,015	5,980/21,972

10 This column represents the excess of the fair market value of SOUTHERN's common stock of $25.35 per share, as of December 31, 2001, above the exercise price of the options. The Exercisable column reports the "value" of options that are vested and therefore could be exercised. The Unexercisable column reports the "value" of options that are not vested and therefore could not be exercised as of December 31, 2001.

11 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 above the exercise price.

DEFINED BENEFIT OR ACTUARIAL PLAN DISCLOSURE

Pension Plan Table. The following table sets forth the estimated annual pension benefits payable at normal retirement age under SOUTHERN's qualified Pension Plan, as well as non-qualified supplemental benefits, based on the stated compensation and years of service with the SOUTHERN system for Ms. Miller and Messrs. Holland and James. Compensation for pension purposes is limited to the average of the highest three of the final 10 years' compensation. Compensation is base salary plus the excess of annual incentive compensation over 15 percent of base salary. These compensation components are reported under columns titled "Salary" and "Bonus" in the Summary Compensation Table on page III-3.

	Years of Accredited Service					
Remuneration	**15**	**20**	**25**	**30**	**35**	**40**
$ 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
900,000	229,500	306,000	382,500	459,000	535,500	612,000
1,100,000	280,500	374,000	467,500	561,000	654,500	748,000
1,300,000	331,500	442,000	552,500	663,000	773,500	884,000

As of December 31, 2001, the applicable compensation levels and years of accredited service for SAVANNAH's named executive officers are presented in the following table:

Name	Compensation Level	Accredited Years of Service
G. Edison Holland, Jr.[12]	$522,288	18
Anthony R. James	299,112	22
W. Miles Greer[13]	250,600	25
Kirby R. Willis	235,192	27
Sandra R. Miller	156,036	21

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 or computation of Social Security offset that would apply in most cases.

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12 The number of accredited years of service includes 9 years and 3 months credited to Mr. Holland pursuant to a supplemental pension agreement.

13 The number of accredited years of service includes 7 years and 6 months credited to Mr. Greer pursuant to a supplemental pension agreement.

Effective January 1, 1998, SAVANNAH merged its pension plan into the SOUTHERN Pension Plan. SAVANNAH also has in effect a supplemental executive retirement plan for certain of its executive employees. The plan is designed to provide participants with a supplemental retirement benefit, which, in conjunction with Social Security and benefits under SOUTHERN's qualified pension plan, will equal 70 percent of the highest three of the final 10 years' average annual earnings (excluding incentive compensation).

The following table sets forth the estimated combined annual pension benefits under SOUTHERN's pension and SAVANNAH's supplemental executive retirement plans in effect during 2001 which are payable to Messrs. Greer and Willis, upon retirement at the normal retirement age after designated periods of accredited service and at a specified compensation level.

	Years of Accredited Service		
Remuneration	**15**	**25**	**35**
$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
280,000	196,000	196,000	196,000
300,000	210,000	210,000	210,000
350,000	245,000	245,000	245,000
400,000	280,000	280,000	280,000
430,000	301,000	301,000	301,000
460,000	322,000	322,000	322,000

Compensation of Directors.

Standard Arrangements. The following table presents compensation paid to the directors during 2001 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. At the election of the director, all or a portion of the cash retainer may be payable in SOUTHERN's common stock, and all or a portion of the total fees may be deferred under the Deferred Compensation Plan until membership on the board is terminated.

Cash Retainer Fee	$10,000
Stock Retainer Fee	50 shares in the first quarter 2001 and 85 shares per quarter thereafter

Meeting Fees:
$750 for each Board or Committee meeting attended

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 were given 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 elected to receive the benefit buy-out were required to defer receipt of that amount under the Deferred Compensation Plan until termination from board membership. Directors who elected 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 SAVANNAH's 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 will 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, 2001 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.

SAVANNAH has adopted SOUTHERN's Change in Control Plan, which is applicable to certain of its officers, and has entered into individual change in control agreements with its most highly compensated executive officers. If an executive is involuntarily terminated, other than for cause, within two years following a change in control of SAVANNAH or SOUTHERN, the agreements provide for:

- lump sum payment of two or three times annual compensation,
- up to five years' coverage under group health and life insurance plans,
- immediate vesting of all stock options, stock appreciation rights and restricted stock previously granted,
- payment of any accrued long-term and short-term bonuses and dividend equivalents and
- payment of any excise tax liability incurred as a result of payments made under any individual agreements.

A SOUTHERN change in control is defined under the agreements as:

- acquisition of at least 20 percent of the SOUTHERN's stock,
- a change in the majority of the members of the SOUTHERN's board of directors,
- a merger or other business combination that results in SOUTHERN's shareholders immediately before the merger owning less than 65 percent of the voting power after the merger or
- a sale of substantially all the assets of SOUTHERN.

A change in control of SAVANNAH is defined under the agreements as:

- acquisition of at least 50 percent of SAVANNAH's stock,
- a merger or other business combination unless SOUTHERN controls the surviving entity or
- a sale of substantially all the assets of SAVANNAH.

SOUTHERN also has amended its short- and long-term incentive plans to provide for pro-rata payments at not less than target-level performance if a change in control occurs and the plans are not continued or replaced with comparable plans.

Report on Repricing of Options.

None.

Compensation Committee Interlocks and Insider Participation.

None.

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 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%
	Registrant: SAVANNAH	10,844,635	

Security Ownership of Management. The following table shows the number of shares of SOUTHERN common stock owned by the SAVANNAH's directors, nominees and executive officers as of December 31, 2001. 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 outstanding on December 31, 2001.

Name of Directors, Nominees and Executive Officers	**Title of Class**	**Number of Shares Beneficially Owned (1) (2)**
Gus H. Bell, III	SOUTHERN Common	259
Archie H. Davis	SOUTHERN Common	522
Walter D. Gnann	SOUTHERN Common	3,433
Anthony R. James	SOUTHERN Common	43,854
Robert B. Miller, III	SOUTHERN Common	1,128
Arnold M. Tenenbaum	SOUTHERN Common	1,167
W. Miles Greer	SOUTHERN Common	46,348
Sandra R. Miller	SOUTHERN Common	3,365
Kirby R. Willis	SOUTHERN Common	40,712
The directors, nominees and executive officers as a group	SOUTHERN Common	140,788

(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 and/or Performance Stock Plan, as follows: Mr. Greer, 41,887 shares; Mr. James, 30,640 shares, Ms. Miller, 1,565 shares and Mr. Willis, 34,933 shares.

Changes in control. SOUTHERN and SAVANNAH know of no arrangements which may at a subsequent date result in any change in control.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Transactions with management and others.

Mr. Archie Davis is currently Chief Executive Officer of The Savannah Bank, N.A., Savannah, Georgia and was also President prior to February 2002. During 2001, this bank furnished a number of regular banking services in the ordinary course of business to SAVANNAH. SAVANNAH intends to maintain normal banking relations with the aforesaid bank in the future.

Certain business relationships.

None.

Indebtedness of management.

None.

Transactions with promoters.

None.

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 2001 were as follows:

SOUTHERN filed a Current Report on Form 8-K:

Date of event:	December 20, 2001
Items reported:	Item 5

GEORGIA filed a Current Report on Form 8-K:

Date of event:	December 20, 2001
Items reported:	Item 5

GULF filed Current Reports on Form 8-K:

Date of event:	October 5, 2001
Items reported:	Items 5 and 7

Date of event:	November 8, 2001
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: H. Allen Franklin, Chairman, President and Chief Executive Officer

By: Wayne Boston (Wayne Boston, Attorney-in-fact)

Date: March 22, 2002

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
Chairman, President and Chief Executive Officer
(Principal Executive Officer)

Gale E. Klappa
Executive Vice President, Chief Financial Officer and Treasurer
(Principal Financial Officer)

W. Dean Hudson
Comptroller and Chief Accounting Officer
(Principal Accounting Officer)

Directors:

Daniel P. Amos	*L. G. Hardman III*
Dorrit J. Bern	*Donald M. James*
Thomas F. Chapman	*Zack T. Pate*
Bruce S. Gordon	*Gerald J. St. Pe'*

By: Wayne Boston (Wayne Boston, Attorney-in-fact)

Date: March 22, 2002

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: Charles D. McCrary, President and Chief Executive Officer

By: Wayne Boston (Wayne Boston, Attorney-in-fact)

Date: March 22, 2002

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.

Charles D. McCrary
President, Chief Executive Officer and Director
(Principal Executive Officer)

William B. Hutchins, III
Executive Vice President, Chief Financial Officer and Treasurer
(Principal Financial Officer)

Art P. Beattie
Vice President and Comptroller
(Principal Accounting Officer)

Directors:

Whit Armstrong	*Mayer Mitchell*
David J. Cooper	*William V. Muse*
H. Allen Franklin	*Robert D. Powers*
R. Kent Henslee	*C. Dowd Ritter*
Patricia M. King	*James H. Sanford*
James K. Lowder	*John Cox Webb, IV*
Wallace D. Malone, Jr.	*James W. Wright*
Thomas C. Meredith	

By: Wayne Boston (Wayne Boston, Attorney-in-fact)

Date: March 22, 2002

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: David M. Ratcliffe, President and Chief Executive Officer

By: Wayne Boston (Wayne Boston, Attorney-in-fact)

Date: March 22, 2002

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.

David M. Ratcliffe
President, Chief Executive Officer and Director
(Principal Executive Officer)

Thomas A. Fanning
Executive Vice President, Chief Financial Officer and Treasurer
(Principal Financial Officer)

Cliff S. Thrasher
Vice President, Comptroller and Chief Accounting Officer
(Principal Accounting Officer)

Directors:

Juanita P. Baranco	*James R. Lientz, Jr.*
Anna R. Cablik	*Richard W. Ussery*
William A. Fickling, Jr.	*William Jerry Vereen*
H. Allen Franklin	*Carl Ware*
L. G. Hardman III	*E. Jenner Wood, III*

By: Wayne Boston (Wayne Boston, Attorney-in-fact)

Date: March 22, 2002

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 22, 2002

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)

Ronnie R. Labrato
Vice President, Chief Financial Officer and Comptroller
(Principal Financial and Accounting Officer)

Directors:

C. LeDon Anchors	*W. Deck Hull, Jr.*
Fred C. Donovan, Sr.	*William A. Pullum*
H. Allen Franklin	*Joseph K. Tannehill*

By: Wayne Boston (Wayne Boston, Attorney-in-fact)

Date: March 22, 2002

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: Michael D. Garrett, President and Chief Executive Officer

By: Wayne Boston (Wayne Boston, Attorney-in-fact)

Date: March 22, 2002

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.

Michael D. Garrett
President, Chief Executive Officer and Director
(Principal Executive Officer)

Michael W. Southern
Vice President, Treasurer and
Chief Financial Officer
(Principal Financial and Accounting Officer)

Directors:

Tommy E. Dulaney
Aubrey K. Lucas
Malcolm Portera
George A. Schloegel
Gene Warr

By: Wayne Boston (Wayne Boston, Attorney-in-fact)

Date: March 22, 2002

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: Anthony R. James, President and Chief Executive Officer

By: Wayne Boston (Wayne Boston, Attorney-in-fact)

Date: March 22, 2002

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.

Anthony R. James
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:

Gus H. Bell, III
Archie H. Davis
Walter D. Gnann
Robert B. Miller, III
Arnold M. Tenenbaum

By: Wayne Boston (Wayne Boston, Attorney-in-fact)

Date: March 22, 2002

Exhibit 21. Subsidiaries of the Registrants.*

Name of Company	Jurisdiction of Organization
The Southern Company	Delaware
Southern Company Capital Trust I	Delaware
Southern Company Capital Trust II	Delaware
Southern Company Capital Trust III	Delaware
Southern Company Capital Trust IV	Delaware
Southern Company Capital Trust V	Delaware
Southern Company Capital Trust VI	Delaware
Southern Company Capital Trust VII	Delaware
Southern Company Capital Trust VIII	Delaware
Southern Company Capital Trust IX	Delaware
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 Power Capital Trust V	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 Capital Trust IV	Delaware
Georgia Power Capital Trust V	Delaware
Georgia Power Capital Trust VI	Delaware
Georgia Power Capital Trust VII	Delaware
Georgia Power Capital Trust VIII	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
Gulf Power Capital Trust III	Delaware
Gulf Power Capital Trust IV	Delaware
Mississippi Power Company	Mississippi
Mississippi Power Capital Trust I	Delaware
Mississippi Power Capital Trust II	Delaware
Mississippi Power Capital Trust III	Delaware
Savannah Electric and Power Company	Georgia
Savannah Electric Capital Trust I	Delaware
Savannah Electric Capital Trust II	Delaware
Southern Power Company	Delaware

*This information is as of December 31, 2001. In addition, this list omits certain subsidiaries pursuant to paragraph (b)(21)(ii) of Regulation S-K, Item 601.

Exhibit 23(a)

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports dated February 13, 2002 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, 33-54415, 33-57951, 33-58371, 33-60427, 333-09077, 333-31808, 333-44127, 333-44261, 333-64871, 333-65178 and 333-73462.

Arthur Andersen LLP

Atlanta, Georgia
March 19, 2002

ANDERSEN

Exhibit 23(b)

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports dated February 13, 2002 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 No. 333-72784.

Arthur Andersen LLP

Birmingham, Alabama
March 19, 2002

ANDERSEN

Exhibit 23(c)

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports dated February 13, 2002 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. 333-75193 and 333-57884.

Arthur Andersen LLP

Atlanta, Georgia
March 19, 2002

Exhibit 23(d)

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports dated February 13, 2002 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 previously filed Registration Statement File No. 333-59942.

Arthur Andersen LLP

Atlanta, Georgia
March 19, 2002

ANDERSEN

Exhibit 23(e)

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports dated February 13, 2002 on the financial statements of Mississippi Power Company and the related finanacial statement schedule, included in this Form 10-K, into Mississippi Power Company's previously filed Registration Statement File No. 333-45069.

Arthur Andersen LLP

Atlanta, Georgia
March 19, 2002

ANDERSEN

Exhibit 23(f)

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports dated February 13, 2002 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. 333-57886.

Arthur Andersen LLP

Atlanta, Georgia
March 19, 2002

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS AS TO SCHEDULE

To The Southern Company:

We have audited in accordance with auditing standards generally accepted in the United States, 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 13, 2002. 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.

Arthur Andersen LLP

Atlanta, Georgia
February 13, 2002

ANDERSEN

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS AS TO SCHEDULE

To Alabama Power Company:

We have audited in accordance with auditing standards generally accepted in the United States, the financial statements of Alabama Power Company included in this Form 10-K, and have issued our report thereon dated February 13, 2002. 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 13, 2002

ANDERSEN

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS AS TO SCHEDULE

To Georgia Power Company:

We have audited in accordance with auditing standards generally accepted in the United States, the financial statements of Georgia Power Company included in this Form 10-K, and have issued our report thereon dated February 13, 2002. 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 13, 2002

ANDERSEN

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS AS TO SCHEDULE

To Gulf Power Company:

We have audited in accordance with auditing standards generally accepted in the United States, the financial statements of Gulf Power Company included in this Form 10-K, and have issued our report thereon dated February 13, 2002. 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 13, 2002

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS AS TO SCHEDULE

To Mississippi Power Company:

We have audited in accordance with auditing standards generally accepted in the United States, the financial statements of Mississippi Power Company included in this Form 10-K, and have issued our report thereon dated February 13, 2002. 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 13, 2002

ANDERSEN

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS AS TO SCHEDULE

To Savannah Electric and Power Company:

We have audited in accordance with auditing standards generally accepted in the United States, the financial statements of Savannah Electric and Power Company included in this Form 10-K, and have issued our report thereon dated February 13, 2002. 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.

Arthur Andersen LLP

Atlanta, Georgia
February 13, 2002

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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, 2001, 2000 AND 1999
(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					
2001	$21,799	$44,272	$269	$41,957 (Note)	$24,383
2000	21,834	31,329	39	31,403 (Note)	21,799
1999	11,268	35,476	-	24,910 (Note)	21,834

Note: *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, 2001, 2000 AND 1999
(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					
2001	$6,237	$7,419	$-	$8,419 (Note)	$5,237
2000	4,117	9,093	-	6,973 (Note)	6,237
1999	1,855	13,995	-	11,733 (Note)	4,117

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, 2001, 2000 AND 1999
(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					
2001	$5,100	$22,913	$-	$19,118 (Note)	$8,895
2000	7,000	10,794	-	12,694 (Note)	5,100
1999	5,500	14,406	-	12,906 (Note)	7,000

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, 2001, 2000 AND 1999
(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					
2001	$1,302	$2,282	$-	$2,242 (Note)	$1,342
2000	1,026	2,702	-	2,426(Note)	1,302
1999	996	2,230	-	2,200(Note)	1,026

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, 2001, 2000 AND 1999
(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					
2001	$571	$2,877	$(165)	$2,427 (Note)	$856
2000	697	1,156	14	1,296 (Note)	571
1999	621	1,964	-	1,888 (Note)	697

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, 2001, 2000 AND 1999
(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					
2001	$407	$978	$-	$885 (Note)	$500
2000	237	999	-	829 (Note)	407
1999	284	594	-	641 (Note)	237

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 as the exhibits and in the file numbers indicated and are incorporated herein by reference. The exhibits marked with a pound sign are management contracts or compensatory plans or arrangements required to be filed herewith and required to be identified as such by Item 14 of Form 10-K. 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.

(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 January 10, 2001. (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), in Certificate of Notification, File No. 70-8191, as Exhibit A, in ALABAMA's Form 10-K for the year ended December 31, 1997, File No. 1-3164, as Exhibit 3(b)2, in Form 8-K dated August 10, 1998, File No. 1-3164, as Exhibit 4.4 and in ALABAMA's Form 10-K for the year ended December 31, 2000, File No. 1-3164, as Exhibit 3(b)2.)

* (b) 2 - Amendment to Charter of ALABAMA dated November 21, 2001.

* (b) 3 - By-laws of ALABAMA as amended effective April 26, 2001, and as presently in effect.

GEORGIA

(c) 1 - Charter of GEORGIA and amendments thereto through January 16, 2001. (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), in Form 8-K dated October 20, 1993, File No. 1-6468, as Exhibit 4(b), in GEORGIA's Form 10-K for the year ended December 31, 1997, File No. 1-6468, as Exhibit 3(c)2 and in GEORGIA's Form 10-K for the year ended December 31, 2000, File No. 1-6468, as Exhibit 3(c)2.)

(c) 2 - By-laws of GEORGIA as amended effective November 15, 2000, and as presently in effect. (Designated in GEORGIA's Form 10-K for the year ended December 31, 2000, File No. 1-6468, as Exhibit 3(c)3.)

GULF

(d) 1 - Restated Articles of Incorporation of GULF and amendments thereto through February 9, 2001. (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, in Form 8-K dated November 3, 1993, File No. 0-2429, as Exhibit 4, in GULF's Form 10-K for the year ended December 31, 1997, File No. 0-2429, as Exhibit 3(d)2 and in GULF's Form 10-K for the year ended December 31, 2000, File No. 0-2429, as Exhibit 3(d)2.)

* (d) 2 - By-laws of GULF as amended effective May 22, 2001, and as presently in effect.

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 March 8, 2001. (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, in Form 8-K dated August 18, 1993, File No. 0-6849, as Exhibit 4(b)-3, in MISSISSIPPI's Form 10-K for the year ended December 31, 1997, File No. 0-6849, as Exhibit 3(e)2 and in MISSISSIPPI's Form 10-K for the year ended December 31, 2000, File No. 0-6849, as Exhibit 3(e)2.)

* (e) 2 - By-laws of MISSISSIPPI as amended effective February 28, 2001, and as presently in effect.

SAVANNAH

(f) 1 - Charter of SAVANNAH and amendments thereto through December 2, 1998. (Designated in Registration Nos. 33-25183 as Exhibit 4(b)-(1), 33-45757 as Exhibit 4(b)-(2), in Form 8-K dated November 9, 1993, File No. 1-5072, as Exhibit 4(b) and in SAVANNAH's Form 10-K for the year ended December 31, 1998, as Exhibit 3(f)2.)

(f) 2 - By-laws of SAVANNAH as amended effective May 17, 2000, and as presently in effect. (Designated in SAVANNAH's Form 10-K for the year ended December 31, 2000, File No. 1-5072, as Exhibit 3(f)2.)

(4) Instruments Describing Rights of Security Holders, Including Indentures

SOUTHERN

(a) 1 - Subordinated Note Indenture dated as of February 1, 1997, among SOUTHERN, Southern Company Capital Funding, Inc. and Bankers Trust Company, as Trustee, and indentures supplemental thereto dated as of February 4, 1997. (Designated in Registration Nos. 333-28349 as Exhibits 4.1 and 4.2 and 333-28355 as Exhibit 4.2.)

(a) 2 - Subordinated Note Indenture dated as of June 1, 1997, among SOUTHERN, Southern Company Capital Funding, Inc. and Bankers Trust Company, as Trustee, and indentures supplemental thereto through December 23, 1998. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 1997, File No. 1-3526, as Exhibit (4)(a)2, in Form 8-K dated June 18, 1998, File No. 1-3526, as Exhibit 4.2 and in Form 8-K dated December 18, 1998, File No. 1-3526, as Exhibit 4.4.)

(a) 3 - Senior Note Indenture dated as of February 1, 2002, among SOUTHERN, Southern Company Capital Funding, Inc. and The Bank of New York, as Trustee, and indentures supplemental thereto through those dated February 1, 2002. (Designated in Form 8-K dated January 29, 2002, File No. 1-3526, as Exhibits 4.1 and 4.2 and in Form 8-K dated January 30, 2002, File No. 1-3526, as Exhibit 4.2.)

(a) 4 - Amended and Restated Trust Agreement of Southern Company Capital Trust I dated as of February 1, 1997. (Designated in Registration No. 333-28349 as Exhibit 4.6)

(a) 5 - Amended and Restated Trust Agreement of Southern Company Capital Trust II dated as of February 1, 1997. (Designated in Registration No. 333-28355 as Exhibit 4.6)

(a) 6 - Amended and Restated Trust Agreement of Southern Company Capital Trust III dated as of June 1, 1997. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 1997, File No. 1-3526, as Exhibit (4)(a)5.)

(a) 7 - Amended and Restated Trust Agreement of Southern Company Capital Trust IV dated as of June 1, 1998. (Designated in Form 8-K dated June 18, 1998, File No. 1-3526, as Exhibit 4.5.)

(a) 8 - Amended and Restated Trust Agreement of Southern Company Capital Trust V dated as of December 1, 1998. (Designated in Form 8-K dated December 18, 1998, File No. 1-3526, as Exhibit 4.7A.)

(a) 9 - Capital Securities Guarantee Agreement relating to Southern Company Capital Trust I dated as of February 1, 1997. (Designated in Registration No. 333-28349 as Exhibit 4.10)

(a) 10 - Capital Securities Guarantee Agreement relating to Southern Company Capital Trust II dated as of February 1, 1997. (Designated in Registration No. 333-28355 as Exhibit 4.10)

(a) 11 - Preferred Securities Guarantee Agreement relating to Southern Company Capital Trust III dated as of June 1, 1997. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 1997, File No. 1-3526, as Exhibit (4)(a)8.)

(a) 12 - Preferred Securities Guarantee Agreement relating to Southern Company Capital Trust IV dated as of June 1, 1998. (Designated in Form 8-K dated June 18, 1998, File No. 1-3626, as Exhibit 4.8.)

(a) 13 - Preferred Securities Guarantee Agreement relating to Southern Company Capital Trust V dated as of December 1, 1998. (Designated in Form 8-K dated December 18, 1998, File No. 1-3526, as Exhibit 4.11A.)

ALABAMA

(b) 1 - Indenture dated as of January 1, 1942, between ALABAMA and JPMorgan Chase Bank (formerly The Chase Manhattan Bank), as Trustee, and indentures supplemental thereto through 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. 1-3164, as Exhibit 4(a)-3, in Form 8-K dated February 17, 1993, File No. 1-3164, as Exhibit 4(a)-3, in Form 8-K dated March 10, 1993, File No. 1-3164, 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. 1-3164, as Exhibit 4, in Certificate of Notification, File No. 70-8069, as Exhibit A, in Form 8-K dated November 16, 1993, File No. 1-3164, as Exhibit 4(b), 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. 1-3164, as Exhibit 4.)

(b) 2 - Subordinated Note Indenture dated as of January 1, 1996, between ALABAMA and JPMorgan Chase Bank (formerly The Chase Manhattan 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 JPMorgan Chase Bank (formerly The Chase Manhattan Bank), as Trustee, and indentures supplemental thereto through February 25, 1999. (Designated in Form 8-K dated January 9, 1997, File No. 1-3164, as Exhibits 4.1 and 4.2 and in Form 8-K dated February 18, 1999, File No. 3164, as Exhibit 4.2.)

(b) 4 - Senior Note Indenture dated as of December 1, 1997, between ALABAMA and JPMorgan Chase Bank (formerly The Chase Manhattan Bank), as Trustee, and indentures supplemental thereto through August 29, 2001. (Designated in Form 8-K dated December 4, 1997, File No. 1-3164, as Exhibits 4.1 and 4.2, in Form 8-K dated February 20, 1998, File No. 1-3164, as Exhibit 4.2, in Form 8-K dated April 17, 1998, File No. 1-3164, as Exhibit 4.2, in Form 8-K dated August 11, 1998, File No. 1-3164, as Exhibit 4.2, in Form 8-K dated September 8, 1998, File No. 1-3164, as Exhibit 4.2, in Form 8-K dated September 16, 1998, File No. 1-3164, as Exhibit 4.2, in Form 8-K dated October 7, 1998, File No. 1-3164, as Exhibit 4.2, in Form 8-K dated October 28, 1998, File No. 1-3164, as Exhibit 4.2, in Form 8-K dated November 12, 1998, File No. 1-3164, as Exhibit 4.2, in Form 8-K dated May 19, 1999, File No. 1-3164, as Exhibit 4.2, in Form 8-K dated August 13, 1999, File No. 1-3164, as Exhibit 4.2, in Form 8-K dated September 21, 1999, File No. 1-3164, as Exhibit 4.2, in Form 8-K dated May 11, 2000, File No. 1-3164, as Exhibit 4.2 and in Form 8-K dated August 22, 2001, File No. 1-3164, as Exhibits 4.2(a) and 4.2(b).)

(b) 5 - 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) 6 - 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. 1-3164, as Exhibit 4.5.)

(b) 7 - Amended and Restated Trust Agreement of Alabama Power Capital Trust III dated as of February 1, 1999. (Designated in Form 8-K dated February 18, 1999, File No. 1-3164, as Exhibit 4.5.)

(b) 8 - 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) 9 - 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. 1-3164, as Exhibit 4.8.)

(b) 10 - Guarantee Agreement relating to Alabama Power Capital Trust III dated as of February 1, 1999. (Designated in Form 8-K dated February 18, 1999, File No. 1-3164, as Exhibit 4.8.)

GEORGIA

(c) 1 - Indenture dated as of March 1, 1941, between GEORGIA and JPMorgan Chase Bank (formerly The Chase Manhattan 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. 2-4663 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 - Satisfaction and Discharge of Indenture, Release and Deed of Reconveyance dated as of February 27, 2002, by JPMorgan Chase Bank, as Trustee, to GEORGIA relating to the defeasance of the Indenture dated as of March 1, 1941 between GEORGIA and JPMorgan Chase Bank (formerly The Chase Manhattan Bank), as Trustee, and indentures supplemental thereto through October 15, 1995.

(c) 3 - Subordinated Note Indenture dated as of August 1, 1996, between GEORGIA and JPMorgan Chase Bank (formerly 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 - Subordinated Note Indenture dated as of June 1, 1997, between GEORGIA and JPMorgan Chase Bank (formerly The Chase Manhattan Bank), as Trustee, and indentures supplemental thereto through February 25, 1999. (Designated in Certificate of Notification, File No. 70-8461, as Exhibits D and E and Form 8-K dated February 17, 1999, File No. 1-6468, as Exhibit 4.4.)

(c) 5 - Senior Note Indenture dated as of January 1, 1998, between GEORGIA and JPMorgan Chase Bank (formerly The Chase Manhattan Bank), as Trustee, and indentures supplemental thereto through May 8, 2001. (Designated in Form 8-K dated January 21, 1998, File No. 1-6468, as Exhibits 4.1 and 4.2, in Forms 8-K each dated November 19, 1998, File No. 1-6468, as Exhibit 4.2, in Form 8-K dated March 3, 1999, File No. 1-6469 as Exhibit 4.2, in Form 8-K dated February 15, 2000, File No. 1-6469 as Exhibit 4.2, in Form 8-K dated January 26, 2001, File No. 1-6469 as Exhibits 4.2(a) and 4.2(b), in Form 8-K dated February 16, 2001, File No. 1-6469 as Exhibit 4.2 and in Form 8-K dated May 1, 2001, File No. 1-6468, as Exhibit 4.2.)

(c) 6 - 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) 7 - 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) 8 - Amended and Restated Trust Agreement of Georgia Power Capital Trust III dated as of June 1, 1997. (Designated in Certificate of Notification, File No. 70-8461, as Exhibit C.)

(c) 9 - Amended and Restated Trust Agreement of Georgia Power Capital Trust IV dated as of February 1, 1999. (Designated in Form 8-K dated February 17, 1999, as Exhibit 4.7-A)

(c) 10 - 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) 11 - 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.)

(c) 12 - Guarantee Agreement relating to Georgia Power Capital Trust III dated as of June 1, 1997. (Designated in Certificate of Notification, File No. 70-8461, as Exhibit F.)

(c) 13 - Guarantee Agreement relating to Georgia Power Capital Trust IV dated as of February 1, 1999. (Designated in Form 8-K dated February 17, 1999, as Exhibit 4.11-A.)

GULF

(d) 1 - Indenture dated as of September 1, 1941, between GULF and JPMorgan Chase Bank (formerly The Chase Manhattan Bank), 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 JPMorgan Chase Bank (formerly The Chase Manhattan Bank), as Trustee, and indentures supplemental thereto through November 16, 2001. (Designated in Form 8-K dated January 27, 1997, File No. 0-2429, as Exhibits 4.1 and 4.2, in Form 8-K dated July 28, 1997, File No. 0-2429, as Exhibit 4.2, in Form 8-K dated January 13, 1998, File No. 0-2429, as Exhibit 4.2 and in Form 8-K dated November 8, 2001, File No. 0-2429, as Exhibit 4.2.)

(d) 3 - Senior Note Indenture dated as of January 1, 1998, between GULF and JPMorgan Chase Bank (formerly The Chase Manhattan Bank), as Trustee, and indentures supplemental thereto through January 30, 2002. (Designated in Form 8-K dated June 17, 1998, File No. 0-2429, as Exhibits 4.1 and 4.2, in Form 8-K dated August 17, 1999, File No. 0-2429, as Exhibit 4.2, in Form 8-K dated July 31, 2001, File No. 0-2429, as Exhibit 4.2, in Form 8-K dated October 5, 2001, File No. 0-2429, as Exhibit 4.2 and in Form 8-K dated January 18, 2002, File No. 0-2429, as Exhibit 4.2.)

(d) 4 - 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) 5 - Amended and Restated Trust Agreement of Gulf Power Capital Trust II dated as of January 1, 1998. (Designated in Form 8-K dated January 13, 1998, File No. 0-2429, as Exhibit 4.5.)

(d) 6 - Amended and Restated Trust Agreement of Gulf Power Capital Trust III dated as of November 1, 2001. (Designated in Form 8-K dated November 8, 2001, File No. 0-2429, as Exhibit 4.5.)

(d) 7 - 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.)

(d) 8 - Guarantee Agreement relating to Gulf Power Capital Trust II dated as of January 1, 1998. (Designated in Form 8-K dated January 13, 1998, File No. 0-2429, as Exhibit 4.8.)

(d) 9 - Guarantee Agreement relating to Gulf Power Capital Trust III dated as of November 1, 2001. (Designated in Form 8-K dated November 8, 1998, 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.)

(e) 2 - Senior Note Indenture dated as of May 1, 1998 between MISSISSIPPI and Bankers Trust Company, as Trustee and indentures supplemental thereto through March 28, 2000. (Designated in Form 8-K dated May 14, 1998, File No. 0-6849, as Exhibits 4.1, 4.2(a) and 4.2(b) and in Form 8-K dated March 22, 2000, File No. 0-6849, as Exhibit 4.2.)

(e) 3 - Subordinated Note Indenture dated as of February 1, 1997, between MISSISSIPPI and Bankers Trust Company, as Trustee, and indenture supplemental thereto dated as of February 1, 1997. (Designated in Form 8-K dated February 20, 1997, File No. 0-6849, as Exhibits 4.1 and 4.2.)

(e) 4 - Amended and Restated Trust Agreement of Mississippi Power Capital Trust I dated as of February 1, 1997. (Designated in Form 8-K dated February 20, 1997, File No. 0-6849, as Exhibit 4.5.)

(e) 5 - Guarantee Agreement relating to Mississippi Power Capital Trust I dated as of February 1, 1997. (Designated in Form 8-K dated February 20, 1997, File No. 0-6849, as Exhibit 4.8.)

SAVANNAH

(f) 1 - Indenture dated as of March 1, 1945, between SAVANNAH and The Bank of 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.)

(f) 2 - Senior Note Indenture dated as of March 1, 1998 between SAVANNAH and The Bank of New York, as Trustee and indentures supplemental thereto through May 17, 2001. (Designated in Form 8-K dated March 9, 1998, File No. 1-5072, as Exhibits 4.1 and 4.2 and in Form 8-K dated May 8, 2001, File No. 1-5072, as Exhibits 4.2(a) and 4.2(b).)

(f) 3 - Subordinated Note Indenture dated as of December 1, 1998, between SAVANNAH and The Bank of New York, as Trustee, and indenture supplemental thereto dated as of December 9, 1998. (Designated in Form 8-K dated December 3, 1998, File No. 1-5072, as Exhibit 4.3 and 4.4.)

(f) 4 - Amended and Restated Trust Agreement of Savannah Electric Capital Trust I dated as of December 1, 1998. (Designated in Form 8-K dated December 3, 1998, File No. 1-5072, as Exhibit 4.7.)

(f) 5 - Guarantee Agreement relating to Savannah Electric Capital Trust I dated as of December 1, 1998. (Designated in Form 8-K dated December 3, 1998, File No. 1-5072, as Exhibit 4.11.)

(10) Material Contracts

SOUTHERN

(a) 1 - Service contracts dated as of January 1, 1984, between SCS and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SEGCO and SOUTHERN and Amendment No. 1 dated as of September 6, 1985 between SCS 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 January 1, 2001, between SCS and Southern Power.

(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, 1987, 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 February 17, 2000, between ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH, SPC and SCS. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 2000, File No. 1-3526, as Exhibit 10(a)6.)

(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 - Nuclear Operating Agreement between Southern Nuclear and GEORGIA dated as of July 1, 1993. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 1997, File No. 1-3526, as Exhibit 10(a)21.)

(a) 22 - Pseudo Scheduling and Services Agreement between GEORGIA and MEAG dated as of April 8, 1997. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 1997, File No. 1-3526, as Exhibit 10(a)22.)

(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, 1993, 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 GULF. (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 GULF. (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. 70-7843, 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 - 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) 34 - 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) 35 - 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) 36 - 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) 37 - 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) 38 - 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) 39 - 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) 40 - 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) 41 - Long Term Transaction Service Agreement between GEORGIA and OPC dated as of February 26, 1999. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 1999, File No. 1-3526, as Exhibit 10(a)46.)

(a) 42 - Revised and Restated Coordination Services Agreement between and among GEORGIA, OPC and Georgia Systems Operations Corporation dated as of September 10, 1997. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 1997, File No. 1-3526, as Exhibit 10(a)48.)

(a) 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. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 1993, File No. 1-3526, as Exhibit 10(a)49.)

(a) 44 - 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) 45 - 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) 46 - 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) 47 - 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) 48 - 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) 49 - 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) 50 - 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) 51 - 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) 52 - The Southern Company Employee Savings Plan, Amended and Restated effective January 1, 2002.

* (a) 53 - The Southern Company Employee Stock Ownership Plan, Amended and Restated effective January 1, 2002.

(a) 54 - Southern Company Omnibus Incentive Compensation Plan, Amended and Restated effective May 23, 2001. (Designated in Form S-8, File No. 333-73462, as Exhibit 4(c).)

(a) 55 - The Deferred Compensation Plan for the Directors of The Southern Company, Amended and Restated effective February 19, 2001. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 2000, File No. 1-3526, as Exhibit 10(a)59.)

(a) 56 - 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) 57 - The Southern Company Deferred Compensation Plan, Amended and Restated effective February 23, 2001. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 2000, File No. 1-3526, as Exhibit 10(a)61.)

(a) 58 - 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) 59 - Outside Directors Stock Plan for Subsidiaries of The Southern Company, Amended and Restated effective January 1, 2000. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 2000, File No. 1-3526, as Exhibit 10(a)63.)

(a) 60 - The Southern Company Pension Plan, effective as of January 1, 1997 and all amendments thereto through Amendment Number Six. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 1996, File No. 1-3526, as Exhibit 10(a)83, in SOUTHERN's Form 10-K for the year ended December 31, 1997, File No. 1-3526, as Exhibit 10(a)79, in SOUTHERN's Form 10-K for the year ended December 31, 1998, File No. 1-3526 as Exhibit 10(a)71, in SOUTHERN's Form 10-K for the year ended December 31, 1999, File No. 1-3526, as Exhibit 10(a)72 and in SOUTHERN's Form 10-K for the year ended December 31, 2000, File No. 1-3526 as Exhibit 10(a)66.)

* (a) 61 - Amendment Number Seven to The Southern Company Pension Plan.

* (a) 62 - The Southern Company Supplemental Executive Retirement Plan, Amended and Restated effective May 1, 2000.

* (a) 63 - The Southern Company Performance Sharing Plan, Amended and Restated effective January 1, 2002.

* (a) 64 - The Southern Company Supplemental Benefit Plan, Amended and Restated effective May 1, 2000.

(a) 65 - Southern Company Change in Control Severance Plan, Amended and Restated effective July 10, 2000. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 2000, File No. 1-3526, as Exhibit 10(a)72.)

(a) 66 - Southern Company Executive Change in Control Severance Plan, Amended and Restated effective July 10, 2000. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 2000, File No. 1-3526, as Exhibit 10(a)73.)

(a) 67 - Deferred Compensation Agreement between SOUTHERN, Southern Nuclear and William G. Hairston III. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 1998, File No. 1-3526 as Exhibit 10(a)81.)

(a) 68 - Deferred Compensation Agreement between SOUTHERN, GEORGIA and Warren Y. Jobe. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 1998, File No. 1-3526 as Exhibit 10(a)82.)

(a) 69 - Amended and Restated Change in Control Agreement between SOUTHERN, GULF and Travis J. Bowden. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 2000, File No. 1-3526, as Exhibit 10(a)79.)

(a) 70 - Amended and Restated Change in Control Agreement between SOUTHERN, SCS and A. W. Dahlberg. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 2000, File No. 1-3526, as Exhibit 10(a)80.)

(a) 71 - Amended and Restated Change in Control Agreement between SOUTHERN, MISSISSIPPI and Dwight H. Evans. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 2000, File No. 1-3526, as Exhibit 10(a)81.)

(a) 72 - Amended and Restated Change in Control Agreement between SOUTHERN, SCS and Henry Allen Franklin. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 2000, File No. 1-3526, as Exhibit 10(a)83.)

(a) 73 - Amended and Restated Change in Control Agreement between SOUTHERN, Southern Nuclear and William G. Hairston, III. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 2000, File No. 1-3526, as Exhibit 10(a)84.)

(a) 74 - Amended and Restated Change in Control Agreement between SOUTHERN, ALABAMA and Elmer B. Harris. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 2000, File No. 1-3526, as Exhibit 10(a)85.)

(a) 75 - Amended and Restated Change in Control Agreement between SOUTHERN, SAVANNAH and G. Edison Holland, Jr. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 2000, File No. 1-3526, as Exhibit 10(a)86.)

(a) 76 - Amended and Restated Change in Control Agreement between SOUTHERN, SCS and C. Alan Martin. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 2000, File No. 1-3526, as Exhibit 10(a)87.)

(a) 77 - Amended and Restated Change in Control Agreement between SOUTHERN, SCS and Charles Douglas McCrary. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 2000, File No. 1-3526, as Exhibit 10(a)88.)

(a) 78 - Amended and Restated Change in Control Agreement between SOUTHERN, GEORGIA and David M. Ratcliffe. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 2000, File No. 1-3526, as Exhibit 10(a)89.)

(a) 79 - Amended and Restated Change in Control Agreement between SOUTHERN, SCS and Stephen A. Wakefield. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 2000, File No. 1-3526, as Exhibit 10(a)90.)

(a) 80 - Amended and Restated Change in Control Agreement between SOUTHERN, SCS and W. Lawrence Westbrook. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 2000, File No. 1-3526, as Exhibit 10(a)91.)

(a) 81 - Amended and Restated Change in Control Agreement between SOUTHERN, SCS and Gale E. Klappa. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 2000, File No. 1-3526, as Exhibit 10(a)92.)

(a) 82 - Deferred Compensation Agreement between SOUTHERN and William L. Westbrook. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 2000, File No. 1-3526, as Exhibit 10(a)94.)

* (a) 83 - First Amendment to Deferred Compensation Agreement between SOUTHERN and William L. Westbrook dated September 7, 2001.

(a) 84 - Deferred Compensation Agreement between SOUTHERN and Alfred W. Dahlberg, III. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 2000, File No. 1-3526, as Exhibit 10(a)95.)

(a) 85 - Southern Company Change in Control Benefit Plan Determination Policy, effective July 10, 2000. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 2000, File No. 1-3526, as Exhibit 10(a)96.)

(a) 86 - Change in Control Agreement between SOUTHERN, SCS and Robert H. Haubein, Jr. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 2000, File No. 1-3526, as Exhibit 10(a)97.)

(a) 87 - Master Separation and Distribution Agreement dated as of September 1, 2000 between SOUTHERN and Mirant. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 2000, File No. 1-3526, as Exhibit 10(a)100.)

(a) 88 - Indemnification and Insurance Matters Agreement dated as of September 1, 2000 between SOUTHERN and Mirant. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 2000, File No. 1-3526, as Exhibit 10(a)101.)

(a) 89 - Tax Indemnification Agreement dated as of September 1, 2000 among SOUTHERN and its affiliated companies and Mirant and its affiliated companies. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 2000, File No. 1-3526, as Exhibit 10(a)102.)

(a) 90 - Southern Company Deferred Compensation Trust Agreement dated as of January 1, 2001 between Wachovia Bank, N.A., SOUTHERN, SCS, ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH, Southern Communications, Energy Solutions, Mirant and Southern Nuclear. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 2000, File No. 1-3526, as Exhibit 10(a)103.)

(a) 91 - Deferred Stock Trust Agreement for Directors of SOUTHERN and its subsidiaries, dated as of January 1, 2000, between Reliance Trust Company, SOUTHERN, ALABAMA, GEORGIA, GULF, MISSISSIPPI and SAVANNAH. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 2000, File No. 1-3526, as Exhibit 10(a)104.)

* (a) 92 - Amended and Restated Deferred Cash Compensation Trust Agreement for Directors of SOUTHERN and its subsidiaries, effective September 1, 2001, between Wachovia Bank, N.A, SOUTHERN, ALABAMA, GEORGIA, GULF, MISSISSIPPI and SAVANNAH.

ALABAMA

(b) 1 - Service contracts dated as of January 1, 1984, between SCS and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SEGCO and SOUTHERN and Amendment No. 1 dated as of September 6, 1985 between SCS and SOUTHERN. See Exhibit 10(a)1 herein.

(b) 2 - Interchange contract dated February 17, 2000, between ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH, SPC 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 - Unit Power Sales Agreement dated July 19, 1988, between FPC and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH and SCS. See Exhibit 10(a)33 herein.

(b) 5 - Amended Unit Power Sales Agreement dated July 20, 1988, between FP&L and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH and SCS. See Exhibit 10(a)34 herein.

(b) 6 - Amended Unit Power Sales Agreement dated August 17, 1988, between JEA and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH and SCS. See Exhibit 10(a)35 herein.

(b) 7 - Firm Power Purchase Contract between ALABAMA and AMEA. (Designated in Certificate of Notification, File No. 70-7212, as Exhibit B.)

(b) 8 - 1991 Firm Power Purchase Contract between ALABAMA and AMEA. (Designated in Form U-1, File No. 70-7873, as Exhibit B-1.)

(b) 9 - 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)38 herein.

(b) 10 - 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)39 herein.

(b) 11 - Long Term Transmission Service Agreement between Entergy Power, Inc. and ALABAMA, MISSISSIPPI and SCS. See Exhibit 10(a)47 herein.

(b) 12 - Operating Agreement for the Joseph M. Farley Nuclear Plant between ALABAMA and Southern Nuclear dated as of December 23, 1991. See Exhibit 10(a)51 herein.

* (b) 13 - The Southern Company Employee Savings Plan, Amended and Restated effective January 1, 2002. See Exhibit 10(a)52 herein.

* (b) 14 - The Southern Company Employee Stock Ownership Plan, Amended and Restated effective January 1, 2002. See Exhibit 10(a)53 herein.

(b) 15 - Southern Company Omnibus Incentive Compensation Plan, Amended and Restated effective May 23, 2001. See Exhibit 10(a)54 herein.

(b) 16 - The Southern Company Deferred Compensation Plan, Amended and Restated effective February 23, 2001. See Exhibit 10(a)57 herein.

(b) 17 - The Southern Company Outside Directors Pension Plan. See Exhibit 10(a)56 herein.

(b) 18 - Outside Directors Stock Plan for Subsidiaries of The Southern Company, Amended and Restated effective January 1, 2000. See Exhibit 10(a)59 herein.

(b) 19 - The Southern Company Pension Plan, effective as of January 1, 1997 and all amendments thereto through Amendment Number Six. See Exhibit 10(a)60 herein.

* (b) 20 - Amendment Number Seven to The Southern Company Pension Plan. See Exhibit 10(a)61 herein.

* (b) 21 - The Southern Company Supplemental Executive Retirement Plan, Amended and Restated effective May 1, 2000. See Exhibit 10(a)62 herein.

* (b) 22 - The Southern Company Performance Sharing Plan, Amended and Restated effective January 1, 2002. See Exhibit 10(a)63 herein.

* (b) 23 - The Southern Company Supplemental Benefit Plan, Amended and Restated effective May 1, 2000. See Exhibit 10(a)64 herein.

(b) 24 - Southern Company Change in Control Severance Plan, Amended and Restated effective July 10, 2000. See Exhibit 10(a)65 herein.

(b) 25 - Southern Company Executive Change in Control Severance Plan, Amended and Restated effective July 10, 2000. See Exhibit 10(a)66 herein.

* (b) 26 - Deferred Compensation Agreement between ALABAMA and Elmer B. Harris.

(b) 27 - Supplemental Pension Agreement between ALABAMA, GULF and Travis J. Bowden. (Designated in ALABAMA's Form 10-K for the year ended December 31, 1998, File No. 1-3164, as Exhibit 10(b)40.)

* (b) 28 - Deferred Compensation Plan for Directors of Alabama Power Company, Amended and Restated effective January 1, 2001.

(b) 29 - Southern Company Change in Control Benefit Plan Determination Policy, effective July 10, 2000. See Exhibit 10(a)85 herein.

(b) 30 - Southern Company Deferred Compensation Trust Agreement dated as of January 1, 2001 between Wachovia Bank, N.A., SOUTHERN, SCS, ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH, Southern Communications, Energy Solutions, Mirant and Southern Nuclear. See Exhibit 10(a)90 herein.

(b) 31 - Deferred Stock Trust Agreement for Directors of SOUTHERN and its subsidiaries, dated as of January 1, 2000, between Reliance Trust Company, SOUTHERN, ALABAMA, GEORGIA, GULF, MISSISSIPPI and SAVANNAH. See Exhibit 10(b)91 herein.

* (b) 32 - Amended and Restated Deferred Cash Compensation Trust Agreement for Directors of SOUTHERN and its subsidiaries, dated as of September 1, 2001, between Wachovia Bank, N.A, SOUTHERN, ALABAMA, GEORGIA, GULF, MISSISSIPPI and SAVANNAH. See Exhibit 10(a)92 herein.

GEORGIA

(c) 1 - Service contracts dated as of January 1, 1984, between SCS and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SEGCO and SOUTHERN and Amendment No. 1 dated as of September 6, 1985, between SCS and SOUTHERN. See Exhibit 10(a)1 herein.

(c) 2 - Interchange contract dated February 17, 2000, between ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH, SPC 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 12, 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 - Nuclear Operating Agreement between Southern Nuclear and GEORGIA dated as of July 1, 1993. See Exhibit 10(a)21 herein.

(c) 18 - Pseudo Scheduling and Services Agreement between GEORGIA and MEAG dated as of April 8, 1997. 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 15, 1994. 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 - Unit Power Sales Agreement dated July 19, 1988, between FPC and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH and SCS. See Exhibit 10(a)33 herein.

(c) 30 - Amended Unit Power Sales Agreement dated July 20, 1988, between FP&L and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH and SCS. See Exhibit 10(a)34 herein.

(c) 31 - Amended Unit Power Sales Agreement dated August 17, 1988, between JEA and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH and SCS. See Exhibit 10(a)35 herein.

(c) 32 - Rocky Mountain Pumped Storage Hydroelectric Project Ownership Participation Agreement dated November 18, 1988, between OPC and GEORGIA. See Exhibit 10(a)36 herein.

(c) 33 - Rocky Mountain Pumped Storage Hydroelectric Project Operating Agreement dated November 18, 1988, between OPC and GEORGIA. See Exhibit 10(a)37 herein.

(c) 34 - Long Term Transaction Service Agreement between GEORGIA and OPC dated as of February 26, 1999. See Exhibit 10(a)41 herein.

(c) 35 - Revised and Restated Coordination Services Agreement between and among GEORGIA, OPC and Georgia Systems Operations Corporation dated as of September 10, 1997. See Exhibit 10(a)42 herein.

(c) 36 - 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)43 herein.

(c) 37 - Integrated Transmission System Agreement, Power Sale and Coordination Umbrella Agreement between GEORGIA and OPC dated as of November 12, 1990. See Exhibit 10(a)44 herein.

(c) 38 - Revised and Restated Integrated Transmission System Agreement between GEORGIA and Dalton dated as of December 7, 1990. See Exhibit 10(a)45 herein.

(c) 39 - Revised and Restated Integrated Transmission System Agreement between GEORGIA and MEAG dated as of December 7, 1990. See Exhibit 10(a)46 herein.

(c) 40 - 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)48 herein.

(c) 41 - Plant McIntosh Combustion Turbine Purchase and Ownership Participation Agreement between GEORGIA and SAVANNAH dated as of December 15, 1992. See Exhibit 10(a)49 herein.

(c) 42 - Plant McIntosh Combustion Turbine Operating Agreement between GEORGIA and SAVANNAH dated as of December 15, 1992. See Exhibit 10(a)50 herein.

* (c) 43 - The Southern Company Employee Savings Plan, Amended and Restated effective January 1, 2002. See Exhibit 10(a)52 herein.

* (c) 44 - The Southern Company Employee Stock Ownership Plan, Amended and Restated effective January 1, 2002. See Exhibit 10(a)53 herein.

(c) 45 - Southern Company Omnibus Incentive Compensation Plan, Amended and Restated effective May 23, 2001. See Exhibit 10(a)54 herein.

(c) 46 - The Southern Company Deferred Compensation Plan, Amended and Restated effective February 23, 2001. See Exhibit 10(a)57 herein.

(c) 47 - The Southern Company Outside Directors Pension Plan. See Exhibit 10(a)56 herein.

(c) 48 - Outside Directors Stock Plan for Subsidiaries of The Southern Company, Amended and Restated effective January 1, 2000. See Exhibit 10(a)59 herein.

(c) 49 - The Southern Company Pension Plan, effective as of January 1, 1997 and all amendments thereto through Amendment Number Six. See Exhibit 10(a)60 herein.

* (c) 50 - Amendment Number Seven to The Southern Company Pension Plan. See Exhibit 10(a)61 herein.

* (c) 51 - The Southern Company Supplemental Executive Retirement Plan, Amended and Restated effective May 1, 2000. See Exhibit 10(a)62 herein.

* (c) 52 - The Southern Company Performance Sharing Plan, Amended and Restated effective January 1, 2002. See Exhibit 10(a)63 herein.

* (c) 53 - The Southern Company Supplemental Benefit Plan, Amended and Restated effective May 1, 2000. See Exhibit 10(a)64 herein.

(c) 54 - Southern Company Change in Control Severance Plan, Amended and Restated effective July 10, 2000. See Exhibit 10(a)65 herein.

(c) 55 - Southern Company Executive Change in Control Severance Plan, Amended and Restated effective July 10, 2000. See Exhibit 10(a)66 herein.

(c) 56 - Deferred Compensation Agreement between SOUTHERN, GEORGIA and Warren Y. Jobe. See Exhibit 10(a)68 herein.

(c) 57 - Amended and Restated Change in Control Agreement between SOUTHERN, GEORGIA and David M. Ratcliffe. See Exhibit 10(a)78 herein.

(c) 58 - Supplemental Pension Agreement between GEORGIA and Warren Y. Jobe. (Designated in GEORGIA's Form 10-K for the year ended December 31, 1998, File No. 1-6468, as Exhibit 10(c)77.)

* (c) 59 - Separation Agreement between GEORGIA and Robert H. Haubein, Jr. dated December 21, 2001 and First Amendment thereto effective December 21, 2001.

* (c) 60 - Separation Agreement between GEORGIA and Fred D. Williams dated December 31, 2001.

(c) 61 - Deferred Compensation Plan For Directors of Georgia Power Company, Amended and Restated Effective February 21, 2001. (Designated in GEORGIA's Form 10-K for the year ended December 31, 2000, File No. 1-6468 as Exhibit 10(c)71

(c) 62 - Southern Company Change in Control Benefit Plan Determination Policy, effective July 10, 2000. See Exhibit 10(a)85 herein.

(c) 63 - Southern Company Deferred Compensation Trust Agreement dated as of January 1, 2001 between Wachovia Bank, N.A., SOUTHERN, SCS, ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH, Southern Communications, Energy Solutions, Mirant and Southern Nuclear. See Exhibit 10(a)90 herein.

(c) 64 - Deferred Stock Trust Agreement for Directors of SOUTHERN and its subsidiaries, dated as of January 1, 2000, between Reliance Trust Company, SOUTHERN, ALABAMA, GEORGIA, GULF, MISSISSIPPI and SAVANNAH. See Exhibit 10(a)91 herein.

* (c) 65 - Amended and Restated Deferred Cash Compensation Trust Agreement for Directors of SOUTHERN and its subsidiaries, dated as of September 1, 2001, between Wachovia Bank, N.A, SOUTHERN, ALABAMA, GEORGIA, GULF, MISSISSIPPI and SAVANNAH. See Exhibit 10 (a)92 herein.

GULF

(d) 1 - Service contracts dated as of January 1, 1984, between SCS and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SEGCO and SOUTHERN and Amendment No. 1 dated as of September 6, 1985, between SCS and SOUTHERN. See Exhibit 10(a)1 herein.

(d) 2 - Interchange contract dated February 17, 2000, between ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH, SPC 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)48 herein.

(d) 6 - Unit Power Sales Agreement dated July 19, 1988, between FPC and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH and SCS. See Exhibit 10(a)33 herein.

(d) 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)34 herein.

(d) 8 - Amended Unit Power Sales Agreement dated August 17, 1988, between JEA and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH and SCS. See Exhibit 10(a)35 herein.

(d) 9 - 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) 10 - The Southern Company Employee Savings Plan, Amended and Restated effective January 1, 2002. See Exhibit 10(a)52 herein.

* (d) 11 - The Southern Company Employee Stock Ownership Plan, Amended and Restated effective January 1, 2002. See Exhibit 10(a)53 herein.

(d) 12 - Southern Company Omnibus Incentive Compensation Plan, Amended and Restated effective May 23, 2001. See Exhibit 10(a)54 herein.

(d) 13 - The Southern Company Deferred Compensation Plan, Amended and Restated effective February 23, 2001. See Exhibit 10(a)57 herein.

(d) 14 - The Southern Company Outside Directors Pension Plan. See Exhibit 10(a)56 herein.

(d) 15 - Outside Directors Stock Plan for Subsidiaries of The Southern Company, Amended and Restated effective January 1, 2000. See Exhibit 10(a)59 herein.

(d) 16 - The Southern Company Pension Plan, effective as of January 1, 1997 and all amendments thereto through Amendment Number Six. See Exhibit 10(a)60 herein.

* (d) 17 - Amendment Number Seven to The Southern Company Pension Plan. See Exhibit 10(a)61 herein.

* (d) 18 - The Southern Company Supplemental Benefit Plan, Amended and Restated effective May 1, 2000. See Exhibit 10(a)64 herein.

(d) 19 - Southern Company Change in Control Severance Plan, Amended and Restated effective July 10, 2000. See Exhibit 10(a)65 herein.

(d) 20 - Southern Company Executive Change in Control Severance Plan, Amended and Restated effective July 10, 2000. See Exhibit 10(a)66 herein.

(d) 21 - Amended and Restated Change in Control Agreement between SOUTHERN, GULF and Travis J. Bowden. See Exhibit 10(a)69 herein.

* (d) 22 - The Southern Company Supplemental Executive Retirement Plan, Amended and Restated effective May 1, 2000. See Exhibit 10(a)62 herein.

* (d) 23 - The Southern Company Performance Sharing Plan, Amended and Restated effective January 1, 2002. See Exhibit 10(a)63 herein.

(d) 24 - Supplemental Pension Agreement between SAVANNAH, GULF and G. Edison Holland, Jr. (Designated in GULF's Form 10-K for the year ended December 31, 1998, File No. 0-2429, as Exhibit 10(d)35.)

(d) 25 - Supplemental Pension Agreement between ALABAMA, GULF and Travis J. Bowden. See Exhibit 10(b)27 herein.

(d) 26 - Deferred Compensation Plan For Directors of Gulf Power Company, Amended and Restated Effective January 1, 2000 and First Amendment thereto. (Designated in GULF's Form 10-K for the year ended December 31, 2000, File No. 0-2429 as Exhibit 10(d)33.)

(d) 27 - Southern Company Change in Control Benefit Plan Determination Policy, effective July 10, 2000. See Exhibit 10(a)85 herein.

(d) 28 - Southern Company Deferred Compensation Trust Agreement dated as of January 1, 2001 between Wachovia Bank, N.A., SOUTHERN, SCS, ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH, Southern Communications, Energy Solutions, Mirant and Southern Nuclear. See Exhibit 10(a)90 herein.

(d) 29 - Deferred Stock Trust Agreement for Directors of SOUTHERN and its subsidiaries, dated as of January 1, 2000, between Reliance Trust Company, SOUTHERN, ALABAMA, GEORGIA, GULF, MISSISSIPPI and SAVANNAH. See Exhibit 10(a)91 herein.

* (d) 30 - Amended and Restated Deferred Cash Compensation Trust Agreement for Directors of SOUTHERN and its subsidiaries, dated as of September 1, 2001, between Wachovia Bank, N.A, SOUTHERN, ALABAMA, GEORGIA, GULF, MISSISSIPPI and SAVANNAH. See Exhibit 10(a)92 herein.

MISSISSIPPI

(e) 1 - Service contracts dated as of January 1, 1984, between SCS and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SEGCO and SOUTHERN and Amendment No. 1 dated as of September 6, 1985, between SCS and SOUTHERN. See Exhibit 10(a)1 herein.

(e) 2 - Interchange contract dated February 17, 2000, between ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH, SPC and SCS. See Exhibit 10(a)6 herein.

(e) 3 - Unit Power Sales Agreement dated July 19, 1988, between FPC and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH and SCS. See Exhibit 10(a)33 herein.

(e) 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)34 herein.

(e) 5 - Amended Unit Power Sales Agreement dated August 17, 1988, between JEA and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH and SCS. See Exhibit 10(a)35 herein.

(e) 6 - 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)40 herein.

(e) 7 - Long Term Transmission Service Agreement between Entergy Power, Inc. and ALABAMA, MISSISSIPPI and SCS. See Exhibit 10(a)47 herein.

* (e) 8 - The Southern Company Employee Savings Plan, Amended and Restated effective January 1, 2002. See Exhibit 10(a)52 herein.

* (e) 9 - The Southern Company Employee Stock Ownership Plan, Amended and Restated effective January 1, 2002. See Exhibit 10(a)53 herein.

(e) 10 - Southern Company Omnibus Incentive Compensation Plan, Amended and Restated effective May 23, 2001. See Exhibit 10(a)54 herein.

(e) 11 - The Southern Company Deferred Compensation Plan, Amended and Restated effective February 23, 2001. See Exhibit 10(a)57 herein.

(e) 12 - The Southern Company Outside Directors Pension Plan. See Exhibit 10(a)56 herein.

(e) 13 - Outside Directors Stock Plan for Subsidiaries of The Southern Company, Amended and Restated effective January 1, 2000. See Exhibit 10(a)59 herein.

(e) 14 - The Southern Company Pension Plan, effective as of January 1, 1997 and all amendments thereto through Amendment Number Six. See Exhibit 10(a)60 herein.

* (e) 15 - Amendment Number Seven to The Southern Company Pension Plan. See Exhibit 10(a)61 herein.

* (e) 16 - The Southern Company Supplemental Benefit Plan, Amended and Restated effective May 1, 2000. See Exhibit 10(a)64 herein.

(e) 17 - Southern Company Change in Control Severance Plan, Amended and Restated effective July 10, 2000. See Exhibit 10(a)65 herein.

(e) 18 - Southern Company Executive Change in Control Severance Plan, Amended and Restated effective July 10, 2000. See Exhibit 10(a)66 herein.

(e) 19 - Amended and Restated Change in Control Agreement between SOUTHERN, MISSISSIPPI and Dwight H. Evans. See Exhibit 10(a)71 herein.

* (e) 20 - The Southern Company Supplemental Executive Retirement Plan, Amended and Restated effective May 1, 2000. See Exhibit 10(a)62 herein.

* (e) 21 - The Southern Company Performance Sharing Plan, Amended and Restated effective January 1, 2002. See Exhibit 10(a)63 herein.

(e) 22 - Deferred Compensation Plan for Directors of Mississippi Power Company, Amended and Restated Effective January 1, 2000 and Amendment Number One thereto. (Designated in MISSISSIPPI's Form 10-K for the year ended December 31, 1999, File No. 0-6849 as Exhibit 10(e)37 and in MISSISSIPPI'S Form 10-K for the year December 31, 2000, File No. 0-6849 as Exhibit 10(e)30.)

(e) 23 - Southern Company Change in Control Benefit Plan Determination Policy, effective July 10, 2000. See Exhibit 10(a)85 herein.

(e) 24 - Southern Company Deferred Compensation Trust Agreement dated as of January 1, 2001 between Wachovia Bank, N.A., SOUTHERN, SCS, ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH, Southern Communications, Energy Solutions, Mirant and Southern Nuclear. See Exhibit 10(a)90 herein.

(e) 25 - Deferred Stock Trust Agreement for Directors of SOUTHERN and its subsidiaries, dated as of January 1, 2000, between Reliance Trust Company, SOUTHERN, ALABAMA, GEORGIA, GULF, MISSISSIPPI and SAVANNAH. See Exhibit 10(a)91 herein.

* (e) 26 - Amended and Restated Deferred Cash Compensation Trust Agreement for Directors of SOUTHERN and its subsidiaries, dated as of September 1, 2001, between Wachovia Bank, N.A, SOUTHERN, ALABAMA, GEORGIA, GULF, MISSISSIPPI and SAVANNAH. See Exhibit 10(a)92 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 February 17, 2000, between ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH, SPC 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)33 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)34 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)35 herein.

(f) 6 - Plant McIntosh Combustion Turbine Purchase and Ownership Participation Agreement between GEORGIA and SAVANNAH dated as of December 15, 1992. See Exhibit 10(a)49 herein.

(f) 7 - Plant McIntosh Combustion Turbine Operating Agreement between GEORGIA and SAVANNAH dated December 15, 1992. See Exhibit 10(a)50 herein.

* (f) 8 - The Southern Company Employee Savings Plan, Amended and Restated effective January 1, 2002. See Exhibit 10(a)52 herein.

* (f) 9 - The Southern Company Employee Stock Ownership Plan, Amended and Restated effective January 1, 2002. See Exhibit 10(a)53 herein.

(f) 10 - Southern Company Omnibus Incentive Compensation Plan, Amended and Restated effective May 23, 2001. See Exhibit 10(a)54 herein.

(f) 11 - Supplemental Executive Retirement Plan of SAVANNAH, Amended and Restated effective October 26, 2000. (Designated in SAVANNAH's Form 10-K for the year ended December 31, 2000, File No. 1-5072 as Exhibit 10(f)13.)

(f) 12 - Deferred Compensation Plan for Key Employees of SAVANNAH, Amended and Restated effective October 26, 2000. (Designated in SAVANNAH's Form 10-K for the year ended December 31, 2000, File No. 1-5072 as Exhibit 10(f)14.)

(f) 13 - The Southern Company Outside Directors Pension Plan. See Exhibit 10(a)56 herein.

(f) 14 - Deferred Compensation Plan for Directors of SAVANNAH, Amended and Restated effective October 26, 2000. (Designated in SAVANNAH's Form 10-K for the year ended December 31, 2000, File No. 1-5072 as Exhibit 10(f)18.)

(f) 15 - Outside Directors Stock Plan for Subsidiaries of The Southern Company, Amended and Restated effective January 1, 2000. See Exhibit 10(a)59 herein.

(f) 16 - The Southern Company Pension Plan, effective as of January 1, 1997 and all amendments thereto through Amendment Number Six. See Exhibit 10(a)60 herein.

	*	(f) 17 -	Amendment Number Seven to The Southern Company Pension Plan. See Exhibit 10(a)61 herein.
#	*	(f) 18 -	The Southern Company Supplemental Benefit Plan, Amended and Restated effective May 1, 2000. See Exhibit 10(a)64 herein.
		(f) 19 -	Southern Company Change in Control Severance Plan, Amended and Restated effective July 10, 2000. See Exhibit 10(a)65 herein.
#		(f) 20 -	Southern Company Executive Change in Control Severance Plan, Amended and Restated effective July 10, 2000. See Exhibit 10(a)66 herein.
#		(f) 21 -	Amended and Restated Change in Control Agreement between SOUTHERN, SAVANNAH and G. Edison Holland, Jr. See Exhibit 10(a)75 herein.
#		(f) 22 -	The Southern Company Deferred Compensation Plan, Amended and Restated effective February 23, 2001. See Exhibit 10(a)57 herein.
#	*	(f) 23 -	The Southern Company Supplemental Executive Retirement Plan, Amended and Restated effective May 1, 2000. See Exhibit 10(a)62 herein.
#	*	(f) 24 -	The Southern Company Performance Sharing Plan, Amended and Restated effective January 1, 2002. See Exhibit 10(a)63 herein.
#		(f) 25 -	Supplemental Pension Agreement between SAVANNAH, GULF and G. Edison Holland, Jr. See Exhibit 10(d)24 herein.
#		(f) 26 -	Southern Company Change in Control Benefit Plan Determination Policy, effective July 10, 2000. See Exhibit 10(a)85 herein.
#		(f) 27 -	Agreement for supplemental pension benefits between SAVANNAH and William Miles Greer. (Designated in SAVANNAH's Form 10-K for the year ended December 31, 2000, File No. 1-5072 as Exhibit 10(f)34.)
#		(f) 28 -	Agreement crediting additional service between SAVANNAH and William Miles Greer. (Designated in SAVANNAH's Form 10-K for the year ended December 31, 2000, File No. 1-5072 as Exhibit 10(f)35.)
#		(f) 29 -	Southern Company Deferred Compensation Trust Agreement dated as of January 1, 2001 between Wachovia Bank, N.A., SOUTHERN, SCS, ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH, Southern Communications, Energy Solutions, Mirant and Southern Nuclear. See Exhibit 10(a)90 herein.
#		(f) 30 -	Deferred Stock Trust Agreement for Directors of SOUTHERN and its subsidiaries, dated as of January 1, 2000, between Reliance Trust Company, SOUTHERN, ALABAMA, GEORGIA, GULF, MISSISSIPPI and SAVANNAH. See Exhibit 10(a)91 herein.

* (f) 31 - Amended and Restated Deferred Cash Compensation Trust Agreement for Directors of SOUTHERN and its subsidiaries, dated as of September 1, 2001, between Wachovia Bank, N.A, SOUTHERN, ALABAMA, GEORGIA, GULF, MISSISSIPPI and SAVANNAH. See Exhibit 10(a)92 herein.

(21) Subsidiaries of Registrants

SOUTHERN

* (a) - Subsidiaries of Registrant is contained herein at page IV-5.

ALABAMA

* (b) - Subsidiaries of Registrant is contained herein at page IV-5.

GEORGIA

* (c) - Subsidiaries of Registrant is contained herein at page IV-5.

GULF

* (d) - Subsidiaries of Registrant is contained herein at page IV-5.

MISSISSIPPI

* (e) - Subsidiaries of Registrant is contained herein at page IV-5.

SAVANNAH

* (f) - Subsidiaries of Registrant is 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.

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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, 2002
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) 506-5000	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) 241 Ralph McGill Boulevard, N.E. Atlanta, Georgia 30308 (404) 506-6526	58-0257110
0-2429	**Gulf Power Company** (A Maine Corporation) One Energy Place Pensacola, Florida 32520 (850) 444-6111	59-0276810
001-11229	**Mississippi Power Company** (A Mississippi Corporation) 2992 West Beach Gulfport, Mississippi 39501 (228) 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
333-98553	**Southern Power Company** (A Delaware Corporation) 270 Peachtree Street, N.W. Atlanta, Georgia 30303 (404) 506-5000	58-2598670

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, except for Southern Power Company which has been subject to such filing requirements since October 1, 2002. Yes X No____

Registrant	Description of Common Stock	Shares Outstanding at October 31, 2002
The Southern Company	**Par Value $5 Per Share**	**713,478,436**
Alabama Power Company	**Par Value $40 Per Share**	**6,000,000**
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**
Southern Power Company	**Par Value $0.01 Per Share**	**1,000**

This combined Form 10-Q is separately filed by The Southern Company, Alabama Power Company, Georgia Power Company, Gulf Power Company, Mississippi Power Company, Savannah Electric and Power Company and Southern 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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September 30, 2002

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DEFINITIONS

TERM	MEANING
ALABAMA	Alabama Power Company
Clean Air Act	Clean Air Act Amendments of 1990
ECO Plan	Environmental Compliance Overview Plan
Energy Act	Energy Policy Act of 1992
EPA	U. S. Environmental Protection Agency
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, 2001
GEORGIA	Georgia Power Company
GULF	Gulf Power Company
ISA	Independent System Administrator
Mirant	Mirant Corporation
MISSISSIPPI	Mississippi Power Company
Mobile Energy	Mobile Energy Services Company, L.L.C. and Mobile Energy Services Holdings, Inc.
Moody's	Moody's Investors Service, Inc.
operating companies	ALABAMA, GEORGIA, GULF, MISSISSIPPI and SAVANNAH
PEP	Performance Evaluation Plan
PPA	Purchase Power Agreement
PSC	Public Service Commission
RTO	Regional Transmission Organization
S&P	Standard and Poor's Ratings Services, a division of The McGraw Hill Companies
SAVANNAH	Savannah Electric and Power Company
SCS	Southern Company Services, Inc.
SEC	Securities and Exchange Commission
SeTrans	A proposed regional transmission organization consisting of eleven public and private companies, including SOUTHERN, located in eight southeastern states
SOUTHERN	The Southern Company
Southern Gas	Southern Company Gas LLC
SOUTHERN POWER	Southern Power Company
Southern Power Prospectus	SOUTHERN POWER's prospectus filed with the SEC on October 1, 2002 pursuant to Rule 424(b) under the Securities Act of 1933, with respect to SOUTHERN POWER's registration statement on Form S-4 (Registration No. 333-98553)
SOUTHERN system	SOUTHERN, the operating companies, SOUTHERN POWER and other subsidiaries
Super Southeast	SOUTHERN's traditional service territory, Alabama, Florida, Georgia and Mississippi plus the surrounding states of Kentucky, Louisiana, North Carolina, South Carolina, Tennessee and Virginia
TVA	Tennessee Valley Authority

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This Quarterly Report on Form 10-Q contains forward-looking and historical information. In some cases, forward-looking statements can be identified by terminology such as "may," "would," "will," "could," "should," "expects," "plans," "anticipates," "believes," "estimates," "projects," "predicts," "potential" or "continue" or the negative of these terms or other comparable terminology. SOUTHERN cautions that there are various important factors that could cause actual results to differ materially from those indicated in the forward-looking statements; accordingly, there can be no assurance that such indicated results will be realized. These factors include the impact of recent and future federal and state regulatory change, including legislative and regulatory initiatives regarding deregulation and restructuring of the electric utility industry and also changes in environmental and other laws and regulations to which SOUTHERN and its subsidiaries are subject, as well as changes in application of existing laws and regulations; current and future litigation, including the pending EPA civil action against certain SOUTHERN subsidiaries; the effect, extent and timing of the entry of additional competition in the markets in which SOUTHERN's subsidiaries operate; the impact of fluctuations in commodity prices, interest rates and customer demand; state and federal rate regulations; political, legal and economic conditions and developments in the United States; the performance of projects undertaken by the non-traditional business and the success of efforts to invest in and develop new opportunities; internal restructuring or other restructuring options that may be pursued; potential business strategies, including acquisitions or dispositions of assets or businesses, which cannot be assured to be completed or beneficial to SOUTHERN or its subsidiaries; the ability of counterparties of SOUTHERN and its subsidiaries to make payments as and when due; the effects of, and changes in, economic conditions in the areas in which SOUTHERN's subsidiaries operate; the direct and indirect effects on SOUTHERN's business resulting from the terrorist incidents on September 11, 2001, or any similar such incidents or responses to such incidents; financial market conditions and the results of financing efforts; the timing and acceptance of SOUTHERN's new product and service offerings; the ability of SOUTHERN to obtain additional generating capacity at competitive prices; weather and other natural phenomena; and other factors discussed elsewhere herein and in other reports (including the Form 10-K) filed from time to time with the SEC.

THE SOUTHERN COMPANY
AND SUBSIDIARY COMPANIES

THE SOUTHERN COMPANY AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2002	2001	**2002**	2001
	(in thousands)		*(in thousands)*	
Operating Revenues:				
Retail sales	**$2,748,787**	$2,635,483	**$6,777,554**	$6,669,401
Sales for resale	**344,083**	382,612	**870,237**	929,652
Other revenues	**155,138**	146,366	**444,577**	396,730
Total operating revenues	**3,248,008**	3,164,461	**8,092,368**	7,995,783
Operating Expenses:				
Fuel	**845,121**	751,297	**2,105,858**	2,013,684
Purchased power	**183,594**	337,549	**374,855**	648,906
Other operations	**542,550**	465,866	**1,510,506**	1,347,707
Maintenance	**194,157**	186,661	**669,966**	642,159
Depreciation and amortization	**265,538**	282,396	**765,444**	869,449
Taxes other than income taxes	**146,996**	142,372	**424,720**	414,585
Total operating expenses	**2,177,956**	2,166,141	**5,851,349**	5,936,490
Operating Income	**1,070,052**	998,320	**2,241,019**	2,059,293
Other Income:				
Interest income	**6,645**	8,405	**15,589**	20,880
Equity in losses of subsidiaries	**(25,249)**	(18,491)	**(66,904)**	(37,227)
Other, net	**(10,427)**	33,977	**11,739**	62,726
Earnings From Continuing Operations Before Interest and Income Taxes	**1,041,021**	1,022,211	**2,201,443**	2,105,672
Interest and Other:				
Interest expense, net	**124,237**	136,856	**368,009**	428,725
Distributions on capital and preferred securities of subsidiaries	**44,675**	42,015	**130,851**	126,355
Preferred dividends of subsidiaries	**4,413**	4,550	**13,190**	13,969
Total interest and other	**173,325**	183,421	**512,050**	569,049
Earnings From Continuing Operations Before Income Taxes	**867,696**	838,790	**1,689,393**	1,536,623
Income taxes	**272,283**	284,412	**538,302**	533,115
Earnings From Continuing Operations Before Cumulative Effect of Accounting Change	**595,413**	554,378	**1,151,091**	1,003,508
Cumulative effect of accounting change -- less income taxes of $477	**-**	-	**-**	771
Earnings From Continuing Operations	**595,413**	554,378	**1,151,091**	1,004,279
Earnings from discontinued operations, net of income taxes of $92,713 for the nine months ended 2001	**-**	-	**-**	142,217
Consolidated Net Income	**$ 595,413**	$ 554,378	**$ 1,151,091**	$ 1,146,496
Common Stock Data:				
Basic earnings per share of common stock --				
Earnings per share from continuing operations	**$0.84**	$0.80	**$1.63**	$1.46
Earnings per share from discontinued operations	**$0.00**	$0.00	**$0.00**	$0.21
Consolidated Basic Earnings Per Share	**$0.84**	$0.80	**$1.63**	$1.67
Diluted earnings per share of common stock --				
Earnings per share from continuing operations	**$0.83**	$0.79	**$1.62**	$1.45
Earnings per share from discontinued operations	**$0.00**	$0.00	**$0.00**	$0.21
Consolidated Diluted Earnings Per Share	**$0.83**	$0.79	**$1.62**	$1.66
Average number of basic shares of common stock outstanding (in thousands)	**710,647**	691,687	**705,946**	686,988
Average number of diluted shares of common stock outstanding (in thousands)	**716,464**	691,728	**711,346**	691,068
Cash dividends paid per share of common stock	**$0.3425**	$0.335	**$1.0125**	$1.005

The accompanying notes as they relate to SOUTHERN are an integral part of these statements.

THE SOUTHERN COMPANY AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	For the Nine Months Ended September 30,	
	2002	2001
	(in thousands)	
Operating Activities:		
Consolidated net income	**$1,151,091**	$1,146,496
Adjustments to reconcile consolidated net income to net cash provided from operating activities --		
Less income from discontinued operations	**-**	142,217
Depreciation and amortization	**841,459**	991,014
Deferred income taxes and investment tax credits	**55,029**	5,248
Equity in losses of subsidiaries	**66,904**	37,227
Other, net	**(72,689)**	(253,463)
Changes in certain current assets and liabilities --		
Receivables, net	**(147,652)**	(108,192)
Fossil fuel stock	**74,472**	(132,012)
Materials and supplies	**10,883**	(24,749)
Accounts payable	**15,165**	(177,191)
Taxes accrued	**330,159**	490,187
Other	**(69,662)**	(22,560)
Net cash provided from operating activities of continuing operations	**2,255,159**	1,809,788
Investing Activities:		
Gross property additions	**(1,996,548)**	(2,016,408)
Southern Company Gas acquisition	**(58,572)**	-
Construction payables, net	**(95,075)**	(20,482)
Other	**(108,162)**	(42,698)
Net cash used for investing activities of continuing operations	**(2,258,357)**	(2,079,588)
Financing Activities:		
Increase (decrease) in notes payable, net	**(683,347)**	199,728
Proceeds --		
Senior notes	**1,775,000**	1,167,000
Other long-term debt	**86,428**	302,689
Capital and preferred securities	**675,000**	-
Common stock	**350,169**	327,668
Redemptions --		
First mortgage bonds	**(352,946)**	(615,773)
Senior notes	**(382,110)**	(23,614)
Other long-term debt	**(106,799)**	(272,305)
Capital and preferred securities	**(649,250)**	-
Payment of common stock dividends	**(713,276)**	(689,123)
Other	**(56,661)**	(20,037)
Net cash (used for) provided from financing activities of continuing operations	**(57,792)**	376,233
Net Increase (Decrease) in Cash and Cash Equivalents	**(60,990)**	106,433
Cash and Cash Equivalents at Beginning of Period	**354,015**	199,191
Cash and Cash Equivalents at End of Period	**$293,025**	$305,624
Supplemental Cash Flow Information From Continuing Operations:		
Cash paid during the period for --		
Interest (net of amount capitalized)	**$365,618**	$422,158
Income taxes (net of refunds)	**$403,997**	$251,645

The accompanying notes as they relate to SOUTHERN are an integral part of these statements.

THE SOUTHERN COMPANY AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

Assets	At September 30, 2002	At December 31, 2001
	(in thousands)	
Current Assets:		
Cash and cash equivalents	**$ 293,025**	$ 354,015
Receivables, less accumulated provisions for uncollectible accounts of $29,674 at September 30, 2002 and $24,383 at December 31, 2001	**1,442,262**	1,146,263
Under recovered retail fuel clause revenue	**166,847**	280,003
Fossil fuel stock, at average cost	**329,261**	394,457
Materials and supplies, at average cost	**539,334**	550,217
Other	**362,052**	231,425
Total current assets	**3,132,781**	2,956,380
Property, Plant, and Equipment:		
In service	**37,416,666**	35,813,369
Less accumulated depreciation	**15,454,527**	15,020,415
	21,962,139	20,792,954
Nuclear fuel, at amortized cost	**195,132**	201,548
Construction work in progress	**2,128,243**	2,089,259
Total property, plant, and equipment	**24,285,514**	23,083,761
Other Property and Investments:		
Nuclear decommissioning trusts, at fair value	**633,686**	681,688
Leveraged leases	**699,269**	655,308
Other	**217,673**	193,055
Total other property and investments	**1,550,628**	1,530,051
Deferred Charges and Other Assets:		
Deferred charges related to income taxes	**902,428**	924,139
Prepaid pension costs	**749,480**	641,099
Debt expense, being amortized	**104,625**	102,768
Premium on reacquired debt, being amortized	**292,686**	279,800
Other	**433,463**	379,401
Total deferred charges and other assets	**2,482,682**	2,327,207
Total Assets	**$31,451,605**	$29,897,399

The accompanying notes as they relate to SOUTHERN are an integral part of these statements.

THE SOUTHERN COMPANY AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

Liabilities and Stockholders' Equity	At September 30, 2002	At December 31, 2001
	(in thousands)	
Current Liabilities:		
Securities due within one year	**$ 992,230**	$ 428,671
Notes payable	**1,254,548**	1,902,312
Accounts payable	**728,432**	823,393
Customer deposits	**163,693**	152,579
Taxes accrued --		
Income taxes	**401,104**	159,764
Other	**281,131**	193,735
Interest accrued	**133,231**	117,959
Vacation pay accrued	**125,523**	124,608
Other	**481,876**	473,370
Total current liabilities	**4,561,768**	4,376,391
Long-term debt	**8,826,399**	8,296,878
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	**4,143,453**	4,097,403
Deferred credits related to income taxes	**467,987**	500,151
Accumulated deferred investment tax credits	**613,469**	634,020
Employee benefits provisions	**561,008**	532,515
Prepaid capacity revenues	**35,698**	40,730
Other	**920,403**	790,961
Total deferred credits and other liabilities	**6,742,018**	6,595,780
Company or subsidiary obligated mandatorily redeemable capital and preferred securities	**2,302,000**	2,276,250
Cumulative preferred stock of subsidiaries	**298,126**	368,126
Common Stockholders' Equity:		
Common stock, par value $5 per share --		
Authorized -- 1 billion shares		
Issued -- September 30, 2002: 712,708,147 shares;		
-- December 31, 2001: 700,622,308 shares	**3,563,541**	3,503,112
Paid-in capital	**255,600**	14,380
Treasury, at cost -- September 30, 2002: 137,821 shares;		
--December 31, 2001: 2,278,240 shares	**(2,485)**	(57,309)
Retained earnings	**4,947,935**	4,516,642
Accumulated other comprehensive income	**(43,297)**	7,149
Total common stockholders' equity	**8,721,294**	7,983,974
Total Liabilities and Stockholders' Equity	**$31,451,605**	$29,897,399

The accompanying notes as they relate to SOUTHERN are an integral part of these statements.

THE SOUTHERN COMPANY AND SUBSIDIARY COMPANIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2002	2001	**2002**	2001
	(in thousands)		*(in thousands)*	
Consolidated Net Income	**$ 595,413**	$ 554,378	**$ 1,151,091**	$ 1,146,496
Other comprehensive income - continuing operations:				
Change in fair value of marketable securities	**248**	74	**539**	276
Cumulative effect of accounting change for qualifying hedges, net of tax of $0, $0, $0, $181, respectively	**-**	-	**-**	286
Changes in fair value of qualifying hedges, net of tax of $(13,310), $(5,426), $(32,255), $(5,487), respectively	**(21,591)**	(9,680)	**(51,283)**	(9,653)
Less: Reclassification adjustment for amounts included in net income, net of tax of $166, $0, $190, $0, respectively	**260**	-	**298**	-
Total other comprehensive income - continuing operations	**$ (21,083)**	$ (9,606)	**$ (50,446)**	$ (9,091)
Other comprehensive income - discontinued operations:				
Cumulative effect of accounting change for qualifying hedges, net of tax of $(121,325)	**-**	-	**-**	(249,246)
Changes in fair value of qualifying hedges, net of tax of $(50,605)	**-**	-	**-**	(103,962)
Less: Reclassification adjustment for amounts included in net income, net of tax of $29,137	**-**	-	**-**	59,857
Foreign currency translation adjustments, net of tax of $0, $0, $0, $(10,319), respectively	**-**	-	**-**	(21,199)
Total other comprehensive income - discontinued operations	**$ -**	$ -	**$ -**	$ (314,550)
CONSOLIDATED COMPREHENSIVE INCOME	**$ 574,330**	$ 544,772	**$ 1,100,645**	$ 822,855

THE SOUTHERN COMPANY AND SUBSIDIARY COMPANIES

CONDENSED CONSOLIDATED STATEMENTS OF ACCUMULATED OTHER COMPREHENSIVE INCOME (UNAUDITED)

	At September 30, 2002	At December 31, 2001
	(in thousands)	
Balance at beginning of period - continuing operations	**$ 7,149**	$ 249
Change in current period - continuing operations	**(50,446)**	6,900
BALANCE AT END OF PERIOD - Continuing Operations	**(43,297)**	7,149
Balance at beginning of period - discontinued operations	**-**	(93,847)
Change in current period - discontinued operations	**-**	93,847
BALANCE AT END OF PERIOD - Discontinued Operations	**-**	-
TOTAL ACCUMULATED OTHER COMPREHENSIVE INCOME	**$ (43,297)**	$ 7,149

The accompanying notes as they relate to SOUTHERN are an integral part of these statements.

RESULTS OF OPERATIONS

SOUTHERN is focusing on three main businesses in the Southeast: its traditional business, represented by its five operating companies providing electric service in four states; a growing competitive generation business in the Super Southeast; and energy-related products and services for its retail customers.

Earnings

SOUTHERN's third quarter 2002 and year-to-date 2002 earnings from continuing operations were $595 million ($0.84 per share) and $1.15 billion ($1.63 per share), respectively, compared with $554 million ($0.80 per share) and $1.0 billion ($1.46 per share) in the third quarter 2001 and year-to-date 2001. The increases in earnings for the third quarter 2002 and year-to-date 2002 are due to several positive factors, including increased demand for electricity, continued customer growth, solid performance by the competitive generation business, lower interest rates and the overall impact of regulatory rate proceedings in Alabama, Florida and Mississippi, partially offset by the impact of higher operating expenses in the third quarter 2002 associated with new generation units that have come on line in the past year, start-up costs at Southern Gas during the third quarter 2002 and the impact on the energy services business from the manufacturing industry's downturn. Warmer weather in the third quarter 2002 as compared to unusually mild temperatures in 2001 caused the increased demand for energy. In July 2002, SOUTHERN raised its annual dividend by 3 cents to $1.37 per share, or $0.3425 per quarter.

Significant income statement items appropriate for discussion include the following:

	Increase (Decrease)			
	Third Quarter		Year-To-Date	
	(in thousands)	*%*	*(in thousands)*	*%*
Retail sales	$113,304	4.3	$ 108,153	1.6
Sales for resale	(38,529)	(10.1)	(59,415)	(6.4)
Other revenues	8,772	6.0	47,847	12.1
Fuel expense	93,824	12.5	92,174	4.6
Purchased power expense	(153,955)	(45.6)	(274,051)	(42.2)
Other operations expense	76,684	16.5	162,799	12.1
Depreciation and amortization	(16,858)	(6.0)	(104,005)	(12.0)
Equity in losses of subsidiaries	6,758	36.5	29,677	79.7
Other, net	(44,404)	(130.7)	(50,987)	(81.3)
Interest expense, net	(12,619)	(9.2)	(60,716)	(14.2)

Retail sales. Excluding fuel revenues, which generally do not affect net income, retail sales revenue was up by $135 million, or 7.4%, in the third quarter 2002 and $194 million, or 4.2%, year-to-date 2002 when compared to the corresponding periods in the prior year. Energy sales to residential, commercial and industrial customers for the third quarter 2002 increased by 9.1%, 3.5% and 3.0%, respectively, as compared to the

comparable reporting period in 2001. For year-to-date 2002 as compared to 2001, energy sales to residential, commercial and industrial customers increased by 6.8%, 2.7% and 0.9%, respectively. Warmer weather and customer growth significantly impacted energy sales to these customers in both the third quarter 2002 and year-to-date 2002 when compared to the same periods in the prior year. Although retail energy sales to industrial customers increased slightly in 2002 when compared to corresponding periods in 2001, overall sales to industrial customers remain depressed due to the continuing effect of sluggish economic conditions.

Sales for resale. The third quarter 2002 and year-to-date 2002 decreases are primarily attributed to reduced energy sales to these customers when compared to the same periods in 2001.

Other revenues. The third quarter 2002 increase in other revenues, when compared to the same period in 2001, is primarily attributed to revenues of $10.6 million from Southern Gas and $9.2 million in revenues from subscribers of SOUTHERN's wireless communications subsidiary. In the third quarter 2002, however, these increases were partially offset by decreases in revenues from other subsidiaries. Beginning August 1, 2002, Southern Gas' results of operations are included in SOUTHERN's consolidated financial statements. The year-to-date 2002 increase reflects increased revenues of $25.3 million from subscribers of SOUTHERN's wireless communications subsidiary and increased revenues from the operations of a subsidiary formed in April 2001 that provides services related to alternative fuel products.

Fuel expense. During the third quarter 2002 and year-to-date 2002, fuel expense increased when compared to the same periods in the prior year due to a number of factors. These factors include three new combined-cycle generating plants (Plant Franklin Unit 1 and Plant Wansley Units 6 and 7) placed into service in June 2002 by SOUTHERN POWER, another generating unit (Plant Smith Unit 3) placed into service in April 2002 by GULF and higher unit costs for natural gas.

Purchased power expense. Throughout the SOUTHERN system, an additional 2,279 megawatts of generation has been placed into commercial operation during 2002, which resulted in decreases for the third quarter 2002 and year-to-date 2002 in purchased power expense. Since energy expenses are usually offset by energy revenues through the operating companies' cost recovery mechanisms, these expenses do not have a significant impact on earnings.

Other operations expense. During the third quarter 2002 and year-to-date 2002, other operations expense increased primarily due to increased administrative and general expenses and, to a lesser extent, increased fossil steam production.

Depreciation and amortization. The overall decrease is primarily a result of GEORGIA's discontinuing accelerated depreciation and beginning amortization of the regulatory liability for accelerated cost recovery in January 2002 in accordance with its new retail rate order. For the third quarter 2002 and year-to-date 2002, the decrease in depreciation and amortization related to GEORGIA amounted to $38.2 million and $145.1 million, respectively. Reference is made to Note (H) in the "Notes to the Condensed Financial Statements" herein. These decreases were partially offset by the initiation of depreciation on property placed in service during the year, including the four generating units referred to previously.

Equity in losses of subsidiaries. The third quarter 2002 and year-to-date 2002 increases when compared to the same periods in 2001 are primarily attributed to SOUTHERN's investments in partnerships producing alternative fuel products. SOUTHERN formed a new subsidiary in April 2001 to hold its investment in a partnership producing alternative fuel products.

Other, net. For the third quarter 2002 and year-to-date 2002, the decrease in this item is attributed to mark to market adjustments for derivative energy contracts as required by FASB Statement No. 133, higher non-utility expenses in the current period and gains on property sales recorded in the same periods in 2001. Further contributing to these decreases in 2002 are expenses related to a new electricity pricing program. See "Exposure to Market Risks" herein for additional information on derivative energy contracts.

Interest expense, net. For the third quarter 2002 and year-to-date 2002, interest expense, net decreased primarily due to a reduction in interest rates compared to the same periods in 2001. SOUTHERN and its subsidiaries engage in new external financing for refunding purposes and to finance ongoing construction programs.

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. The two major factors are the ability of the operating companies to achieve energy sales growth while containing costs in a more competitive environment and the profitability of the new competitive market-based wholesale generating facilities being added. For additional information relating to the other businesses, see Item 1 - BUSINESS - "Southern Power" and "Other Business" 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.

Also, reference is made to Note (B) in the "Notes to the Condensed Financial Statements" herein for information relating to the spin off of Mirant from SOUTHERN, including Mirant's recent Form 10-Q filings describing, among other things, certain accounting errors identified for the period January 1, 1999 through June 30, 2002. Mirant announced that it has requested its independent auditors to reaudit Mirant's 2000 and 2001 financial statements to address the accounting errors identified during its review and to comply with certain new accounting standards. If Mirant's reaudit results in adjustments that relate to periods prior to the spin off, SOUTHERN's earnings from discontinued operations and net assets of discontinued operations could be affected. Because any such adjustments would only relate to operations discontinued by SOUTHERN, they would have no effect on SOUTHERN's 2002 earnings or its future earnings potential, financial position, liquidity or cash flows. Based on the nature and amount of Mirant's identified accounting errors, SOUTHERN's management does not currently anticipate that a reaudit of SOUTHERN's 2000 and 2001 financial statements will be necessary.

SOUTHERN's business activities are subject to extensive governmental regulation related to public health and the environment. Litigation over environmental issues and claims of various types, including property damage, personal injury and citizen enforcement of environmental requirements, has increased generally throughout the United States; in particular, personal injury claims for damages caused by alleged exposure to

hazardous materials have become more frequent. Although the ultimate outcome of such litigation currently filed against SOUTHERN and its subsidiaries cannot be predicted at this time, management does not anticipate that the liabilities, if any, arising from such proceedings would have a material adverse effect on SOUTHERN's financial position, results of operations or cash flows.

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, including the EPA litigation, see Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS - "Environmental Matters" and Note 3 to the financial statements of SOUTHERN in the Form 10-K. On November 4, 2002, the U.S. District Court in Alabama extended the stay of the EPA litigation proceeding in Alabama until the earlier of February 4, 2003 or a ruling by the U.S. Court of Appeals for the Eleventh Circuit in the related litigation involving TVA.

On April 25, 2002, the Stakeholder Advisory Committee met and selected the candidates that will be considered for the SeTrans ISA. On June 27, 2002, SOUTHERN and other SeTrans sponsors submitted a Petition for Declaratory Order seeking the FERC's approval of the SeTrans governance structure and the selection process for the ISA, as well as guidance on various issues. The FERC granted the petition on October 10, 2002, approving the governance structure and the selection process for the ISA. The FERC also provided guidance on other issues identified in the petition. On November 1, 2002, the SeTrans sponsors announced that they had selected the team of ESB International, Ltd. ("ESBI") and Accenture LLP as the preferred candidate for the ISA. Should negotiations with this candidate successfully conclude with final agreement among the parties, the sponsors intend to seek any regulatory or other approvals necessary for formation of the SeTrans RTO and the approval of ESBI/Accenture to serve in the capacity of SeTrans ISA. Reference is made to Item 1 - BUSINESS - "Certain Factors Affecting the Industry" and Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS - "Industry Restructuring" for each of the registrants in the Form 10-K for additional information.

In June 2002, SOUTHERN formed a wholly-owned subsidiary, Southern Gas. Southern Gas operates as a retail gas marketer in the State of Georgia. On July 19, 2002, Southern Gas completed its acquisition out of bankruptcy from The New Power Company ("New Power") of approximately 210,000 retail natural gas customers located in the State of Georgia, representing a 15% market share. Southern Gas also purchased from New Power proprietary risk management software and hardware systems, natural gas inventory and accounts receivable. The total purchase price was approximately $60 million. Beginning August 1, 2002, Southern Gas' results of operations are included in SOUTHERN's consolidated financial statements.

On July 31, 2002, the FERC issued a notice of proposed rulemaking entitled "Remedying Undue Discrimination Through Open Access Transmission Service and Standard Electricity Market Design." The FERC has indicated that the proposal, if adopted, would (among other things): (i) require transmission assets of jurisdictional utilities to be operated by an independent entity; (ii) establish a standard market design; (iii) establish a single type of transmission service that applies to all customers; (iv) assert jurisdiction over the transmission component of bundled retail service; (v) establish a generation reserve margin; (vi) establish bid caps for day-ahead and spot energy markets; and (vii) revise the FERC policy on the pricing of transmission expansions. The FERC has revised the comment schedule such that comments on certain issues are due on November 15, 2002 and comments on other issues are due on January 10, 2003. Reply comments are due on February 17, 2003. Any impact of this proposal on SOUTHERN and its subsidiaries will depend on the form in which final rules may be ultimately adopted.

Reference is made to Note 5 to SOUTHERN's financial statements in the Form 10-K, regarding Long-Term Power Sales Agreements. MISSISSIPPI and SOUTHERN POWER have capacity sale contracts with subsidiaries of Dynegy Inc. ("Dynegy"). Dynegy is currently experiencing liquidity problems and has had its credit rating reduced below investment grade. Minimum capacity revenues under these contracts average approximately $13 million annually through May 2005 for SOUTHERN POWER and $21 million annually for MISSISSIPPI through May 2011. Dynegy has provided letters of credit expiring in February 2003 totaling $20 million (approximately 18 months of capacity payments) to SOUTHERN POWER and $26 million (approximately 15 months of capacity payments) to MISSISSIPPI. In addition, two one-year letters of credit totaling $50 million (approximately 14 months of capacity payments) were provided in April 2002 as security for obligations of affiliates of Dynegy under the Plant Franklin Unit 3 PPA beginning in 2005. These letters of credit can be drawn in the event of (a) a default under the PPA or (b) failure to renew the letters of credit prior to expiration. In the event of such a default, and if MISSISSIPPI and SOUTHERN POWER were unable to resell that capacity in the market, future earnings could be affected. The outcome cannot now be determined.

Reference is made to 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. Reference is also made to Note (E) in the "Notes to the Condensed Financial Statements" herein for information relating to a subpoena received by SOUTHERN from the U.S. District Court for the Northern District of California and to certain lawsuits regarding the installation of fiber optic cable over existing easements of certain SOUTHERN subsidiaries.

Accounting Policies

Critical Policies

SOUTHERN's significant accounting policies are described in Note 1 to the financial statements of SOUTHERN in Item 8 of the Form 10-K. SOUTHERN's only critical accounting policy involves rate regulation. 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 that are not specifically recoverable and determine if any other assets, including plant, have been impaired.

New Accounting Standards

In June 2001, the FASB issued Statement No. 143, "Asset Retirement Obligations," which establishes new accounting and reporting standards for legal obligations associated with retiring assets, including decommissioning nuclear plants. The liability for an asset's future retirement must be recorded in the period in which the liability is incurred. The cost must be capitalized as part of the related long-lived asset and depreciated over the asset's useful life. Changes in the liability resulting from the passage of time will be recognized as operating expenses. Statement No. 143 must be adopted by January 1, 2003. SOUTHERN is currently assessing the impact of adopting Statement No. 143 on its financial statements. Reference is made to Note 1 to the financial statements of SOUTHERN under "Depreciation and Nuclear Decommissioning" in Item 8 of the Form 10-K.

In July 2002, the FASB issued Statement No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." Statement No. 146 requires that a liability for costs associated with an exit or disposal activity be recognized and measured initially at fair value when the liability is incurred. Disposal activities which are addressed in Statement No. 146 include the termination benefits provided to current employees that are involuntarily terminated, costs to terminate a contract that is not a capital lease and costs to consolidate facilities or relocate employees. Statement No. 146 is effective for exit or disposal activities that are initiated after December 31, 2002. SOUTHERN does not expect that adoption of Statement No. 146 will have a material impact on its financial statements.

Reference is made to Note 1 to the financial statements of SOUTHERN in Item 8 of the Form 10-K regarding SOUTHERN's adoption of FASB Statement No.133, "Accounting for Derivative Instruments and Hedging Activities," as amended. Recent accounting changes have been issued by the Emerging Issues Task Force ("EITF") of the FASB. These changes will require certain energy trading contracts that are currently marked to market to be accounted for under the accrual basis. These changes will also require certain trading activities to be recorded on a net basis for income statement presentation. The new rules will be effective January 1, 2003. SOUTHERN is in the process of determining the impact of this recently issued guidance. However, in many cases, SOUTHERN's current transactions meet the normal purchases and sale exception under FASB Statement No. 133 and are already accounted for under the accrual basis.

FINANCIAL CONDITION

Overview

Major changes in SOUTHERN's financial condition during the first nine months of 2002 included $2.0 billion used for gross property additions to utility plant. The funds for these additions and other capital requirements were primarily obtained from issuances of senior notes. See SOUTHERN's Condensed Consolidated Statements of Cash Flows for further details.

Off-Balance Sheet Financing Arrangements

In May 2001, MISSISSIPPI began the initial 10-year term of an operating lease agreement signed in 1999 with Escatawpa Funding, Limited Partnership ("Escatawpa"), a special purpose entity, to use a combined-cycle generating facility located at MISSISSIPPI's Plant Daniel. The facility cost approximately $370 million. The lease provides for a residual value guarantee -- approximately 71% of the completion cost -- by MISSISSIPPI that is due upon termination of the lease in certain circumstances. Reference is made to Note 9 to the financial statements in Item 8 of SOUTHERN in the Form 10-K and Note 4 to the financial statements in Item 8 of MISSISSIPPI in the Form 10-K for additional information. In June 2002, the FASB issued an exposure draft for comment on a proposed interpretation on "Consolidation of Certain Special-Purpose Entities," an interpretation of Accounting Research Bulletin No. 51. It is expected that the exposure draft would be finalized by year end, with an effective date for existing transactions subject to the interpretation, including MISSISSIPPI's lease transaction, to be implemented on April 1, 2003. This interpretation is in draft form; the final pronouncement may differ from the draft. However, in its current draft form, MISSISSIPPI would be deemed to be the "primary beneficiary" of its lease arrangement with Escatawpa and would be required to consolidate the leased asset and related debt on its books or to restructure the existing arrangement to comply with the final rules. Until final rules are approved by the FASB, MISSISSIPPI will continue to analyze the

impact of the exposure draft. MISSISSIPPI's current operating lease arrangement with Escatawpa has been reviewed and approved by the Mississippi PSC and is reflected and approved for recovery in both its retail and wholesale rate jurisdictions. Consolidation of the leased asset and related debt could require MISSISSIPPI to seek additional regulatory review.

In 2001, SOUTHERN POWER entered into a financial arrangement with Westdeutsche Landesbank Girozentrale ("WestLB") whereby SOUTHERN POWER could assign up to $125 million in vendor contracts for equipment to WestLB. For accounting purposes, WestLB was the owner of the contracts. SOUTHERN POWER acted as an agent for WestLB and instructed WestLB when to make payments to the vendors. SOUTHERN POWER terminated this arrangement and reacquired these assets in March 2002 for their original cost of $61 million.

Credit Rating Risk

SOUTHERN and its subsidiaries do not have any credit agreements that would require material changes in payment schedules or terminations as a result of a credit rating downgrade. There are certain contracts that could require collateral -- but not accelerated payment -- in the event of a credit rating change to below investment grade. These contracts are primarily for physical electricity sales, fixed-price physical gas purchases and agreements covering interest rate swaps and currency swaps. At September 30, 2002, the maximum potential collateral requirements under the electricity sale contracts and financial instrument agreements were approximately $422 million. Generally, collateral may be provided for by a SOUTHERN guaranty, letter of credit or cash. At September 30, 2002, there were no material collateral requirements for the gas purchase contracts.

Exposure to Market Risks

SOUTHERN's market risk exposures relative to interest rate changes have not changed materially compared with the December 31, 2001 reporting period. In addition, SOUTHERN is not aware of any facts or circumstances that would significantly affect such exposures in the near term.

Due to cost-based rate regulations, the operating companies have limited exposure to market volatility in interest rates, commodity fuel prices and prices of electricity. To mitigate residual risks relative to movements in electricity prices, the operating companies and SOUTHERN POWER enter into fixed price contracts for the purchase and sale of electricity through the wholesale electricity market and, to a lesser extent, similar contracts for gas purchases. Also, the operating companies, with the exception of GEORGIA, have implemented fuel-hedging programs at the instruction of their respective PSCs. The fair value of derivative energy contracts at September 30, 2002 is as follows:

	Third Quarter 2002 Changes	Year-to-Date Changes
	Fair Value	
	(in millions)	
Contracts beginning of period	$29.2	$ 1.3
Contracts realized or settled	(5.5)	(15.0)
New contracts at inception	-	-
Changes in valuation techniques	-	-
Current period changes	17.3	54.7
Contracts at September 30, 2002	$41.0	$41.0

	Source of September 30, 2002 Valuation Prices		
	Total	Maturity	
	Fair Value	Year 1	1-3 Years
		(in millions)	
Actively quoted	$41.0	$38.2	$2.8
External sources	-	-	-
Models and other methods	-	-	-
Contracts at September 30, 2002	$41.0	$38.2	$2.8

Unrealized gains and losses from mark to market adjustments on contracts related to the PSC-approved fuel hedging programs are recorded as regulatory assets and liabilities. Realized gains and losses from these programs are included in fuel expense and are recovered through the operating companies' fuel cost recovery clauses. In addition, unrealized gains and losses on electric and gas contracts used to hedge anticipated purchases and sales are deferred in Other Comprehensive Income. Gains and losses on contracts that do not represent hedges are recognized in the Statements of Income as incurred.

At September 30, 2002, the fair value of derivative energy contracts totals $41.0 million which consists of $30.3 million in regulatory liabilities, $8.1 million deferred in Other Comprehensive Income and $2.6 million recognized in income. The $30.3 million in regulatory liabilities relates to unrealized gains on mark to market derivative contracts associated with the fuel hedging programs of the operating companies with the exception of GEORGIA. The $8.1 million deferred in Other Comprehensive Income relates to cash flow hedges for gas and power contracts for SOUTHERN POWER and Southern Gas. The $2.6 million recognized in income relates to gas and power contracts for the operating companies, SOUTHERN POWER and Southern Gas. For the quarters ended September 30, 2002 and 2001, approximately $2.2 million and $20.0 million, respectively, of gains were recognized in income. For the nine months ended September 30, 2002 and 2001, approximately $(3.9) million and $15.8 million, respectively, of gains (losses) were recognized in income. SOUTHERN is exposed to market price risk in the event of nonperformance by the parties to the derivative energy contracts. SOUTHERN's policy is to enter into agreements with counterparties that have investment grade credit ratings by Moody's and S&P; therefore SOUTHERN does not anticipate nonperformance by the counterparties. For additional information, reference is made to Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS - "Market Price Risk" of SOUTHERN in the Form 10-K, Note 1 to the financial statements of SOUTHERN in Item 8 of the Form 10-K and Note (N) in the "Notes to the Condensed Financial Statements" herein.

Financing Activities

In January 2002, GULF issued $45 million of Series E 6.00% Senior Notes due January 30, 2012. The proceeds from the sale were used by GULF to finance certain construction costs incurred in connection with Plant Smith Unit 3 and for general corporate purposes.

Also, in January 2002, Southern Company Capital Funding, Inc. issued $400 million of Series A 5.30% Senior Notes due February 1, 2007 and $25 million of Series B Floating Rate Senior Notes due February 1, 2004, which are guaranteed by SOUTHERN. The proceeds from these sales were loaned to SOUTHERN and applied by SOUTHERN to repay a portion of its outstanding short-term indebtedness. In connection with the $400 million issuance, SOUTHERN entered into an interest rate swap to exchange 5.30% fixed for a floating 6-month LIBOR less 0.103%. Reference is made to Note (N) in the "Notes to the Condensed Financial Statements" herein for additional information relating to derivative instruments.

In March 2002, MISSISSIPPI issued $80 million of Series D Floating Rate Senior Notes due March 12, 2004. The proceeds of the sale were used to repay $80 million of Series C Floating Rate Senior Notes due March 28, 2002. Also in March 2002, Mississippi Power Capital Trust II, a statutory business trust, sold $35 million of its 7.20% Trust Originated Preferred Securities, which are guaranteed by MISSISSIPPI, for the purpose of redeeming in May 2002 $35 million of Mississippi Power Capital Trust I 7.75% Trust Originated Preferred Securities.

In June 2002, ALABAMA issued $350 million of Series P Floating Rate Senior Notes due December 29, 2003. The proceeds from the sale were used to redeem, in July 2002, $345.5 million aggregate principal amount of its First Mortgage Bonds, 7.75% Series due February 1, 2023, 7.45% Series due July 1, 2023 and 7.30% Series due November 1, 2023. In connection with the issuance, ALABAMA entered into interest rate swap agreements to fix the floating rate at 3.015%. Reference is made to Note (N) in the "Notes to the Condensed Financial Statements" herein for additional information relating to derivative instruments.

In June 2002, Georgia Power Capital Trust V, a statutory business trust, sold $440 million of its 7 1/8% Trust Preferred Securities, which are guaranteed by GEORGIA. The net proceeds from this issuance were used to redeem Georgia Power Capital Trust I and III preferred securities totaling $414 million and repay a portion of GEORGIA's outstanding short-term indebtedness.

In June 2002, SOUTHERN POWER issued $575 million of 6.25% Senior Notes, Series A due July 15, 2012. The net proceeds were used to reduce outstanding indebtedness under a revolving credit agreement and to reduce loans from SOUTHERN. SOUTHERN POWER also settled several interest rate swap agreements entered into in anticipation of this issuance at a $16.9 million loss. This amount has been deferred in Other Comprehensive Income and will be amortized to Interest Expense over the life of the Senior Notes. Reference is made to Note (N) in the "Notes to the Condensed Financial Statements" herein for additional information relating to derivative instruments.

Also in June 2002, SOUTHERN entered into interest rate swaps related to its anticipated issuances of fixed rate commercial paper. The swaps fixed the yield at an average 3.1975%. The swaps relate to $400 million notional commercial paper issuances through June 2003 and $200 million notional commercial paper issuances through June 2004. Reference is made to Note (N) in the "Notes to the Condensed Financial Statements" herein for additional information relating to derivative instruments.

In July 2002, GEORGIA issued $300 million of Series J 4.875% Senior Notes due July 15, 2007. The net proceeds from this issuance were used to repay a portion of a $350 million bank loan.

Also in July 2002, Southern Company Capital Trust VI, a statutory business trust, sold $200 million of its 7.125% Trust Preferred Securities, which are guaranteed by SOUTHERN. The net proceeds were used to redeem in August 2002 $200 million aggregate liquidation amount of Southern Company Capital Trust III 7.75% Cumulative Quarterly Income Preferred Securities.

In September 2002, GULF sold through public authorities $13 million of solid waste disposal facilities revenue refunding bonds due September 1, 2028. The proceeds, together with other moneys of GULF, were used to redeem $13 million aggregate principal amount of solid waste disposal facilities revenue bonds, Series 1993.

Also in September 2002, GULF sold through public authorities $42 million of pollution control revenue bonds due September 1, 2037. The proceeds, together with any investment proceeds and other moneys of GULF, were used to redeem $42 million aggregate principal amount of pollution control revenue bonds, First Series 1994 and Second Series 1994.

Further, in September 2002, SAVANNAH entered into a three-year revolving credit agreement in the amount of $30 million. SAVANNAH immediately borrowed $25 million against this line, which will remain outstanding until the termination of the line on September 6, 2005. This long-term borrowing is priced at 6 months LIBOR + 37.5 basis points. The proceeds of the borrowing were used to pay off short-term indebtedness.

In October 2002, Alabama Power Capital Trust IV, a statutory trust, issued $100 million in Flexible Trust Preferred Securities (Five Year Initial Fixed Rate of 4.75%) and Alabama Power Capital Trust V, a statutory trust, issued $200 million in Flexible Trust Preferred Securities (Seven Year Initial Fixed Rate of 5.50%). Both of these issuances of flexible trust preferred securities are guaranteed by ALABAMA. The net proceeds were used to redeem $297 million in aggregate outstanding liquidation amount of Alabama Power Capital Trust I 7.375% Trust Preferred Securities and Alabama Power Capital Trust II 7.60% Trust Preferred Securities and for general corporate purposes.

Also, in October 2002, ALABAMA issued $225 million of Series Q 5.50% Senior Notes due October 15, 2017. The proceeds from the sale will be used to redeem, in November 2002, $217.9 million in aggregate principal amount of its Series D 6.50% Senior Insured Quarterly Notes due September 30, 2018 and for general corporate purposes.

Additionally, in October 2002, ALABAMA announced the planned redemptions of (i) 500 shares of Auction Rate Preferred Stock (1988 Series) to be redeemed on November 13, 2002 at a price of $100,000 per unit, plus accrued and unpaid dividends to the redemption date; (ii) 200 shares of Auction Rate Preferred Stock (1993 Series) redeemed on November 6, 2002 at a price of $100,000 per share, plus accrued and unpaid dividends to the redemption date; and (iii) 1,000 shares of Capital Auction Preferred Securities of Alabama Power Capital Trust III to be redeemed on November 29, 2002 at the redemption price of $50,000 per preferred security, plus accrued and unpaid distributions to the date of redemption.

Further, in October 2002, MISSISSIPPI sold through public authorities an aggregate principal amount of $42.625 million of Mississippi Business Finance Corporation Pollution Control Revenue Refunding Bonds, Series 2002. The proceeds of this sale will be used to redeem (i) $16.75 million aggregate principal amount of Harrison County, Mississippi Pollution Control Revenue Refunding Bonds, Series 1992; (ii) $18 million aggregate principal amount of Jackson County, Mississippi Pollution Control Revenue Refunding Bonds, Series 1993; and (iii) $7.875 million aggregate principal amount of Mississippi Business Finance Corporation Water Pollution Control Revenue Refunding Bonds, Series 1993.

In November 2002, Georgia Power Capital Trust VI, a statutory trust, sold $300 million of its Flexible Trust Preferred Securities, which are guaranteed by GEORGIA. The initial interest rate in effect through November 1, 2007 is 4.875%. The net proceeds from this issuance will be used to repay a portion of GEORGIA's short-term indebtedness and to redeem in December 2002 $175 million of 7.60% Trust Preferred Securities issued by Georgia Power Capital Trust II.

On November 7, 2002, SAVANNAH issued $55 million of Series D 5.50% Senior Insured Quarterly Notes due November 15, 2017. The proceeds will be used to redeem in December 2002 $23.1 million outstanding aggregate principal amount of its First Mortgage Bonds, 7.40% Series due July 1, 2023 and $30 million outstanding aggregate principal amount of its Series A 6 5/8% Senior Retail Intermediate Bonds due March 17, 2015 and for general corporate purposes.

The market price of SOUTHERN's common stock at September 30, 2002 was $28.78 per share and the book value was $12.24 per share, representing a market-to-book ratio of 235%, compared to $25.35, $11.43 and 222%, respectively, at the end of 2001. The dividend for the third quarter 2002 was $0.3425 per share.

Capital Requirements

Reference is made to Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS - "Capital Requirements for Construction," "Other Capital Requirements" and "Environmental Matters" of SOUTHERN in the Form 10-K for a description of the SOUTHERN system's capital requirements for its construction program, sinking fund requirements, maturing debt and environmental compliance efforts. Approximately $992 million will be required by September 30, 2003 for redemptions and maturities of long-term debt. Also, SOUTHERN and its subsidiaries plan to continue, to the extent possible, a program to retire higher-cost debt 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 over the next several years. The amounts and timing of additional equity capital to be raised will be contingent on SOUTHERN's investment opportunities. The operating companies and SOUTHERN POWER plan to

obtain the funds required for construction and other purposes from sources similar to those used in the past, which were primarily from internal sources and by the issuances of new debt and preferred equity securities, term loans and short-term borrowings. However, the amount, type and timing of any financings -- if needed -- will depend upon market conditions and regulatory approval. 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, 2002 approximately $293 million of cash and cash equivalents and approximately $4.7 billion of unused credit arrangements with banks, of which $228 million expire in 2002 and $3.5 billion expire in 2003 and $978 million expire in 2004 and beyond. Of the facilities maturing in 2002 and 2003, $2.8 billion contain provisions allowing two-year term loans executable at the expiration date. These unused credit arrangements also provide liquidity support to variable rate pollution control bonds and commercial paper programs. The operating companies may also meet short-term cash needs through a SOUTHERN subsidiary organized to issue and sell commercial paper and extendible commercial notes at the request and for the benefit of each of the operating companies. At September 30, 2002, the SOUTHERN system had extendible commercial notes outstanding of $70 million, short-term notes payable outstanding of $37 million and commercial paper outstanding of $1.1 billion. Management believes that the need for working capital can be adequately met by utilizing lines of credit without maintaining large cash balances.

PART I

Item 3. Quantitative And Qualitative Disclosures About Market Risk.

Reference is made herein to MANAGEMENT'S DISCUSSION AND ANALYSIS - "Market Price Risk" for each registrant and Note 1 to the financial statements of each registrant in Item 8 of the Form 10-K. Reference is also made to Note (N) in the "Notes to the Condensed Financial Statements" herein for information relating to derivative instruments.

Item 4. Controls and Procedures.

(a) Evaluation of disclosure controls and procedures.

Within 90 days of the filing date of this quarterly report, SOUTHERN, the operating companies and SOUTHERN POWER conducted separate evaluations under the supervision and with the participation of each company's management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of the disclosure controls and procedures (as defined in Sections 13a-14(c) and 15d-14(c) of the Securities Exchange Act of 1934). Based upon those evaluations, the Chief Executive Officer and the Chief Financial Officer, in each case, concluded that the disclosure controls and procedures are effective in alerting them in a timely manner to material information relating to each company (including its consolidated subsidiaries) required to be included in periodic filings with the SEC.

(b) Changes in internal controls.

None.

ALABAMA POWER COMPANY

ALABAMA POWER COMPANY
CONDENSED STATEMENTS OF INCOME (UNAUDITED)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2002	2001	**2002**	2001
	(in thousands)		*(in thousands)*	
Operating Revenues:				
Retail sales	**$ 924,944**	$ 814,392	**$ 2,293,015**	$2,161,671
Sales for resale --				
Non-affiliates	**143,968**	150,701	**358,131**	383,647
Affiliates	**25,547**	69,196	**122,721**	189,319
Other revenues	**24,677**	26,428	**71,861**	79,949
Total operating revenues	**1,119,136**	1,060,717	**2,845,728**	2,814,586
Operating Expenses:				
Operation --				
Fuel	**274,181**	285,945	**718,014**	778,708
Purchased power --				
Non-affiliates	**40,319**	51,862	**76,503**	127,862
Affiliates	**44,865**	31,340	**119,508**	118,349
Other	**148,679**	123,202	**410,251**	378,204
Maintenance	**62,843**	57,898	**217,358**	222,467
Depreciation and amortization	**100,404**	93,862	**297,613**	286,466
Taxes other than income taxes	**55,184**	54,789	**166,787**	166,470
Total operating expenses	**726,475**	698,898	**2,006,034**	2,078,526
Operating Income	**392,661**	361,819	**839,694**	736,060
Other Income (Expense):				
Interest income	**3,546**	4,448	**9,898**	11,404
Equity in earnings of subsidiaries	**958**	1,002	**2,773**	3,001
Other, net	**(6,056)**	1,881	**(18,021)**	(1,392)
Earnings Before Interest and Income Taxes	**391,109**	369,150	**834,344**	749,073
Interest and Other:				
Interest expense, net	**54,835**	65,139	**169,052**	186,608
Distributions on preferred securities of subsidiary	**6,011**	6,130	**18,025**	18,700
Total interest and other, net	**60,846**	71,269	**187,077**	205,308
Earnings Before Income Taxes	**330,263**	297,881	**647,267**	543,765
Income taxes	**125,908**	114,562	**247,332**	207,477
Net Income Before Cumulative Effect of Accounting Change	**204,355**	183,319	**399,935**	336,288
Cumulative effect of accounting change -- less income taxes of $215 thousand	**-**	-	**-**	353
Net Income	**204,355**	183,319	**399,935**	336,641
Dividends on Preferred Stock	**3,688**	3,824	**11,015**	11,766
Net Income After Dividends on Preferred Stock	**$ 200,667**	$ 179,495	**$ 388,920**	$ 324,875

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)

	For the Nine Months Ended September 30,	
	2002	2001
	(in thousands)	
Operating Activities:		
Net income	**$ 399,935**	$336,641
Adjustments to reconcile net income		
to net cash provided from operating activities --		
Depreciation and amortization	**349,342**	325,019
Deferred income taxes and investment tax credits, net	**(1,809)**	35,103
Other, net	**(9,591)**	(48,112)
Changes in certain current assets and liabilities --		
Receivables, net	**(100,580)**	(42,028)
Fossil fuel stock	**21,668**	(25,362)
Materials and supplies	**5,834**	(2,402)
Accounts payable	**(69,742)**	(157,010)
Energy cost recovery, retail	**73,727**	102,035
Other	**75,255**	149,563
Net cash provided from operating activities	**744,039**	673,447
Investing Activities:		
Gross property additions	**(475,451)**	(564,098)
Sales of property	**-**	102,068
Other	**(4,448)**	(9,470)
Net cash used for investing activities	**(479,899)**	(471,500)
Financing Activities:		
Increase (decrease) in notes payable, net	**56,975**	(190,032)
Proceeds --		
Pollution control bonds	**-**	20,000
Senior notes	**350,000**	442,000
Common stock	**-**	15,642
Capital contributions from parent company	**5,355**	88,443
Redemptions --		
First mortgage bonds	**(350,000)**	(138,991)
Senior notes	**(1,349)**	(2,219)
Other long-term debt	**(659)**	(636)
Payment of preferred stock dividends	**(10,820)**	(11,241)
Payment of common stock dividends	**(323,250)**	(296,400)
Other	**(4,980)**	(9,557)
Net cash used for financing activities	**(278,728)**	(82,991)
Net Increase (Decrease) in Cash and Cash Equivalents	**(14,588)**	118,956
Cash and Cash Equivalents at Beginning of Period	**35,756**	14,247
Cash and Cash Equivalents at End of Period	**$ 21,168**	$133,203
Supplemental Cash Flow Information:		
Cash paid during the period for --		
Interest (net of amount capitalized)	**$136,089**	$152,616
Income taxes (net of refunds)	**$175,483**	$73,874

The accompanying notes as they relate to ALABAMA are an integral part of these condensed statements.

ALABAMA POWER COMPANY
CONDENSED BALANCE SHEETS (UNAUDITED)

Assets	At September 30, 2002	At December 31, 2001
	(in thousands)	
Current Assets:		
Cash and cash equivalents	**$ 21,168**	$ 35,756
Receivables --		
Customer accounts receivable	**409,436**	281,985
Under recovered retail fuel clause revenue	**9,770**	83,497
Other accounts and notes receivable	**52,677**	49,940
Affiliated companies	**43,540**	72,639
Accumulated provision for uncollectible accounts	**(6,225)**	(5,237)
Fossil fuel stock, at average cost	**77,610**	99,278
Materials and supplies, at average cost	**185,490**	191,324
Other	**112,013**	74,640
Total current assets	**905,479**	883,822
Property, Plant, and Equipment:		
In service	**13,447,685**	13,159,560
Less accumulated provision for depreciation	**5,496,393**	5,309,557
	7,951,292	7,850,003
Nuclear fuel, at amortized cost	**86,759**	88,777
Construction work in progress	**424,509**	357,906
Total property, plant, and equipment	**8,462,560**	8,296,686
Other Property and Investments:		
Equity investments in subsidiaries	**45,441**	44,483
Nuclear decommissioning trusts	**300,206**	317,508
Other	**17,572**	12,503
Total other property and investments	**363,219**	374,494
Deferred Charges and Other Assets:		
Deferred charges related to income taxes	**328,141**	334,830
Prepaid pension costs	**374,709**	329,259
Debt expense, being amortized	**7,249**	8,150
Premium on reacquired debt, being amortized	**87,961**	77,173
Department of Energy assessments	**21,015**	21,015
Other	**105,466**	108,031
Total deferred charges and other assets	**924,541**	878,458
Total Assets	**$ 10,655,799**	$ 10,433,460

The accompanying notes as they relate to ALABAMA are an integral part of these condensed statements.

ALABAMA POWER COMPANY
CONDENSED BALANCE SHEETS (UNAUDITED)

Liabilities and Stockholder's Equity	At September 30, 2002	At December 31, 2001
	(in thousands)	
Current Liabilities:		
Securities due within one year	$ **487,933**	$ 5,382
Notes payable	**66,971**	9,996
Accounts payable --		
Affiliated	**96,301**	98,268
Other	**84,589**	151,705
Customer deposits	**43,562**	42,124
Taxes accrued --		
Income taxes	**180,148**	113,003
Other	**75,969**	19,023
Interest accrued	**35,218**	35,522
Vacation pay accrued	**32,324**	32,324
Other	**78,518**	93,589
Total current liabilities	**1,181,533**	600,936
Long-term debt	**3,333,993**	3,742,346
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	**1,397,556**	1,387,661
Deferred credits related to income taxes	**189,952**	202,881
Accumulated deferred investment tax credits	**230,010**	238,225
Employee benefits provisions	**130,350**	115,078
Prepaid capacity revenues	**35,698**	40,730
Other	**183,568**	130,214
Total deferred credits and other liabilities	**2,167,134**	2,114,789
Company obligated mandatorily redeemable preferred securities of subsidiary trusts holding company junior subordinated notes	**347,000**	347,000
Cumulative preferred stock	**247,512**	317,512
Common stockholder's equity:		
Common stock, par value $40 per share --		
Authorized - 6,000,000 shares		
Outstanding - 6,000,000 shares		
Par value	**240,000**	240,000
Paid-in capital	**1,856,032**	1,850,676
Premium on preferred stock	**99**	99
Retained earnings	**1,285,684**	1,220,102
Accumulated other comprehensive income	**(3,188)**	-
Total common stockholder's equity	**3,378,627**	3,310,877
Total Liabilities and Stockholder's Equity	$ **10,655,799**	$ 10,433,460

The accompanying notes as they relate to ALABAMA are an integral part of these condensed statements.

ALABAMA POWER COMPANY

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2002	2001	**2002**	2001
	(in thousands)		*(in thousands)*	
Net Income After Dividends on Preferred Stock	**$ 200,667**	$ 179,495	**$ 388,920**	$ 324,875
Other comprehensive income:				
Changes in fair value of qualifying hedges, net of tax of $(1,626), $0, $(1,938), $0, respectively	**(2,674)**	-	**(3,188)**	-
COMPREHENSIVE INCOME	**$ 197,993**	$ 179,495	**$ 385,732**	$ 324,875

ALABAMA POWER COMPANY

CONDENSED STATEMENTS OF ACCUMULATED OTHER COMPREHENSIVE INCOME (UNAUDITED)

	At September 30, 2002	At December 31, 2001
	(in thousands)	
Balance at beginning of period	**$ -**	$ -
Change in current period	**(3,188)**	-
BALANCE AT END OF PERIOD	**$ (3,188)**	$ -

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 2002 vs. THIRD QUARTER 2001
AND
YEAR-TO-DATE 2002 vs. YEAR-TO-DATE 2001

RESULTS OF OPERATIONS

Earnings

ALABAMA's net income after dividends on preferred stock for the third quarter 2002 and year-to-date 2002 was $200.7 million and $388.9 million, respectively, compared to $179.5 million and $324.9 million for the corresponding periods of 2001. The increase in earnings for both periods is primarily attributed to increased territorial sales and retail rates when compared to the corresponding periods in the prior year. More favorable weather conditions in the third quarter of 2002 and year-to-date 2002 as compared to the unusually mild weather experienced in the comparable periods in 2001 contributed to these increases in territorial sales. The increases in revenues were offset by increased non-fuel operating expenses in the third quarter of 2002 when compared to the third quarter of 2001.

Significant income statement items appropriate for discussion include the following:

	Increase (Decrease)			
	Third Quarter		Year-To-Date	
	(in thousands)	*%*	*(in thousands)*	*%*
Retail sales	$110,552	13.6	$131,344	6.1
Sales for resale - non-affiliates	(6,733)	(4.5)	(25,516)	(6.7)
Sales for resale - affiliates	(43,649)	(63.1)	(66,598)	(35.2)
Other revenues	(1,751)	(6.6)	(8,088)	(10.1)
Fuel expense	(11,764)	(4.1)	(60,694)	(7.8)
Purchased power - non-affiliates	(11,543)	(22.3)	(51,359)	(40.2)
Purchased power - affiliates	13,525	43.2	1,159	1.0
Other operation expense	25,477	20.7	32,047	8.5
Maintenance expense	4,945	8.5	(5,109)	(2.3)
Depreciation and amortization	6,542	7.0	11,147	3.9
Other, net	(7,937)	N/M	(16,629)	N/M
Interest expense, net	(10,304)	(15.8)	(17,556)	(9.4)

N/M – Not meaningful

Retail sales. Excluding energy cost recovery revenues, which generally do not affect net income, retail sales revenue was higher by $69.1 million, or 11%, for the third quarter 2002 and $144.9 million, or 9.1%, year-to-date 2002 when compared to the corresponding periods in 2001. Energy sales to residential and commercial customers increased by 9.8% and 6.1% and by 6.6% and 3.9%, respectively, for the third quarter 2002 and year-to-date 2002 as compared to the corresponding periods of 2001 primarily due to more favorable weather conditions in 2002. Although retail energy sales to industrial customers increased slightly in 2002 when compared to the previous reporting periods, overall sales to industrial customers remain depressed due to the continuing effect of sluggish economic conditions within Alabama.

Sales for resale - non-affiliates. For both reporting periods above, the demand for energy by non-affiliates was lower when compared to the same periods in 2001. These transactions did not have a significant impact on earnings since the energy is usually sold at variable cost.

Sales for resale - affiliates and Purchased power - affiliates. Revenues from sales for resale to affiliated companies within the SOUTHERN system, as well as purchases of energy, will vary depending on demand and the availability and cost of generating resources at each company. These transactions did not have a significant impact on earnings.

Other revenues. In the third quarter 2002 and year-to-date 2002, other revenues decreased because revenues from gas-fueled cogeneration steam facilities were lower when compared to the corresponding periods in 2001 primarily due to lower demand. Since cogeneration steam revenues are generally offset by fuel expenses, these revenues did not have a significant impact on earnings.

Fuel expense. The decrease in fuel expense during the third quarter of 2002 when compared to the same period in 2001 was primarily attributed to a lower price for fossil fuels. The year-to-date 2002 decrease in fuel expense from 2001 is due to lower natural gas prices during part of 2002 and lower fossil fuel prices in 2002. Since energy expenses are generally offset by energy revenues, these expenses did not have a significant impact on earnings.

Purchased power - non-affiliates. In the third quarter 2002 and year-to-date 2002, purchased power from non-affiliates when compared to the corresponding periods in 2001 decreased due to lower costs associated with these energy purchases and the utilization of electricity within the SOUTHERN system when compared to the corresponding periods in 2001. Throughout the SOUTHERN system, an additional 2,279 megawatts of generation has been placed into commercial operation during 2002. These expenses do not have a significant impact on earnings since energy expenses are generally offset by energy revenues through ALABAMA's energy cost recovery clause.

Other operation expense. The third quarter 2002 expense increased over the same period for 2001 primarily due to a lower accrual in 2001 related to incentive pay and to reduced administrative and general expense associated with an environmental insurance refund in 2001. In addition to the items above, the year-to-date 2002 expense increased over the year-to-date 2001 expense due to increased miscellaneous steam expense and increased property insurance expense in 2002.

Maintenance expense. Maintenance expense increased during the third quarter 2002 when compared to the same period in 2001 due largely to higher costs in 2002 related to distribution line maintenance and a nuclear expense reduction in 2001. The year-to-date 2002 decrease in this expense is primarily due to a reduction in maintenance on transmission and distribution lines.

Depreciation and amortization. During the third quarter 2002 and year-to-date 2002, depreciation and amortization was higher as a result of increased utility plant when compared to the corresponding periods in 2001.

Other, net. The decrease in the third quarter 2002 and year-to-date 2002 is attributed primarily to mark to market adjustments for derivative energy contracts and an increase in non-utility expenses when compared to the corresponding periods in the prior year. See "Exposure to Market Risks" herein for additional information related to derivative energy contracts.

Interest expense, net. The third quarter 2002 and year-to-date 2002 decreases in these expenses when compared to the corresponding periods in 2001 are mainly due to lower interest rates on outstanding long-term debt and notes payable.

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 the effect of weather and the economy on energy sales.

With the enactment of the Energy Act and new legislation being discussed at federal and state levels to expand customer choice, ALABAMA 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.

ALABAMA's business activities are subject to extensive governmental regulation related to public health and the environment. Litigation over environmental issues and claims of various types, including property damage, personal injury and citizen enforcement of environmental requirements, has increased generally throughout the United States; in particular, personal injury claims for damages caused by alleged exposure to hazardous materials have become more frequent. Although the ultimate outcome of such litigation currently filed against ALABAMA cannot be predicted at this time, management does not anticipate that the liabilities, if any, arising from such proceedings would have a material adverse effect on ALABAMA's financial position, results of operations or cash flows.

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, including the EPA litigation, see Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS - "Environmental Matters" and Note 3 to the financial statements of ALABAMA in the Form 10-K. On November 4, 2002, the U.S. District Court in Alabama extended the stay of the EPA litigation proceeding in Alabama until the earlier of February 4, 2003 or a ruling by the U.S. Court of Appeals for the Eleventh Circuit in the related litigation involving TVA.

On April 25, 2002, the Stakeholder Advisory Committee met and selected the candidates that will be considered for the SeTrans ISA. On June 27, 2002, SOUTHERN and other SeTrans sponsors submitted a Petition for Declaratory Order seeking the FERC's approval of the SeTrans governance structure and the selection process for the ISA, as well as guidance on various issues. The FERC granted the petition on October 10, 2002, approving the governance structure and the selection process for the ISA. The FERC also provided guidance on other issues identified in the petition. On November 1, 2002, the SeTrans sponsors announced that they had selected the team of ESB International, Ltd. ("ESBI") and Accenture LLP as the preferred candidate for the ISA. Should negotiations with this candidate successfully conclude with final agreement among the parties, the sponsors intend to seek any regulatory or other approvals necessary for formation of the SeTrans RTO and the approval of ESBI/Accenture to serve in the capacity of SeTrans ISA. Reference is made to Item 1 - BUSINESS - "Certain Factors Affecting the Industry" and Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS - "Industry Restructuring" of ALABAMA in the Form 10-K for additional information.

On July 31, 2002, the FERC issued a notice of proposed rulemaking entitled "Remedying Undue Discrimination Through Open Access Transmission Service and Standard Electricity Market Design." The FERC has indicated that the proposal, if adopted, would (among other things): (i) require transmission assets of jurisdictional utilities to be operated by an independent entity; (ii) establish a standard market design; (iii) establish a single type of transmission service that applies to all customers; (iv) assert jurisdiction over the transmission component of bundled retail service; (v) establish a generation reserve margin; (vi) establish bid caps for day-ahead and spot energy markets; and (vii) revise the FERC policy on the pricing of transmission expansions. The FERC has revised the comment schedule such that comments on certain issues are due on November 15, 2002 and comments on other issues are due on January 10, 2003. Reply comments are due on February 17, 2003. Any impact of this proposal on SOUTHERN and its subsidiaries will depend on the form in which final rules may be ultimately adopted.

Reference is made to Notes (C) through (E), (G), (N) 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. Reference is also made to Part II - Item 1 - "Legal Proceedings" herein.

Accounting Policies

Critical Policy

ALABAMA's significant accounting policies are described in Note 1 to the financial statements of ALABAMA in Item 8 of the Form 10-K. ALABAMA's only critical accounting policy involves rate regulation. ALABAMA 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 ALABAMA's operations is no longer subject to these provisions, ALABAMA would be required to write off related regulatory assets and liabilities that are not specifically recoverable and determine if any other assets, including plant, have been impaired.

New Accounting Standards

In June 2001, the FASB issued Statement No. 143, "Asset Retirement Obligations," which establishes new accounting and reporting standards for legal obligations associated with retiring assets, including decommissioning nuclear plants. The liability for an asset's future retirement must be recorded in the period in which the liability is incurred. The cost must be capitalized as part of the related long-lived asset and depreciated over the asset's useful life. Changes in the liability resulting from the passage of time will be recognized as operating expenses. Statement No. 143 must be adopted by January 1, 2003. ALABAMA is currently assessing the impact of adopting Statement No. 143 on its financial statements. Reference is made to Note 1 to the financial statements of ALABAMA under "Depreciation and Nuclear Decommissioning" in Item 8 of the Form 10-K.

In July 2002, the FASB issued Statement No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." Statement No. 146 requires that a liability for costs associated with an exit or disposal activity be recognized and measured initially at fair value when the liability is incurred. Disposal activities which are addressed in Statement No. 146 include the termination benefits provided to current employees that are involuntarily terminated, costs to terminate a contract that is not a capital lease and costs to consolidate facilities or relocate employees. Statement No. 146 is effective for exit or disposal activities that are initiated after December 31, 2002. ALABAMA does not expect that adoption of Statement No. 146 will have a material impact on its financial statements.

Reference is made to Note 1 to the financial statements of ALABAMA in Item 8 of the Form 10-K regarding ALABAMA's adoption of FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended. Recent accounting changes have been issued by the Emerging Issues Task Force ("EITF") of the FASB. These changes will require certain energy trading contracts that are currently marked to market to be accounted for under the accrual basis. These changes will also require certain trading activities to be recorded on a net basis for income statement presentation. The new rules will be effective January 1, 2003. ALABAMA is in the process of determining the impact of this recently issued guidance. However, in many cases, ALABAMA's current transactions meet the normal purchases and sale exception under FASB Statement No. 133 and are already accounted for under the accrual basis.

FINANCIAL CONDITION

Overview

Major changes in ALABAMA's financial condition during the first nine months of 2002 included the addition of approximately $475 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.

Credit Rating Risk

ALABAMA does not have any credit agreements that would require material changes in payment schedules or terminations as a result of a credit rating downgrade.

Exposure to Market Risks

ALABAMA's market risk exposures relative to interest rate changes have not changed materially compared with the December 31, 2001 reporting period. In addition, ALABAMA is not aware of any facts or circumstances that would significantly affect such exposures in the near term.

Due to cost-based rate regulations, ALABAMA has limited exposure to market volatility in interest rates, commodity fuel prices and prices of electricity. To mitigate residual risks relative to movements in electricity prices, ALABAMA enters into fixed price contracts for the purchase and sale of electricity through the wholesale electricity market and, to a lesser extent, similar contracts for gas purchases. ALABAMA has also implemented a retail fuel hedging program at the instruction of its PSC. The fair value of derivative energy contracts at September 30, 2002 is as follows:

	Third Quarter 2002 Changes	Year-to-Date Changes
	Fair Value	
	(in thousands)	
Contracts beginning of period	$18,555	$ 214
Contracts realized or settled	(4,182)	(11,251)
New contracts at inception	-	-
Changes in valuation techniques	-	-
Current period changes	5,622	31,032
Contracts at September 30, 2002	$19,995	$19,995

	Source of September 30, 2002 Valuation Prices		
	Total	Maturity	
	Fair Value	Year 1	1-3 Years
	(in thousands)		
Actively quoted	$19,995	$18,661	$1,334
External sources	-	-	-
Models and other methods	-	-	-
Contracts at September 30, 2002	$19,995	$18,661	$1,334

Unrealized gains and losses from mark to market adjustments on contracts related to the retail fuel hedging programs are recorded as regulatory assets and liabilities. At September 30, 2002, ALABAMA had approximately $20.0 million in regulatory liabilities related to unrealized gains on mark to market derivative contracts associated with its fuel hedging programs. Realized gains and losses from these programs are included in fuel expense and are recovered through ALABAMA's fuel cost recovery clause. Gains and losses on contracts that do not represent hedges are recognized in the Statements of Income as incurred. For the quarters ended September 30, 2002 and 2001, approximately $0.3 million and $6.0 million, respectively, of gains were recognized in income. For the nine months ended September 30, 2002 and 2001, approximately $(2.0) million and $3.3 million, respectively, of gains (losses) were recognized in income.

For additional information, reference is made to Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS - "Exposure to Market Risk" of ALABAMA in the Form 10-K and Note 1 to the financial statements of ALABAMA in Item 8 of the Form 10-K and to Note (N) in the "Notes to the Condensed Financial Statements" herein.

Financing Activities

In June 2002, ALABAMA issued $350 million of Series P Floating Rate Senior Notes due December 29, 2003. The proceeds from the sale were used to redeem, in July 2002, $345.5 million aggregate principal amount of its First Mortgage Bonds, 7.75% Series due February 1, 2023, 7.45% Series due July 1, 2023 and 7.30% Series due November 1, 2023. At the time of the issuance of these Senior Notes, ALABAMA entered into interest rate swap agreements to fix the floating rate at 3.015%. Reference is made to Note (N) in the "Notes to the Condensed Financial Statements" herein for additional information relating to derivative instruments.

In October 2002, Alabama Power Capital Trust IV, a statutory trust, issued $100 million in Flexible Trust Preferred Securities (Five Year Initial Fixed Rate of 4.75%) and Alabama Power Capital Trust V, a statutory trust, issued $200 million in Flexible Trust Preferred Securities (Seven Year Initial Fixed Rate of 5.50%). Both of these issuances of flexible trust preferred securities are guaranteed by ALABAMA. The net proceeds were used to redeem $297 million in aggregate outstanding liquidation amount of Alabama Power Capital Trust I 7.375% Trust Preferred Securities and Alabama Power Capital Trust II 7.60% Trust Preferred Securities and for general corporate purposes.

Also, in October 2002, ALABAMA issued $225 million of Series Q 5.50% Senior Notes due October 15, 2017. The proceeds from the sale will be used to redeem, in November 2002, $217.9 million in aggregate principal amount of its Series D 6.50% Senior Insured Quarterly Notes due September 30, 2018 and for general corporate purposes.

Additionally, in October 2002, ALABAMA announced the planned redemptions of (i) 500 shares of Auction Rate Preferred Stock (1988 Series) to be redeemed on November 13, 2002 at a price of $100,000 per unit, plus accrued and unpaid dividends to the redemption date; (ii) 200 shares of Auction Rate Preferred Stock (1993 Series) redeemed on November 6, 2002 at a price of $100,000 per share, plus accrued and unpaid dividends to the redemption date; and (iii) 1,000 shares of Capital Auction Preferred Securities of Alabama Power Capital Trust III to be redeemed on November 29, 2002 at the redemption price of $50,000 per preferred security, plus accrued and unpaid distributions to the date of redemption.

ALABAMA plans to continue, when economically feasible, a program to retire higher-cost debt and replace these obligations with lower-cost capital if market conditions permit.

Capital Requirements

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. 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, 2002 approximately $21.2 million of cash and cash equivalents, unused committed lines of credit of approximately $964 million (including $454 million of such lines which are dedicated to funding purchase obligations relating to variable rate pollution control bonds) and an extendible commercial note program. Of these lines of credit, unless extended, $31 million expire at various times during 2002, $543 million expire in 2003 and $390 million expire in 2004. ALABAMA may also meet short-term cash needs through a SOUTHERN subsidiary organized to issue and sell commercial paper and extendible commercial notes at the request and for the benefit of ALABAMA and other SOUTHERN subsidiaries. ALABAMA has regulatory authority for up to $1.0 billion of short-term borrowings. At September 30, 2002, ALABAMA had outstanding $39.9 million of commercial paper and $27 million in notes payable to banks. Management believes that the need for working capital can be adequately met by utilizing lines of credit without maintaining large cash balances.

GEORGIA POWER COMPANY

GEORGIA POWER COMPANY
CONDENSED STATEMENTS OF INCOME (UNAUDITED)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2002	2001	**2002**	2001
	(in thousands)		*(in thousands)*	
Operating Revenues:				
Retail sales	**$ 1,373,842**	$1,399,929	**$ 3,340,826**	$3,442,807
Sales for resale --				
Non-affiliates	**72,106**	121,370	**194,478**	301,721
Affiliates	**26,350**	15,712	**68,139**	86,770
Other revenues	**44,233**	41,957	**124,336**	114,982
Total operating revenues	**1,516,531**	1,578,968	**3,727,779**	3,946,280
Operating Expenses:				
Operation --				
Fuel	**291,716**	268,177	**774,885**	749,307
Purchased power --				
Non-affiliates	**114,355**	227,841	**217,425**	400,937
Affiliates	**140,372**	83,642	**297,868**	236,222
Other	**220,902**	194,301	**599,416**	566,403
Maintenance	**95,763**	94,375	**308,078**	305,981
Depreciation and amortization	**101,896**	140,113	**298,899**	444,041
Taxes other than income taxes	**53,374**	55,909	**152,806**	157,757
Total operating expenses	**1,018,378**	1,064,358	**2,649,377**	2,860,648
Operating Income	**498,153**	514,610	**1,078,402**	1,085,632
Other Income (Expense):				
Interest income	**1,758**	1,511	**2,637**	3,319
Equity in earnings of subsidiaries	**1,032**	1,038	**2,920**	2,994
Other, net	**(12,115)**	12,903	**(8,724)**	12,747
Earnings Before Interest and Income Taxes	**488,828**	530,062	**1,075,235**	1,104,692
Interest Charges and Other:				
Interest expense, net	**42,722**	40,601	**124,770**	141,790
Distributions on preferred securities of subsidiaries	**16,282**	14,776	**46,705**	44,328
Total interest charges and other, net	**59,004**	55,377	**171,475**	186,118
Earnings Before Income Taxes	**429,824**	474,685	**903,760**	918,574
Income taxes	**158,090**	176,177	**334,148**	349,208
Net Income Before Cumulative Effect of Accounting Change	**271,734**	298,508	**569,612**	569,366
Cumulative effect of accounting change -- less income taxes of $162 thousand	**-**	-	**-**	257
Net Income	**271,734**	298,508	**569,612**	569,623
Dividends on Preferred Stock	**168**	168	**503**	503
Net Income After Dividends on Preferred Stock	**$ 271,566**	$ 298,340	**$ 569,109**	$ 569,120

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)

	For the Nine Months Ended September 30,	
	2002	2001
	(in thousands)	
Operating Activities:		
Net income	**$ 569,612**	$ 569,623
Adjustments to reconcile net income		
to net cash provided from operating activities --		
Depreciation and amortization	**293,882**	490,676
Deferred income taxes and investment tax credits, net	**26,956**	(21,373)
Other, net	**(27,385)**	(38,859)
Changes in certain current assets and liabilities --		
Receivables, net	**(42,348)**	(35,452)
Fossil fuel stock	**56,913**	(55,027)
Materials and supplies	**9,135**	(12,577)
Accounts payable	**19,986**	(82,848)
Energy cost recovery, retail	**28,802**	(62,570)
Other	**170,230**	235,334
Net cash provided from operating activities	**1,105,783**	986,927
Investing Activities:		
Gross property additions	**(620,301)**	(1,073,616)
Sales of property	**387,212**	264,094
Other	**(62,929)**	(33,135)
Net cash used for investing activities	**(296,018)**	(842,657)
Financing Activities:		
Decrease in notes payable, net	**(185,994)**	(132,282)
Proceeds --		
Pollution control bonds	**-**	167,985
Senior notes	**300,000**	600,000
Preferred securities	**440,000**	-
Capital contributions from parent company	**7,197**	203,206
Retirements --		
First mortgage bonds	**(1,860)**	(390,140)
Pollution control bonds	**(7,800)**	(153,910)
Senior notes	**(300,000)**	-
Preferred securities	**(414,250)**	-
Capital distributions to parent company	**(200,000)**	-
Payment of preferred stock dividends	**(507)**	(429)
Payment of common stock dividends	**(407,175)**	(396,300)
Other	**(17,261)**	(30,359)
Net cash used for financing activities	**(787,650)**	(132,229)
Net Increase in Cash and Cash Equivalents	**22,115**	12,041
Cash and Cash Equivalents at Beginning of Period	**23,260**	29,370
Cash and Cash Equivalents at End of Period	**$ 45,375**	$ 41,411
Supplemental Cash Flow Information:		
Cash paid during the period for --		
Interest (net of amount capitalized)	**$156,478**	$153,972
Income taxes (net of refunds)	**$175,692**	$142,363

The accompanying notes as they relate to GEORGIA are an integral part of these condensed statements.

GEORGIA POWER COMPANY
CONDENSED BALANCE SHEETS (UNAUDITED)

Assets	At September 30, 2002	At December 31, 2001
	(in thousands)	
Current Assets:		
Cash and cash equivalents	**$ 45,375**	$ 23,260
Receivables --		
Customer accounts receivable	**506,488**	376,322
Under recovered retail fuel clause revenue	**132,661**	161,462
Other accounts and notes receivable	**84,470**	129,073
Affiliated companies	**13,601**	69,355
Accumulated provision for uncollectible accounts	**(8,384)**	(8,895)
Fossil fuel stock, at average cost	**145,845**	202,759
Materials and supplies, at average cost	**270,103**	279,237
Other	**82,748**	125,246
Total current assets	**1,272,907**	1,357,819
Property, Plant, and Equipment:		
In service	**17,221,329**	16,886,399
Less accumulated provision for depreciation	**7,392,225**	7,243,209
	9,829,104	9,643,190
Nuclear fuel, at amortized cost	**108,373**	112,771
Construction work in progress	**612,287**	883,285
Total property, plant, and equipment	**10,549,764**	10,639,246
Other Property and Investments:		
Equity investments in subsidiaries	**36,049**	35,209
Nuclear decommissioning trusts	**333,480**	364,180
Other	**29,619**	29,618
Total other property and investments	**399,148**	429,007
Deferred Charges and Other Assets:		
Deferred charges related to income taxes	**529,100**	543,584
Prepaid pension costs	**324,930**	273,405
Debt expense, being amortized	**60,500**	58,165
Premium on reacquired debt, being amortized	**176,819**	173,724
Other	**149,330**	136,137
Total deferred charges and other assets	**1,240,679**	1,185,015
Total Assets	**$ 13,462,498**	$ 13,611,087

The accompanying notes as they relate to GEORGIA are an integral part of these condensed statements.

GEORGIA POWER COMPANY
CONDENSED BALANCE SHEETS (UNAUDITED)

Liabilities and Stockholder's Equity	At September 30, 2002	At December 31, 2001
	(in thousands)	
Current Liabilities:		
Securities due within one year	**$ 352,084**	$ 311,620
Notes payable	**561,543**	747,537
Accounts payable --		
Affiliated	**141,362**	109,591
Other	**344,442**	409,253
Customer deposits	**91,538**	83,172
Taxes accrued --		
Income taxes	**166,747**	35,247
Other	**140,805**	125,807
Interest accrued	**51,444**	46,942
Vacation pay accrued	**41,391**	41,830
Other	**119,688**	120,980
Total current liabilities	**2,011,044**	2,031,979
Long-term debt	**2,910,146**	2,961,726
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	**2,162,952**	2,163,959
Deferred credits related to income taxes	**216,924**	229,216
Accumulated deferred investment tax credits	**328,116**	337,482
Employee benefits provisions	**248,807**	244,648
Other	**388,171**	440,773
Total deferred credits and other liabilities	**3,344,970**	3,416,078
Company obligated mandatorily redeemable preferred securities of subsidiary trusts holding company junior subordinated notes	**815,000**	789,250
Preferred stock	**14,569**	14,569
Common Stockholder's Equity:		
Common stock, without par value--		
Authorized - 15,000,000 shares		
Outstanding - 7,761,500 shares	**344,250**	344,250
Paid-in capital	**1,989,754**	2,182,557
Premium on preferred stock	**40**	40
Retained earnings	**2,032,725**	1,870,791
Accumulated other comprehensive income	**-**	(153)
Total common stockholder's equity	**4,366,769**	4,397,485
Total Liabilities and Stockholder's Equity	**$ 13,462,498**	$ 13,611,087

The accompanying notes as they relate to GEORGIA are an integral part of these condensed statements.

GEORGIA POWER COMPANY

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2002	2001	**2002**	2001
	(in thousands)		*(in thousands)*	
Net Income After Dividends on Preferred Stock	**$ 271,566**	$298,340	**$ 569,109**	$569,120
Other comprehensive income:				
Cumulative effect of accounting change for qualifying hedges, net of taxes of $0, $0, $0, $180, respectively	**-**	-	**-**	286
Changes in fair value of qualifying hedges, net of tax of $(23), $(626), $97, $(687), respectively	**(37)**	(1,022)	**153**	(995)
COMPREHENSIVE INCOME	**$ 271,529**	$297,318	**$ 569,262**	$568,411

GEORGIA POWER COMPANY

CONDENSED STATEMENTS OF ACCUMULATED OTHER COMPREHENSIVE INCOME (UNAUDITED)

	At September 30, 2002	At December 31, 2001
	(in thousands)	
Balance at beginning of period	**$ (153)**	$ -
Change in current period	**153**	(153)
BALANCE AT END OF PERIOD	**$ -**	$ (153)

The accompanying notes as they relate to GEORGIA are an integral part of these condensed statements.

GEORGIA POWER COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS
RESULTS OF OPERATIONS AND FINANCIAL CONDITION

THIRD QUARTER 2002 vs. THIRD QUARTER 2001
AND
YEAR-TO-DATE 2002 vs. YEAR-TO-DATE 2001

RESULTS OF OPERATIONS

Earnings

GEORGIA's net income after dividends on preferred stock for the third quarter 2002 and year-to-date 2002 was $271.6 million and $569.1 million, respectively, compared to $298.3 million and $569.1 million for the corresponding periods in 2001. During the third quarter 2002, earnings decreased due to higher operating expenses partially offset by increased retail sales. Earnings year-to-date 2002 remained flat.

Significant income statement items appropriate for discussion include the following:

	Increase (Decrease)			
	Third Quarter		Year-To-Date	
	(in thousands)	*%*	*(in thousands)*	*%*
Retail sales	$ (26,087)	(1.9)	$(101,981)	(3.0)
Sales for resale - non-affiliates	(49,264)	(40.6)	(107,243)	(35.5)
Sales for resale - affiliates	10,638	67.7	(18,631)	(21.5)
Other revenues	2,276	5.4	9,354	8.1
Fuel expense	23,539	8.8	25,578	3.4
Purchased power - non-affiliates	(113,486)	(49.8)	(183,512)	(45.8)
Purchased power - affiliates	56,730	67.8	61,646	26.1
Other operation expense	26,601	13.7	33,013	5.8
Depreciation and amortization	(38,217)	(27.3)	(145,142)	(32.7)
Other, net	(25,018)	(193.9)	(21,471)	(168.4)
Interest expense, net	2,121	5.2	(17,020)	(12.0)

Retail sales. Excluding fuel revenues, which generally do not affect net income, retail sales revenue increased in the third quarter 2002 by $25.4 million, or 2.6%, and decreased year-to-date 2002 by $34.4 million, or 1.4%, when compared to the corresponding periods in 2001. The third quarter increase reflects a 9.7% increase in residential sales due primarily to warmer weather, partially offset by decreased rates resulting from the 2001 retail rate order. The year-to-date decrease reflects the rate decrease and generally lower prices to large business customers, partially offset by a 7.5% increase in residential sales as a result of the warmer weather. Modest increases in sales to commercial and industrial customers for both periods continue to reflect the sluggish economy. Reference is made to Note (H) in the "Notes to the Condensed Financial Statements" herein for additional information regarding the 2001 rate case.

Sales for resale - non-affiliates. Sales for resale to non-affiliates decreased in the third quarter 2002 and year-to-date 2002 primarily due to reduced energy sales to these customers. These transactions did not have a significant impact on earnings since the energy is usually sold at variable cost.

Sales for resale - affiliates. Revenues from sales for resale to affiliated companies within the SOUTHERN system will vary depending on demand and the availability and cost of generating resources at each company. These transactions did not have a significant impact on earnings.

Other revenues. The third quarter 2002 and year-to-date 2002 increases are primarily attributed to the recognition of new late payment fees approved under the new retail rate order effective January 1, 2002.

Fuel expense. The increases for the third quarter 2002 and year-to-date 2002 are largely a result of the higher cost for natural gas when compared to the same periods in 2001. These expenses do not have a significant impact on earnings since energy expenses are generally offset by energy revenues through GEORGIA's fuel cost recovery clause.

Purchased power - non-affiliates. During the third quarter 2002 and year-to-date 2002, purchased power from non-affiliates decreased primarily as a result of reduced demand for energy from non-affiliates. Throughout the SOUTHERN system, an additional 2,279 megawatts of generation has been placed into commercial operation during 2002. These expenses do not have a significant impact on earnings since energy expenses are generally offset by energy revenues through GEORGIA's fuel cost recovery clause.

Purchased power - affiliates. GEORGIA entered into new PPAs with SOUTHERN POWER beginning in June 2002. The capacity component of these transactions totaled $40 million in the third quarter 2002. The energy component of power purchased from affiliated companies within the SOUTHERN system will vary depending on demand and the availability and cost of generating resources at each company and will have no significant impact on earnings since energy expenses are generally offset by energy revenues through GEORGIA's fuel cost recovery clause.

Other operation expense. The increases for the third quarter 2002 and year-to-date 2002 are primarily attributed to higher transmission, fossil power generation and administrative and general expenses when compared to the same periods in 2001.

Depreciation and amortization. The decreases in this item for the third quarter 2002 and year-to-date 2002 are mainly a result of discontinuing accelerated depreciation and beginning amortization of the regulatory liability for accelerated cost recovery in January 2002 in accordance with the new retail rate order. (Reference is made to Note (H) in the "Notes to the Condensed Financial Statements" herein.)

Other, net. Other, net for the third quarter 2002 and year-to-date 2002 decreased when compared to the corresponding periods in 2001 as a result of mark to market adjustments for derivative energy contracts and gains on property sales recorded in both of these periods in 2001. Further contributing to these decreases in 2002 are expenses related to a new electricity pricing program. See "Exposure to Market Risks" herein for additional information on derivative energy contracts.

Interest expense, net. The third quarter 2002 increase is attributed primarily to the reversal in the third quarter 2001 of interest accrued for tax assessments related to audits that were favorably resolved. The year-to-date 2002 decrease is mainly the result of a reduction in interest rates and the accrual of interest on accelerated amortization in 2001 under the prior retail rate order, which ceased effective January 1, 2002.

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 the effect of weather and the economy on energy sales.

GEORGIA has entered into PPAs with SOUTHERN POWER which will result in higher capacity and operating and maintenance payments beginning in June 2002. Under the new retail rate order effective January 1, 2002, these costs will be reflected in rates evenly over the next three years.

With the enactment of the Energy Act and new legislation being discussed at federal and state levels to expand customer choice, GEORGIA 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.

In January 2002, GEORGIA began operating under a new three-year retail rate order. Under the terms of the order, earnings will be evaluated annually against a retail return on common equity range of 10 percent to 12.95 percent. Two-thirds of any earnings above the 12.95 percent return will be applied to rate refunds, with the remaining one-third retained by GEORGIA. Retail rates were decreased by $118 million effective January 1, 2002. Reference is made to Note (H) in the "Notes to the Condensed Financial Statements" herein and Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS - "Future Earnings Potential" of GEORGIA in the Form 10-K for additional information.

On April 25, 2002, the Stakeholder Advisory Committee met and selected the candidates that will be considered for the SeTrans ISA. On June 27, 2002, SOUTHERN and other SeTrans sponsors submitted a Petition for Declaratory Order seeking the FERC's approval of the SeTrans governance structure and the selection process for the ISA, as well as guidance on various issues. The FERC granted the petition on October 10, 2002, approving the governance structure and the selection process for the ISA. The FERC also provided guidance on other issues identified in the petition. On November 1, 2002, the SeTrans sponsors announced that they had selected the team of ESB International, Ltd. ("ESBI") and Accenture LLP as the preferred candidate for ISA. Should negotiations with this candidate successfully conclude with final agreement among the parties, the sponsors intend to seek any regulatory or other approvals necessary for formation of the SeTrans RTO and the approval of ESBI/Accenture to serve in the capacity of SeTrans ISA. Reference is made to Item 1 - BUSINESS - "Certain Factors Affecting the Industry" and Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS - "Industry Restructuring" of GEORGIA in the Form 10-K for additional information.

In June 2002, GEORGIA entered into a fifteen-year PPA beginning in June 2005 with SOUTHERN POWER to purchase 1,040 megawatts of capacity from the planned combined-cycle plant at Plant McIntosh to be built and owned by SOUTHERN POWER. The annual capacity cost is expected to be approximately $72 million. Additionally, GEORGIA has entered into a seven-year PPA beginning in June 2005 with SOUTHERN POWER to purchase capacity in an average annual amount of approximately $48 million. The PPAs are undergoing a certification process with the Georgia PSC. A decision is expected by December 17, 2002.

On July 31, 2002, the FERC issued a notice of proposed rulemaking entitled "Remedying Undue Discrimination Through Open Access Transmission Service and Standard Electricity Market Design." The FERC has indicated that the proposal, if adopted, would (among other things): (i) require transmission assets of jurisdictional utilities to be operated by an independent entity; (ii) establish a standard market design; (iii) establish a single type of transmission service that applies to all customers; (iv) assert jurisdiction over the transmission component of bundled retail service; (v) establish a generation reserve margin; (vi) establish bid caps for day-ahead and spot energy markets; and (vii) revise the FERC policy on the pricing of transmission expansions. The FERC has revised the comment schedule such that comments on certain issues are due on November 15, 2002 and comments on other issues are due on January 10, 2003. Reply comments are due on February 17, 2003. Any impact of this proposal on SOUTHERN and its subsidiaries will depend on the form in which final rules may be ultimately adopted.

Compliance costs related to the Clean Air Act and other environmental issues could affect earnings if such costs cannot be recovered. For additional information, including information on the EPA litigation, see Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS - "Environmental Issues" of GEORGIA and Note 3 to the financial statements of GEORGIA in Item 8 of the Form 10-K.

GEORGIA's business activities are subject to extensive governmental regulation related to public health and the environment. Litigation over environmental issues and claims of various types, including property damage, personal injury and citizen enforcement of environmental requirements, has increased generally throughout the United States; in particular, personal injury claims for damages caused by alleged exposure to hazardous materials have become more frequent. Although the ultimate outcome of such litigation currently filed against GEORGIA cannot be predicted at this time, management does not anticipate that the liabilities, if any, arising from such proceedings would have a material adverse effect on GEORGIA's financial position, results of operations or cash flows.

Reference is made to Notes (C) through (E), (H), (I) 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. Reference is also made to Part II - Item 1 - "Legal Proceedings" herein. Reference is also made to Note (E) in the "Notes to the Condensed Financial Statements" herein for information relating to certain lawsuits regarding the installation of fiber optic cable over GEORGIA's existing easements.

Accounting Policies

Critical Policy

GEORGIA's significant accounting policies are described in Note 1 to the financial statements of GEORGIA in Item 8 of the Form 10-K. GEORGIA's only critical accounting policy involves rate regulation. GEORGIA 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 GEORGIA's operations is no longer subject to these provisions,

GEORGIA would be required to write off related regulatory assets and liabilities that are not specifically recoverable and determine if any other assets, including plant, have been impaired.

New Accounting Standards

In June 2001, the FASB issued Statement No. 143, "Asset Retirement Obligations," which establishes new accounting and reporting standards for legal obligations associated with retiring assets, including decommissioning nuclear plants. The liability for an asset's future retirement must be recorded in the period in which the liability is incurred. The cost must be capitalized as part of the related long-lived asset and depreciated over the asset's useful life. Changes in the liability resulting from the passage of time will be recognized as operating expenses. Statement No. 143 must be adopted by January 1, 2003. GEORGIA is currently assessing the impact of adopting Statement No. 143 on its financial statements. Reference is made to Note 1 to the financial statements of GEORGIA under "Depreciation and Nuclear Decommissioning" in Item 8 of the Form 10-K.

In July 2002, the FASB issued Statement No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." Statement No. 146 requires that a liability for costs associated with an exit or disposal activity be recognized and measured initially at fair value when the liability is incurred. Disposal activities which are addressed in Statement No. 146 include the termination benefits provided to current employees that are involuntarily terminated, costs to terminate a contract that is not a capital lease and costs to consolidate facilities or relocate employees. Statement No. 146 is effective for exit or disposal activities that are initiated after December 31, 2002. GEORGIA does not expect that adoption of Statement No. 146 will have a material impact on its financial statements.

Reference is made to Note 1 to the financial statements of GEORGIA in Item 8 of the Form 10-K regarding GEORGIA's adoption of FASB Statement No.133, "Accounting for Derivative Instruments and Hedging Activities," as amended. Recent accounting changes have been issued by the Emerging Issues Task Force ("EITF") of the FASB. These changes will require certain energy trading contracts that are currently marked to market to be accounted for under the accrual basis. These changes will also require certain trading activities to be recorded on a net basis for income statement presentation. The new rules will be effective January 1, 2003. GEORGIA is in the process of determining the impact of this recently issued guidance. However, in many cases, GEORGIA's current transactions meet the normal purchases and sale exception under FASB Statement No. 133 and are already accounted for under the accrual basis.

FINANCIAL CONDITION

Overview

The major changes in GEORGIA's financial condition during the first nine months of 2002 were the sale of two units at Plant Wansley to SOUTHERN POWER and the addition of approximately $620 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 herein for further details.

Credit Rating Risk

GEORGIA does not have any credit agreements that would require material changes in payment schedules or terminations as a result of a credit rating downgrade. There are certain physical electricity sale contracts that could require collateral -- but not termination -- in the event of a credit rating change to below investment grade. Generally, collateral may be provided for by a SOUTHERN guaranty, letter of credit or cash. At September 30, 2002, the maximum potential collateral requirements were approximately $230 million.

Exposure to Market Risks

GEORGIA's market risk exposures relative to interest rate changes have not changed materially compared with the December 31, 2001 reporting period. In addition, GEORGIA is not aware of any facts or circumstances that would significantly affect such exposures in the near term.

Due to cost-based rate regulations, GEORGIA has limited exposure to market volatility in interest rates, commodity fuel prices and prices of electricity. To mitigate residual risks relative to movements in electricity prices, GEORGIA enters into fixed price contracts for the purchase and sale of electricity through the wholesale electricity market and, to a lesser extent, similar contracts for gas purchases. The fair value of derivative energy contracts at September 30, 2002 is as follows:

	Third Quarter 2002 Changes	Year-to-Date Changes
	Fair Value	
	(in thousands)	
Contracts beginning of period	$(397)	$ 362
Contracts realized or settled	502	777
New contracts at inception	-	-
Changes in valuation techniques	-	-
Current period changes	(152)	(1,186)
Contracts at September 30, 2002	$ (47)	$ (47)

	Source of September 30, 2002 Valuation Prices		
	Total	Maturity	
	Fair Value	Year 1	1-3 Years
	(in thousands)		
Actively quoted	$(47)	$(47)	$ -
External sources	-	-	-
Models and other methods	-	-	-
Contracts at September 30, 2002	$(47)	$(47)	$ -

Realized gains and losses are recognized in the Statements of Income as incurred. For the quarters ended September 30, 2002 and 2001, approximately $0.35 million and $12.1 million, respectively, of gains were recognized in income. For the nine months ended September 30, 2002 and 2001, approximately $1.7 million and $11.9 million, respectively, of gains were recognized in income.

For additional information, reference is made to Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS - "Exposure to Market Risks" of GEORGIA in the Form 10-K and Note 1 to the financial statements of GEORGIA in Item 8 of the Form 10-K.

Financing Activities

In June 2002, Georgia Power Capital Trust V, a statutory business trust, sold $440 million of its 7 1/8% Trust Preferred Securities, which are guaranteed by GEORGIA. The net proceeds from this issuance were used to redeem Georgia Power Capital Trust I and III preferred securities totaling $414 million and to repay a portion of GEORGIA's outstanding short-term indebtedness.

In July 2002, GEORGIA issued $300 million of Series J 4.875% Senior Notes due July 15, 2007. The net proceeds from this issuance were used to prepay a portion of a $350 million bank loan.

In November 2002, Georgia Power Capital Trust VI, a statutory trust, sold $300 million of its Flexible Trust Preferred Securities, which are guaranteed by GEORGIA. The initial interest rate in effect through November 1, 2007 is 4.875%. The net proceeds from this issuance will be used to repay a portion of GEORGIA's short-term indebtedness and to redeem in December 2002 $175 million of 7.60% Trust Preferred Securities issued by Georgia Power Capital Trust II.

GEORGIA plans to continue, when economically feasible, a program to retire higher-cost debt and replace these obligations with lower-cost capital if market conditions permit.

Capital Requirements

Reference is made to Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS of GEORGIA under "Liquidity and Capital Requirements," "Other Capital Requirements" and "Environmental Issues" in the Form 10-K for a description of GEORGIA's capital requirements for its construction program, maturing debt and environmental compliance efforts.

Sources of Capital

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. 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, 2002 approximately $45.4 million of cash and cash equivalents and approximately $1.74 billion of unused credit arrangements with banks, of which $65 million expire in 2002 and $1.67 billion expire in 2003. Approximately $1.2 billion of the total $1.74 billion in unused credit arrangements contain provisions allowing two-year term loans executable at expiration date. The credit arrangements provide liquidity support to GEORGIA's obligations with respect to variable rate pollution control bonds and commercial paper. GEORGIA may also meet short-term cash needs through a SOUTHERN subsidiary organized to issue and sell commercial paper and extendible commercial notes at the request and for the benefit of GEORGIA and other SOUTHERN subsidiaries. At September 30, 2002, GEORGIA had outstanding $562 million of notes payable. Management believes that the need for working capital can be adequately met by utilizing lines of credit without maintaining large cash balances.

GULF POWER COMPANY

GULF POWER COMPANY
CONDENSED STATEMENTS OF INCOME (UNAUDITED)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2002	2001	**2002**	2001
	(in thousands)		*(in thousands)*	
Operating Revenues:				
Retail sales	**$ 198,503**	$ 187,697	**$ 504,778**	$ 459,942
Sales for resale --				
Non-affiliates	**21,697**	26,220	**57,815**	66,664
Affiliates	**14,139**	3,507	**24,234**	21,173
Other revenues	**11,262**	9,192	**29,694**	24,296
Total operating revenues	**245,601**	226,616	**616,521**	572,075
Operating Expenses:				
Operation --				
Fuel	**87,663**	55,982	**194,560**	158,452
Purchased power --				
Non-affiliates	**8,033**	34,954	**20,685**	59,992
Affiliates	**5,312**	15,224	**35,503**	32,804
Other	**29,416**	29,289	**87,326**	85,524
Maintenance	**11,679**	13,172	**53,617**	41,007
Depreciation and amortization	**19,929**	16,738	**56,303**	50,345
Taxes other than income taxes	**17,908**	15,753	**47,199**	42,960
Total operating expenses	**179,940**	181,112	**495,193**	471,084
Operating Income	**65,661**	45,504	**121,328**	100,991
Other Income (Expense):				
Interest income	**211**	518	**366**	1,025
Other, net	**(268)**	1,984	**1,538**	1,407
Earnings Before Interest and Income Taxes	**65,604**	48,006	**123,232**	103,423
Interest and Other:				
Interest expense, net	**8,680**	5,705	**23,812**	18,401
Distributions on preferred securities of subsidiary	**2,103**	1,550	**6,309**	4,650
Total interest and other, net	**10,783**	7,255	**30,121**	23,051
Earnings Before Income Taxes	**54,821**	40,751	**93,111**	80,372
Income taxes	**20,788**	14,040	**33,766**	28,655
Net Income Before Cumulative Effect of Accounting Change	**34,033**	26,711	**59,345**	51,717
Cumulative effect of accounting change -- less income taxes of $42 thousand	**-**	-	**-**	68
Net Income	**34,033**	26,711	**59,345**	51,785
Dividends on Preferred Stock	**54**	54	**162**	162
Net Income After Dividends on Preferred Stock	**$ 33,979**	$ 26,657	**$ 59,183**	$ 51,623

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)

	For the Nine Months Ended September 30, 2002	2001
	(in thousands)	
Operating Activities:		
Net income	**$ 59,345**	$ 51,785
Adjustments to reconcile net income		
to net cash provided from operating activities --		
Depreciation and amortization	**60,127**	53,343
Deferred income taxes and investment tax credits, net	**(6,310)**	6,331
Other, net	**(2,031)**	(543)
Changes in certain current assets and liabilities --		
Receivables, net	**(35,725)**	6,919
Fossil fuel stock	**7,047**	(23,509)
Materials and supplies	**(1,567)**	(491)
Accounts payable	**(1,969)**	8,477
Regulatory clauses under/over recovery	**(2,281)**	(29,544)
Other	**35,849**	11,745
Net cash provided from operating activities	**112,485**	84,513
Investing Activities:		
Gross property additions	**(88,894)**	(209,747)
Other	**(21,010)**	(1,252)
Net cash used for investing activities	**(109,904)**	(210,999)
Financing Activities:		
Decrease in notes payable, net	**(29,386)**	(34,900)
Proceeds --		
Pollution control bonds	**55,000**	-
Senior notes	**45,000**	60,000
Other long-term debt	**-**	100,000
Capital contributions from parent company	**37,922**	70,318
Retirements --		
First mortgage bonds	**-**	(30,000)
Pollution control bonds	**(55,000)**	-
Senior notes	**(343)**	(677)
Payment of preferred stock dividends	**(162)**	(162)
Payment of common stock dividends	**(49,125)**	(40,100)
Other	**(2,631)**	(184)
Net cash provided from financing activities	**1,275**	124,295
Net Increase (Decrease) in Cash and Cash Equivalents	**3,856**	(2,191)
Cash and Cash Equivalents at Beginning of Period	**2,244**	4,381
Cash and Cash Equivalents at End of Period	**$ 6,100**	$ 2,190
Supplemental Cash Flow Information:		
Cash paid during the period for --		
Interest (net of amount capitalized)	**$32,220**	$23,064
Income taxes (net of refunds)	**$6,535**	$22,043

The accompanying notes as they relate to GULF are an integral part of these condensed statements.

GULF POWER COMPANY
CONDENSED BALANCE SHEETS (UNAUDITED)

Assets	At September 30, 2002	At December 31, 2001
	(in thousands)	
Current Assets:		
Cash and cash equivalents	**$ 6,100**	$ 2,244
Receivables --		
Customer accounts receivable	**89,894**	64,113
Under recovered regulatory clauses	**26,648**	24,912
Other accounts and notes receivable	**8,072**	4,316
Affiliated companies	**8,399**	2,689
Accumulated provision for uncollectible accounts	**(864)**	(1,342)
Fossil fuel stock, at average cost	**40,608**	47,655
Materials and supplies, at average cost	**30,424**	28,857
Other	**8,790**	12,662
Total current assets	**218,071**	186,106
Property, Plant, and Equipment:		
In service	**2,239,876**	1,951,512
Less accumulated provision for depreciation	**946,439**	912,581
	1,293,437	1,038,931
Construction work in progress	**45,113**	264,525
Total property, plant, and equipment	**1,338,550**	1,303,456
Other Property and Investments	**10,119**	7,049
Deferred Charges and Other Assets:		
Deferred charges related to income taxes	**17,265**	16,766
Prepaid pension costs	**34,718**	29,980
Debt expense, being amortized	**3,997**	3,036
Premium on reacquired debt, being amortized	**13,437**	14,518
Other	**12,820**	12,222
Total deferred charges and other assets	**82,237**	76,522
Total Assets	**$ 1,648,977**	$ 1,573,133

The accompanying notes as they relate to GULF are an integral part of these condensed statements.

GULF POWER COMPANY
CONDENSED BALANCE SHEETS (UNAUDITED)

Liabilities and Stockholder's Equity	At September 30, 2002	At December 31, 2001
	(in thousands)	
Current Liabilities:		
Securities due within one year	**$ 60,000**	$ -
Notes payable	**57,925**	87,311
Accounts payable --		
Affiliated	**19,891**	18,202
Other	**20,868**	38,308
Customer deposits	**15,681**	14,506
Taxes accrued --		
Income taxes	**36,623**	8,162
Other	**18,609**	8,053
Interest accrued	**6,823**	8,305
Provision for rate refund	**76**	1,530
Vacation pay accrued	**4,725**	4,725
Regulatory clauses over recovery	**3,174**	3,719
Other	**907**	6,528
Total current liabilities	**245,302**	199,349
Long-term debt	**451,943**	467,784
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	**157,807**	161,968
Deferred credits related to income taxes	**25,459**	28,293
Accumulated deferred investment tax credits	**22,616**	24,056
Employee benefits provisions	**39,354**	41,508
Other	**34,386**	26,045
Total deferred credits and other liabilities	**279,622**	281,870
Company obligated mandatorily redeemable preferred securities of subsidiary trusts holding company junior subordinated notes	**115,000**	115,000
Preferred stock	**4,236**	4,236
Common Stockholder's Equity:		
Common stock, without par value--		
Authorized - 992,717 shares		
Outstanding - 992,717 shares	**38,060**	38,060
Paid-in capital	**343,882**	305,960
Premium on preferred stock	**12**	12
Retained earnings	**170,920**	160,862
Total common stockholder's equity	**552,874**	504,894
Total Liabilities and Stockholder's Equity	**$ 1,648,977**	$ 1,573,133

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 2002 vs. THIRD QUARTER 2001
AND
YEAR-TO-DATE 2002 vs. YEAR-TO-DATE 2001

RESULTS OF OPERATIONS

Earnings

GULF's net income after dividends on preferred stock for the third quarter 2002 and year-to-date 2002 was $34.0 million and $59.2 million, respectively, compared to $26.7 million and $51.6 million for the corresponding periods in 2001. Earnings for the third quarter 2002 and year-to-date 2002 increased by $7.3 million, or 27.5%, and $7.6 million, or 14.6%, respectively, primarily due to higher operating revenues.

Significant income statement items appropriate for discussion include the following:

	Increase (Decrease)			
	Third Quarter		Year-To-Date	
	(in thousands)	*%*	*(in thousands)*	*%*
Retail sales	$10,806	5.8	$ 44,836	9.7
Sales for resale - non-affiliates	(4,523)	(17.3)	(8,849)	(13.3)
Sales for resale - affiliates	10,632	303.2	3,061	14.5
Other revenues	2,070	22.5	5,398	22.2
Fuel expense	31,681	56.6	36,108	22.8
Purchased power - non-affiliates	(26,921)	(77.0)	(39,307)	(65.5)
Purchased power - affiliates	(9,912)	(65.1)	2,699	8.2
Maintenance expense	(1,493)	(11.3)	12,610	30.8
Depreciation and amortization	3,191	19.1	5,958	11.8
Taxes other than income taxes	2,155	13.7	4,239	9.9
Other, net	(2,252)	(113.5)	131	9.3
Interest expense, net	2,975	52.1	5,411	29.4
Distributions on preferred securities of subsidiary	553	35.7	1,659	35.7

Retail sales. Excluding the recovery of fuel expense and certain other expenses that do not affect net income, retail sales increased by $16.4 million, or 17.0%, for the third quarter 2002 and by $39.9 million, or 15.8%, year-to-date 2002 when compared to the corresponding periods in 2001. Warmer weather, growth in number of customers and the retail rate increase, which was effective in June 2002, were the primary causes for the increases in retail sales revenues for the third quarter 2002 and year-to-date 2002. Reference is made to Note (J) in the "Notes to Condensed Financial Statements" herein for additional information. Energy sales to residential, commercial and industrial customers were up by 7.8%, 5.9% and 7.0%, respectively, for the third quarter 2002 and 7.1%, 5.4% and 1.4%, respectively, for year-to-date 2002.

Sales for resale - non-affiliates. Sales for resale to non-affiliates decreased for the third quarter 2002 and year-to-date 2002 when compared to the corresponding periods in 2001 mainly due to reduced demand for energy by these customers. These transactions do not have a significant impact on earnings since the energy is usually sold at variable cost.

Sales for resale - affiliates and Purchased power - affiliates. Revenues from sales for resale to affiliated companies, as well as purchases of energy, within the SOUTHERN system will vary depending on demand and the availability and cost of generating resources at each company. These transactions do not have a significant impact on earnings.

Other revenues. Other revenues increased during the third quarter 2002 and year-to-date 2002. Third quarter 2002 revenues increased due to higher miscellaneous service revenues, higher franchise fees, higher revenues from the transmission of electricity to others and revenue from the sale of gas. Year-to-date 2002 revenues increased due to higher miscellaneous service revenues, higher franchise fees, revenue from the sale of gas and the settlement of a PPA.

Fuel expense. Fuel expense increased during the third quarter 2002 and year-to-date 2002 largely due to the commercial operation of Plant Smith Unit 3 beginning in April 2002. Since energy expenses are generally offset by energy revenues through GULF's fuel cost recovery mechanism, these expenses do not have a significant impact on net income.

Purchased power - non-affiliates. In the third quarter 2002 and year-to-date 2002, purchased power from non-affiliates was lower primarily due to lower costs for energy compared to the same periods in 2001. Throughout the SOUTHERN system, an additional 2,279 megawatts of generation has been placed into commercial operation during 2002. Since energy expenses are generally offset by energy revenues through GULF's fuel clause recovery mechanism, these expenses do not have a significant impact on net income.

Maintenance expense. The decrease in the third quarter 2002 compared to the corresponding period in 2001 is due to a decrease in scheduled maintenance performed on power generating facilities. The year-to-date 2002 increase in maintenance expense is mainly attributed to scheduled turbine and boiler inspections and repairs for GULF's generating facilities.

Depreciation and amortization. This item increased for the third quarter 2002 and year-to-date 2002 primarily due to an increase in plant in service, including the addition of Plant Smith Unit 3, as compared to the same reporting periods in the prior year.

Taxes other than income taxes. The third quarter 2002 and year-to-date 2002 increases are primarily due to an increase in the state of Florida gross receipts tax and municipal and county franchise fees, which are offset by revenues collected from customers and do not have a significant impact on net income.

Other, net. The third quarter 2002 decrease in other, net is attributed to the allowance for equity funds used during construction related to Plant Smith Unit 3 recorded in the same period in 2001.

Interest expense, net. The primary reason for the increase in this expense for both reporting periods relates to additional sales of an aggregate amount of $180 million of senior notes in the third and fourth quarters of 2001 and the first quarter of 2002. The proceeds from these sales were used to finance Plant Smith Unit 3, to refinance $30 million in first mortgage bonds and for general corporate purposes.

Distributions on preferred securities of subsidiary. The increases in the distributions on preferred securities are due to the issuance of $30 million of 7.375% Trust Preferred Securities in November 2001.

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 the effect of weather and the economy on energy sales.

With the enactment of the Energy Act and new legislation being discussed at federal and state levels to expand customer choice, GULF 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.

GULF's business activities are subject to extensive governmental regulation related to public health and the environment. Litigation over environmental issues and claims of various types, including property damage, personal injury and citizen enforcement of environmental requirements, has increased generally throughout the United States; in particular, personal injury claims for damages caused by alleged exposure to hazardous materials have become more frequent. Although the ultimate outcome of such litigation currently filed against GULF cannot be predicted at this time, management does not anticipate that the liabilities, if any, arising from such proceedings would have a material adverse effect on GULF's financial position, results of operations or cash flows.

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, including the EPA litigation, see Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS - "Environmental Matters" and Note 3 to the financial statements of GULF in the Form 10-K.

In 1999, the Florida PSC approved GULF's plan to reduce its authorized rate of return, reduce retail base rates and share revenues with its customers. The revenue sharing plan expired on April 22, 2002 at the commercial in-service date of Plant Smith Unit 3. Based upon the actual revenues for January through April 2002, there will be no refund to customers for this period. For additional information, see Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS - "Future Earnings Potential" of GULF in the Form 10-K.

In April 2002, the Florida PSC approved an annual base rate increase for GULF of $53.2 million which became effective in June 2002. Reference is made to Note (J) in the "Notes to the Condensed Financial Statements" herein and Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS - "Future Earnings Potential" of GULF in the Form 10-K for additional information.

On April 25, 2002, the Stakeholder Advisory Committee met and selected the candidates that will be considered for the SeTrans ISA. On June 27, 2002, SOUTHERN and other SeTrans sponsors submitted a Petition for Declaratory Order seeking the FERC's approval of the SeTrans governance structure and the selection of the ISA, as well as guidance on various issues. The FERC granted the petition on October 10, 2002, approving the governance structure and the selection process for the ISA. The FERC also provided guidance on other issues identified in the petition. On November 1, 2002, the SeTrans sponsors announced that they had selected the team of ESB International, Ltd. ("ESBI") and Accenture LLP as the preferred

candidate for ISA. Should negotiations with this candidate successfully conclude with final agreement among the parties, the sponsors intend to seek any regulatory or other approvals necessary for formation of the SeTrans RTO and the approval of ESBI/Accenture to serve in the capacity of SeTrans ISA. Reference is made to Item 1 - BUSINESS - "Certain Factors Affecting the Industry" and Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS - "Industry Restructuring" of GULF in the Form 10-K for additional information.

On July 31, 2002, the FERC issued a notice of proposed rulemaking entitled "Remedying Undue Discrimination Through Open Access Transmission Service and Standard Electricity Market Design." The FERC has indicated that the proposal, if adopted, would (among other things): (i) require transmission assets of jurisdictional utilities to be operated by an independent entity; (ii) establish a standard market design; (iii) establish a single type of transmission service that applies to all customers; (iv) assert jurisdiction over the transmission component of bundled retail service; (v) establish a generation reserve margin; (vi) establish bid caps for day-ahead and spot energy markets; and (vii) revise the FERC policy on the pricing of transmission expansions. The FERC has revised the comment schedule such that comments on certain issues are due on November 15, 2002 and comments on other issues are due on January 10, 2003. Reply comments are due on February 17, 2003. Any impact of this proposal on SOUTHERN and its subsidiaries will depend on the form in which final rules may be ultimately adopted.

Reference is made to Notes (C) through (E), (J) 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. Reference is also made to Part II - Item 1 - "Legal Proceedings" herein. Reference is also made to Note (E) in the "Notes to the Condensed Financial Statements" herein for information relating to certain lawsuits regarding the installation of fiber optic cable over GULF's existing easements.

Accounting Policies

Critical Policy

GULF's significant accounting policies are described in Note 1 to the financial statements of GULF in Item 8 of the Form 10-K. GULF's only critical accounting policy involves rate regulation. GULF 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 GULF's operations is no longer subject to these provisions, GULF would be required to write off related regulatory assets and liabilities that are not specifically recoverable and determine if any other assets, including plant, have been impaired.

New Accounting Standards

In June 2001, the FASB issued Statement No. 143, "Asset Retirement Obligations," which establishes new accounting and reporting standards for legal obligations associated with retiring assets. The liability for an asset's future retirement must be recorded in the period in which the liability is incurred. The cost must be capitalized as part of the related long-lived asset and depreciated over the asset's useful life. Changes in the liability resulting from the passage of time will be recognized as operating expenses. Statement No. 143 must be adopted by January 1, 2003. GULF is currently assessing the impact of adopting Statement No. 143 on its financial statements.

In July 2002, the FASB issued Statement No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." Statement No. 146 requires that a liability for costs associated with an exit or disposal activity be recognized and measured initially at fair value when the liability is incurred. Disposal activities which are addressed in Statement No. 146 include the termination benefits provided to current employees that are involuntarily terminated, costs to terminate a contract that is not a capital lease and costs to consolidate facilities or relocate employees. Statement No. 146 is effective for exit or disposal activities that are initiated after December 31, 2002. GULF does not expect that adoption of Statement No. 146 will have a material impact on its financial statements.

Reference is made to Note 1 to the financial statements of GULF in Item 8 of the Form 10-K regarding GULF's adoption of FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended. Recent accounting changes have been issued by the Emerging Issues Task Force ("EITF") of the FASB. These changes will require certain energy trading contracts that are currently marked to market to be accounted for under the accrual basis. These changes will also require certain trading activities to be recorded on a net basis for income statement presentation. The new rules will be effective January 1, 2003. GULF is in the process of determining the impact of this recently issued guidance. However, in many cases, GULF's current transactions meet the normal purchases and sale exception under FASB Statement No. 133 and are already accounted for under the accrual basis.

FINANCIAL CONDITION

Overview

Major changes in GULF's financial condition during the first nine months of 2002 included the addition of approximately $88.9 million to utility plant. The funds for these additions and other capital requirements were derived primarily from operations, other long-term debt and capital contributions from SOUTHERN. See GULF's Condensed Statements of Cash Flows herein for further details.

Credit Rating Risk

GULF does not have any credit agreements that would require material changes in payment schedules or terminations as a result of a credit rating downgrade.

Exposure to Market Risks

GULF's market risk exposures relative to interest rate changes have not changed materially compared with the December 31, 2001 reporting period. In addition, GULF is not aware of any facts or circumstances that would significantly affect such exposures in the near term.

Due to cost-based rate regulations, GULF has limited exposure to market volatility in interest rates, commodity fuel prices and prices of electricity. To mitigate residual risks relative to movements in electricity prices, GULF enters into fixed price contracts for the purchase and sale of electricity through the wholesale electricity market and, to a lesser extent, similar contracts for gas purchases. GULF has received approval from the Florida PSC to recover prudently incurred costs related to its fuel hedging program through the fuel cost recovery mechanism. The fair value of derivative energy contracts at September 30, 2002 is as follows:

	Third Quarter 2002 Changes	Year-to-Date Changes
	Fair Value	
	(in thousands)	
Contracts beginning of period	$ (64)	$(110)
Contracts realized or settled	81	126
New contracts at inception	-	-
Changes in valuation techniques	-	-
Current period changes	151	152
Contracts at September 30, 2002	$168	$ 168

	Source of September 30, 2002 Valuation Prices		
	Total	Maturity	
	Fair Value	Year 1	1-3 Years
	(in thousands)		
Actively quoted	$168	$168	$-
External sources	-	-	-
Models and other methods	-	-	-
Contracts at September 30, 2002	$168	$168	$-

Realized gains and losses are recognized in the Statements of Income as incurred. These amounts were not material for the quarter and year-to-date periods ended September 30, 2002 and 2001.

Reference is made to Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS - "Exposure to Market Risks" of GULF in the Form 10-K and Note 1 to the financial statements of GULF in Item 8 of the Form 10-K for additional information.

Financing Activities

In January 2002, GULF issued $45 million of Series E 6.00% Senior Notes due January 30, 2012. The proceeds from the sale were used by GULF to finance certain construction costs incurred in connection with Plant Smith Unit 3, GULF's 574 megawatt combined-cycle facility, which was placed in service in April 2002, and for general corporate purposes.

In September 2002, GULF sold through public authorities $13 million of solid waste disposal facilities revenue refunding bonds due September 1, 2028. The proceeds, together with other moneys of GULF, were used to redeem $13 million aggregate principal amount of solid waste disposal facilities revenue bonds, Series 1993.

Also in September 2002, GULF sold through public authorities $42 million of pollution control revenue bonds due September 1, 2037. The proceeds, together with any investment proceeds and other moneys of GULF, were used to redeem $42 million aggregate principal amount of pollution control revenue bonds, First Series 1994 and Second Series 1994.

GULF plans to continue, to the extent possible, a program to retire higher-cost securities and replace these obligations with lower-cost capital if market conditions permit.

Capital Requirements

Reference is made to Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS of GULF under "Capital Requirements for Construction," "Other Capital Requirements" and "Environmental Matters" in the Form 10-K for a description of GULF's capital requirements for its construction program, maturing debt and environmental compliance efforts.

GULF signed an agreement with the Florida Department of Environmental Protection in August 2002 that calls for the installation of additional equipment at Plant Crist to proactively address ozone problems. Once the agreement receives final approval from the Florida PSC for recovery through the Environmental Cost Recovery Clause, the agreement will increase GULF's estimated construction expenditures for 2003 and 2004 by $12 million and $38 million, respectively.

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. 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, 2002 approximately $6.1 million of cash and cash equivalents and $61.9 million of unused committed lines of credit with banks that expire in 2002 and $61.5 million that expire in 2003. The credit arrangements provide liquidity support to GULF's obligations with respect to variable rate pollution control bonds and commercial paper. GULF may also meet short-term cash needs through a SOUTHERN subsidiary organized to issue and sell commercial paper and extendible commercial notes at the request and for the benefit of GULF and other SOUTHERN subsidiaries. At September 30, 2002, GULF had outstanding $57.9 million of notes payable. Management believes that the need for working capital can be adequately met by utilizing lines of credit without maintaining large cash balances.

MISSISSIPPI POWER COMPANY

MISSISSIPPI POWER COMPANY
CONDENSED STATEMENTS OF INCOME (UNAUDITED)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2002	2001	**2002**	2001
	(in thousands)		*(in thousands)*	
Operating Revenues:				
Retail sales	**$ 159,097**	$ 145,067	**$ 416,165**	$ 387,448
Sales for resale --				
Non-affiliates	**64,421**	67,514	**168,755**	157,239
Affiliates	**14,959**	19,859	**35,028**	55,451
Other revenues	**4,600**	3,476	**11,565**	11,039
Total operating revenues	**243,077**	235,916	**631,513**	611,177
Operating Expenses:				
Operation --				
Fuel	**88,331**	92,741	**215,305**	203,289
Purchased power --				
Non-affiliates	**6,134**	9,546	**13,391**	38,352
Affiliates	**6,201**	5,879	**23,994**	50,582
Other	**39,026**	36,208	**111,490**	95,341
Maintenance	**15,050**	13,167	**56,327**	40,456
Depreciation and amortization	**14,166**	13,986	**42,596**	39,864
Taxes other than income taxes	**14,159**	11,126	**41,070**	33,775
Total operating expenses	**183,067**	182,653	**504,173**	501,659
Operating Income	**60,010**	53,263	**127,340**	109,518
Other Income:				
Interest income	**192**	195	**360**	418
Other, net	**(427)**	1,964	**750**	4,027
Earnings Before Interest and Income Taxes	**59,775**	55,422	**128,450**	113,963
Interest Expense and Other:				
Interest expense, net	**4,394**	4,800	**13,719**	17,964
Distributions on preferred securities of subsidiary	**616**	678	**2,386**	2,034
Total interest charges and other, net	**5,010**	5,478	**16,105**	19,998
Earnings Before Income Taxes	**54,765**	49,944	**112,345**	93,965
Income taxes	**20,878**	19,061	**42,681**	35,790
Net Income Before Cumulative Effect of Accounting Change	**33,887**	30,883	**69,664**	58,175
Cumulative effect of accounting change -- less income taxes of $43 thousand	**-**	-	**-**	70
Net Income	**33,887**	30,883	**69,664**	58,245
Dividends on Preferred Stock	**503**	504	**1,510**	1,538
Net Income After Dividends on Preferred Stock	**$ 33,384**	$ 30,379	**$ 68,154**	$ 56,707

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)

	For the Nine Months Ended September 30,	
	2002	2001
	(in thousands)	
Operating Activities:		
Net income	**$ 69,664**	$58,245
Adjustments to reconcile net income		
to net cash provided from operating activities --		
Depreciation and amortization	**45,784**	42,868
Deferred income taxes and investment tax credits, net	**(7,147)**	(8,082)
Other, net	**3,688**	6,481
Changes in certain current assets and liabilities --		
Receivables, net	**3,722**	(20,660)
Fossil fuel stock	**1,896**	(23,763)
Materials and supplies	**140**	(2,909)
Accounts payable	**(9,400)**	27,625
Other	**34,843**	37,269
Net cash provided from operating activities	**143,190**	117,074
Investing Activities:		
Gross property additions	**(48,858)**	(37,433)
Other	**(12,463)**	(6,121)
Net cash used for investing activities	**(61,321)**	(43,554)
Financing Activities:		
Decrease in notes payable, net	**(15,973)**	(39,075)
Proceeds --		
Senior notes	**80,000**	-
Preferred securities	**35,000**	-
Capital contributions from parent company	**11,779**	70,579
Retirements --		
First mortgage bonds	**(650)**	(36,000)
Senior notes	**(80,418)**	(20,718)
Preferred securities	**(35,000)**	-
Payment of preferred stock dividends	**(1,510)**	(1,538)
Payment of common stock dividends	**(47,625)**	(37,800)
Other	**(1,144)**	(77)
Net cash used for financing activities	**(55,541)**	(64,629)
Net Increase in Cash and Cash Equivalents	**26,328**	8,891
Cash and Cash Equivalents at Beginning of Period	**18,950**	7,531
Cash and Cash Equivalents at End of Period	**$ 45,278**	$16,422
Supplemental Cash Flow Information:		
Cash paid during the period for --		
Interest (net of amount capitalized)	**$11,476**	$16,176
Income taxes (net of refunds)	**$26,538**	$4,493

The accompanying notes as they relate to MISSISSIPPI are an integral part of these condensed statements.

MISSISSIPPI POWER COMPANY
CONDENSED BALANCE SHEETS (UNAUDITED)

Assets	At September 30, 2002	At December 31, 2001
	(in thousands)	
Current Assets:		
Cash and cash equivalents	**$ 45,278**	$ 18,950
Receivables --		
Customer accounts receivable	**63,770**	48,200
Under recovered regulatory clauses	**24,300**	15,086
Other accounts and notes receivable	**5,804**	26,068
Affiliated companies	**14,368**	22,569
Accumulated provision for uncollectible accounts	**(1,029)**	(856)
Fossil fuel stock, at average cost	**29,593**	31,489
Materials and supplies, at average cost	**23,083**	23,223
Other	**26,731**	16,002
Total current assets	**231,898**	200,731
Property, Plant, and Equipment:		
In service	**1,783,933**	1,741,499
Less accumulated provision for depreciation	**727,412**	698,681
	1,056,521	1,042,818
Construction work in progress	**35,772**	38,253
Property, plant, and equipment	**1,092,293**	1,081,071
Other Property and Investments	**2,970**	1,900
Deferred Charges and Other Assets:		
Deferred charges related to income taxes	**12,811**	13,394
Prepaid pension costs	**14,037**	11,171
Debt expense, being amortized	**4,349**	4,396
Premium on reacquired debt, being amortized	**7,321**	6,719
Other	**18,034**	20,821
Total deferred charges and other assets	**56,552**	56,501
Total Assets	**$ 1,383,713**	$ 1,340,203

The accompanying notes as they relate to MISSISSIPPI are an integral part of these condensed statements.

MISSISSIPPI POWER COMPANY
CONDENSED BALANCE SHEETS (UNAUDITED)

Liabilities and Stockholder's Equity	At September 30, 2002	At December 31, 2001
	(in thousands)	
Current Liabilities:		
Securities due within one year	$ 35,020	$ 80,020
Notes payable	-	15,973
Accounts payable --		
Affiliated	14,180	16,642
Other	71,418	82,072
Customer deposits	6,816	6,540
Taxes accrued --		
Income taxes	37,221	14,981
Other	32,366	35,282
Interest accrued	8,099	5,079
Vacation pay accrued	5,810	5,810
Regulatory clauses over recovery	28,316	13,296
Other	8,485	12,040
Total current liabilities	247,731	287,735
Long-term debt	277,719	233,753
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	135,275	138,913
Deferred credits related to income taxes	21,505	23,626
Accumulated deferred investment tax credits	21,358	22,268
Employee benefits provisions	48,765	45,827
Other	40,562	29,592
Total deferred credits and other liabilities	267,465	260,226
Company obligated mandatorily redeemable preferred securities of subsidiary trust holding company junior subordinated notes	35,000	35,000
Preferred stock	31,809	31,809
Common Stockholder's Equity:		
Common stock equity --		
Authorized - 1,130,000 shares		
Outstanding - 1,121,000 shares		
Par value	37,691	37,691
Paid-in capital	279,035	267,256
Premium on preferred stock	326	326
Retained earnings	206,937	186,407
Total common stockholder's equity	523,989	491,680
Total Liabilities and Stockholder's Equity	$ 1,383,713	$ 1,340,203

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 2002 vs. THIRD QUARTER 2001
AND
YEAR-TO-DATE 2002 vs. YEAR-TO-DATE 2001

RESULTS OF OPERATIONS

Earnings

MISSISSIPPI's net income after dividends on preferred stock for the third quarter 2002 and year-to date 2002 was $33.4 million and $68.1 million, respectively, compared to $30.4 million and $56.7 million for the corresponding periods of 2001. Earnings increased $3.0 million, or 9.9%, for the third quarter 2002 and $11.4 million, or 20.2%, year-to-date 2002 primarily due to higher operating revenues.

Significant income statement items appropriate for discussion include the following:

	Increase (Decrease)			
	Third Quarter		Year-To-Date	
	(in thousands)	*%*	*(in thousands)*	*%*
Retail sales	$14,030	9.7	$ 28,717	7.4
Sales for resale - non-affiliates	(3,093)	(4.6)	11,516	7.3
Sale for resale - affiliates	(4,900)	(24.7)	(20,423)	(36.8)
Fuel expense	(4,410)	(4.8)	12,016	5.9
Purchased power - non-affiliates	(3,412)	(35.7)	(24,961)	(65.1)
Purchased power - affiliates	322	5.5	(26,588)	(52.6)
Other operation expense	2,818	7.8	16,149	16.9
Maintenance expense	1,883	14.3	15,871	39.2
Taxes other than income taxes	3,033	27.3	7,295	21.6
Other, net	(2,391)	(121.7)	(3,277)	(81.4)
Interest expense, net	(406)	(8.5)	(4,245)	(23.6)

Retail sales. Excluding fuel revenues, which generally do not affect net income, retail sales revenue increased by $12.6 million, or 15.0%, in the third quarter 2002 and by $34.9 million, or 15.9%, year-to-date 2002 when compared to the corresponding periods in 2001 primarily due to the retail rate increase which took effect in January 2002 and, to a lesser extent, higher retail energy sales. (Reference is made to Note (K) in the "Notes to the Condensed Financial Statements" herein for additional information.) Retail energy sales in the third quarter 2002 compared to the same period in 2001 increased for residential and commercial customers by 3.7% and 0.5%, respectively, while sales to industrial customers decreased by 2.4%. For year-to-date 2002 as compared to the corresponding period in 2001, total retail sales increased 4.0% and 1.8% for residential and commercial customers, respectively, and decreased 1.4% for industrial customers. Energy sales to industrial customers continue to be affected by the sluggish economy.

Sales for resale - non-affiliates. During the third quarter 2002 sales for resale to non-affiliates were lower than the amounts recorded in the same period in 2001 mainly due to decreased demand from these customers. The year-to-date 2002 increase in sales for resale to non-affiliates is primarily due to increased demand for energy by non-affiliates and commercial operation in May 2001 of Plant Daniel Units 3 and 4 when compared to the corresponding periods in 2001.

Sales for resale - affiliates and Purchased power - affiliates. Revenues from sales for resale to affiliated companies, as well as purchases of energy, within the SOUTHERN system will vary 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. In the third quarter 2002, fuel expense decreased as a result of lower unit fuel prices when compared to the same period in the prior year. For year-to-date 2002, higher fuel expenses as compared to 2001 resulted from increased generation. Since energy expenses are generally offset by energy revenues through MISSISSIPPI's retail and wholesale fuel cost recovery clauses, these expenses do not have a significant impact on earnings.

Purchased power - non-affiliates. During the third quarter 2002 and year-to-date 2002, purchased power from non-affiliates decreased as a result of lower costs associated with these energy purchases and the utilization of electricity within the SOUTHERN system when compared to the corresponding periods in 2001. Throughout the SOUTHERN system, an additional 2,279 megawatts of generation has been placed into commercial operation during 2002. These purchased power transactions do not have a significant impact on net income since energy expenses are generally offset by energy revenues through MISSISSIPPI's retail and wholesale fuel cost recovery clauses.

Other operation expense. Other operation expense increased in the third quarter 2002 primarily due to higher administrative and general expenses. The year-to-date 2002 increase was largely related to lease payments associated with the commercial operation of Plant Daniel Units 3 and 4, which began in May 2001.

Maintenance expense. Maintenance expense was higher during the third quarter 2002 and year-to-date 2002 when compared to the same periods in the prior year primarily due to scheduled maintenance performed at Plant Watson and Plant Daniel in 2002.

Taxes other than income taxes. For the third quarter 2002 and year-to-date 2002, the increases in taxes other than income taxes are primarily attributed to additional property taxes related to the commercial operation of Plant Daniel Units 3 and 4.

Other, net. The reduction in other, net for the third quarter 2002 and year-to-date 2002 is mostly related to project work requested by customers in the corresponding periods of 2001.

Interest expense, net. Decreases in this item for the third quarter 2002 and year-to-date 2002 when compared to the same periods in the prior year are largely a result of lower interest rates on long-term debt and notes payable outstanding.

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 the effect of weather and the economy on energy sales.

In December 2001, the Mississippi PSC approved MISSISSIPPI's annual retail rate increase of approximately $39 million, which became effective in January 2002. For additional information, see Note (K) in the "Notes to the Condensed Financial Statements" herein.

Reference is made to Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS - "Future Earnings Potential" of MISSISSIPPI in the Form 10-K regarding the settlement agreement between MISSISSIPPI and certain wholesale customers to increase its wholesale tariff rates effective June 1, 2002. On April 19, 2002, the FERC accepted for filing the settlement agreement and placed the new tariff rates in effect June 1, 2002, without modifying the agreement reached between MISSISSIPPI and its customers. For additional information, see Note (L) in the "Notes to the Condensed Financial Statements" herein.

With the enactment of the Energy Act and new legislation being discussed at the federal level to expand customer choice, MISSISSIPPI 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.

MISSISSIPPI's business activities are subject to extensive governmental regulation related to public health and the environment. Litigation over environmental issues and claims of various types, including property damage, personal injury and citizen enforcement of environmental requirements, has increased generally throughout the United States; in particular, personal injury claims for damages caused by alleged exposure to hazardous materials have become more frequent.

MISSISSIPPI's 2002 ECO Plan filing was approved, as filed, by the Mississippi PSC on March 5, 2002, and resulted in a slight increase in rates. Compliance costs related to the Clean Air Act could affect earnings if such costs cannot continue to be recovered. For additional information about the Clean Air Act and other environmental issues, including the EPA litigation, see Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS - "Environmental Matters" and Note 3 to the financial statements of MISSISSIPPI in the Form 10-K.

On April 25, 2002, the Stakeholder Advisory Committee met and selected the candidates that will be considered for the SeTrans ISA. On June 27, 2002, SOUTHERN and other SeTrans sponsors submitted a Petition for Declaratory Order seeking the FERC's approval of the SeTrans governance structure and the selection process for the ISA, as well as guidance on various issues. The FERC granted the petition on October 10, 2002, approving the governance structure and the selection process for the ISA. The FERC also provided guidance on other issues identified in the petition. On November 1, 2002, the SeTrans sponsors announced that they had selected the team of ESB International, Ltd. ("ESBI") and Accenture LLP as the preferred candidate for ISA. Should negotiations with this candidate successfully conclude with final agreement among the parties, the sponsors intend to seek any regulatory or other approvals necessary for formation of the SeTrans RTO and the approval of ESBI/Accenture to serve in the capacity of SeTrans ISA. Reference is made to Item 1 - BUSINESS - "Certain Factors Affecting the Industry" and Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS - "Industry Restructuring" of MISSISSIPPI in the Form 10-K for additional information.

On July 31, 2002, the FERC issued a notice of proposed rulemaking entitled "Remedying Undue Discrimination Through Open Access Transmission Service and Standard Electricity Market Design." The FERC has indicated that the proposal, if adopted, would (among other things): (i) require transmission assets of jurisdictional utilities to be operated by an independent entity; (ii) establish a standard market design; (iii) establish a single type of transmission service that applies to all customers; (iv) assert jurisdiction over the transmission component of bundled retail service; (v) establish a generation reserve margin; (vi) establish bid caps for day-ahead and spot energy markets; and (vii) revise the FERC policy on the pricing of transmission

expansions. The FERC has revised the comment schedule such that comments on certain issues are due on November 15, 2002, and comments on other issues are due on January 10, 2003. Reply comments are due on February 17, 2003. Any impact of this proposal on SOUTHERN and its subsidiaries will depend on the form in which final rules may be ultimately adopted.

Reference is made to Note 6 to MISSISSIPPI's financial statements in the Form 10-K regarding Long-Term Capacity Sales Agreements. MISSISSIPPI has entered into a capacity sales contract under which minimum capacity revenues to MISSISSIPPI would average approximately $21 million annually through May 2011. The customer for that capacity, a subsidiary of Dynegy Inc. ("Dynegy"), is currently experiencing liquidity problems and has had its credit rating reduced below investment grade. Dynegy has provided MISSISSIPPI with a letter of credit expiring in February 2003 totaling $26 million (approximately 15 months of capacity payments). This letter of credit can be drawn if it is not replaced by acceptable security prior to expiration or if there is a default under the contract. In the event of such a default, and if MISSISSIPPI was unable to resell that capacity in the market, future earnings could be affected. The outcome cannot now be determined.

Reference is made to Notes (C) through (E), (K), (L) 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. Reference is also made to Part II - Item 1 - "Legal Proceedings" herein. Reference is also made to Note (E) in the "Notes to the Condensed Financial Statements" herein for information relating to certain lawsuits regarding the installation of fiber optic cable over MISSISSIPPI's existing easements.

Accounting Policies

Critical Policies

MISSISSIPPI's significant accounting policies are described in Note 1 to the financial statements of MISSISSIPPI in Item 8 of the Form 10-K. MISSISSIPPI's critical accounting policies involve rate regulation and lease accounting. MISSISSIPPI 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 MISSISSIPPI's operations is no longer subject to these provisions, MISSISSIPPI would be required to write off related regulatory assets and liabilities that are not specifically recoverable and determine if any other assets, including plant, have been impaired.

Additionally, MISSISSIPPI accounts for its lease agreement with Escatawpa Funding, Limited Partnership ("Escatawpa") as an operating lease. Under this agreement, Escatawpa, a special purpose entity, is owner-lessor of the combined-cycle generating units at MISSISSIPPI's Plant Daniel. MISSISSIPPI does not consolidate this entity since parties unrelated to MISSISSIPPI have made substantive residual equity capital investments in excess of 3 percent. In June 2002, the FASB issued an exposure draft for comment of a proposed interpretation on "Consolidation of Certain Special-Purpose Entities," an interpretation of Accounting Research Bulletin No. 51. It is expected that the exposure draft would be finalized by year end, with an effective date for existing transactions subject to the interpretation, including MISSISSIPPI's lease transaction, to be implemented on April 1, 2003. This interpretation is in draft form; the final pronouncement may differ from the draft. However, in its current draft form, MISSISSIPPI would be deemed to be the "primary beneficiary" of its lease arrangement with Escatawpa and would be required to consolidate the leased asset and

related debt on its books or to restructure the existing arrangement to comply with the final rules. Until final rules are approved by the FASB, MISSISSIPPI will continue to analyze the impact of the exposure draft. MISSISSIPPI's current operating lease arrangement with Escatawpa has been reviewed and approved by the Mississippi PSC and is reflected and approved for recovery in both its retail and wholesale rate jurisdictions. Consolidation of the leased asset and related debt could require MISSISSIPPI to seek additional regulatory review.

New Accounting Standards

In June 2001, the FASB issued Statement No. 143, "Asset Retirement Obligations," which establishes new accounting and reporting standards for legal obligations associated with retiring assets. The liability for an asset's future retirement must be recorded in the period in which the liability is incurred. The cost must be capitalized as part of the related long-lived asset and depreciated over the asset's useful life. Changes in the liability resulting from the passage of time will be recognized as operating expenses. Statement No. 143 must be adopted by January 1, 2003. MISSISSIPPI is currently assessing the impact of adopting Statement No. 143 on its financial statements.

In July 2002, the FASB issued Statement No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." Statement No. 146 requires that a liability for costs associated with an exit or disposal activity be recognized and measured initially at fair value when the liability is incurred. Disposal activities which are addressed in Statement No. 146 include the termination benefits provided to current employees that are involuntarily terminated, costs to terminate a contract that is not a capital lease and costs to consolidate facilities or relocate employees. Statement No. 146 is effective for exit or disposal activities that are initiated after December 31, 2002. MISSISSIPPI does not expect that adoption of Statement No. 146 will have a material impact on its financial statements.

Reference is made to Note 1 to the financial statements of MISSISSIPPI in Item 8 of the Form 10-K regarding MISSISSIPPI's adoption of FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended. Recent accounting changes have been issued by the Emerging Issues Task Force ("EITF") of the FASB. These changes will require certain energy trading contracts that are currently marked to market to be accounted for under the accrual basis. These changes will also require certain trading activities to be recorded on a net basis for income statement presentation. The new rules will be effective January 1, 2003. MISSISSIPPI is in the process of determining the impact of this recently issued guidance. However, in many cases, MISSISSIPPI's current transactions meet the normal purchases and sale exception under FASB Statement No. 133 and are already accounted for under the accrual basis.

FINANCIAL CONDITION

Overview

Major changes in MISSISSIPPI's financial condition during the first nine months of 2002 included the addition of approximately $48.9 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 herein for further details.

Off-Balance Sheet Financing Arrangements

In May 2001, MISSISSIPPI began the initial 10-year term of an operating lease agreement signed in 1999 with Escatawpa, a special purpose entity, to use a combined-cycle generating facility located at MISSISSIPPI's Plant Daniel. The facility cost approximately $370 million. The lease provides for a residual value guarantee -- approximately 71 percent of the completion cost -- by MISSISSIPPI that is due upon termination of the lease in certain circumstances. Reference is made to Note 4 to the financial statements of MISSISSIPPI in Item 8 of the Form 10-K and to "Critical Policies" above for additional information.

Credit Rating Risk

MISSISSIPPI does not have any credit agreements that would require material changes in payment schedules or terminations as a result of a credit rating downgrade. There are certain fixed-price physical gas purchase contracts that could require collateral -- but not accelerated payment -- in the event of a credit rating change to below investment grade; however, at September 30, 2002, this exposure was immaterial.

Exposure to Market Risks

MISSISSIPPI's market risk exposures relative to interest rate changes have not changed materially compared with the December 31, 2001 reporting period. In addition, MISSISSIPPI is not aware of any facts or circumstances that would significantly affect such exposures in the near term.

Due to cost-based rate regulations, MISSISSIPPI has limited exposure to market volatility in interest rates, commodity fuel prices and prices of electricity. To mitigate residual risks relative to movements in electricity prices, MISSISSIPPI enters into fixed price contracts for the purchase and sale of electricity through the wholesale electricity market and, to a lesser extent, similar contracts for gas purchases. MISSISSIPPI has also implemented retail fuel hedging programs at the instruction of its PSC and wholesale fuel hedging programs under agreements with customers. The fair value of derivative, fuel and energy contracts is as follows:

	Third Quarter 2002 Changes	Year-to-Date Changes
	Fair Value	
	(in thousands)	
Contracts beginning of period	$6,844	$(3,830)
Contracts realized or settled	(105)	(296)
New contracts at inception	-	-
Changes in valuation techniques	-	-
Current period changes	2,770	13,635
Contracts at September 30, 2002	$9,509	$ 9,509

	Source of September 30, 2002 Valuation Prices		
	Total	Maturity	
	Fair Value	Year 1	1-3 Years
		(in thousands)	
Actively quoted	$9,509	$8,239	$1,270
External sources	-	-	-
Models and other methods	-	-	-
Contracts at September 30, 2002	$9,509	$8,239	$1,270

Unrealized gains and losses from mark to market adjustments on contracts related to the retail and wholesale fuel hedging programs are recorded as regulatory assets and liabilities. At September 30, 2002, MISSISSIPPI had approximately $9.5 million in regulatory liabilities related to unrealized gains on mark to market derivative contracts associated with its fuel hedging programs. Realized gains and losses from these programs are included in fuel expense and are recovered through MISSISSIPPI's energy cost management clauses. Reference is made to Note 1 to the financial statements of MISSISSIPPI in Item 8 of the Form 10-K and Note (L) in the "Notes to the Condensed Financial Statements" herein regarding the respective approvals of the retail and wholesale energy cost management clauses. Gains and losses on contracts that do not represent hedges are recognized in the Statements of Income as incurred. For the quarter and year-to-date periods ended September 30, 2002 and 2001, these amounts were not material.

For additional information, reference is made to Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS - "Exposure to Market Risks" of MISSISSIPPI in the Form 10-K and Note 1 to the financial statements of MISSISSIPPI in Item 8 of the Form 10-K.

Financing Activities

In March 2002, MISSISSIPPI issued $80 million of Series D Floating Rate Senior Notes due March 12, 2004. The proceeds of the sale were used to repay $80 million of Series C Floating Rate Senior Notes due March 28, 2002. Also in March 2002, Mississippi Power Capital Trust II, a statutory business trust, sold $35 million of its 7.20% Trust Originated Preferred Securities, which are guaranteed by MISSISSIPPI, for the purpose of redeeming in May 2002 $35 million of Mississippi Power Capital Trust I 7.75% Trust Originated Preferred Securities.

In October 2002, MISSISSIPPI sold through public authorities an aggregate principal amount of $42.625 million of Mississippi Business Finance Corporation Pollution Control Revenue Refunding Bonds, Series 2002 due September 1, 2028. The proceeds of this sale will be used to redeem (i) $16.75 million aggregate principal amount of Harrison County, Mississippi Pollution Control Revenue Refunding Bonds, Series 1992; (ii) $18 million aggregate principal amount of Jackson County, Mississippi Pollution Control Revenue Refunding Bonds, Series 1993; and (iii) $7.875 million aggregate principal amount of Mississippi Business Finance Corporation Water Pollution Control Revenue Refunding Bonds, Series 1993.

MISSISSIPPI plans to continue, to the extent possible, a program to retire higher-cost debt 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" and Note 3 to the financial statements in the Form 10-K for a description of MISSISSIPPI's capital requirements for its construction program, environmental compliance efforts and maturities of long-term debt.

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. 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, 2002, approximately $45.3 million of cash and cash equivalents and $60 million of unused committed credit arrangements with banks that expire in 2002 and $77.5 million that expire in 2003. The credit arrangements provide liquidity support to MISSISSIPPI's obligations with respect to variable rate pollution control bonds and commercial paper. MISSISSIPPI may also meet short-term cash needs through a SOUTHERN subsidiary organized to issue and sell commercial paper and extendible commercial notes at the request and for the benefit of MISSISSIPPI and other SOUTHERN subsidiaries. At September 30, 2002, MISSISSIPPI had no outstanding notes payable. 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)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2002	2001	**2002**	2001
	(in thousands)		*(in thousands)*	
Operating Revenues:				
Retail sales	**$93,530**	$88,398	**$222,770**	$217,533
Sales for resale --				
Non-affiliates	**1,728**	3,808	**4,758**	7,382
Affiliates	**957**	638	**3,119**	2,516
Other revenues	**756**	739	**2,062**	1,813
Total operating revenues	**96,971**	93,583	**232,709**	229,244
Operating Expenses:				
Operation --				
Fuel	**18,805**	18,096	**41,881**	40,609
Purchased power --				
Non-affiliates	**2,270**	13,510	**5,404**	21,592
Affiliates	**23,117**	12,391	**52,640**	41,096
Other	**13,796**	12,523	**39,794**	36,803
Maintenance	**5,273**	4,336	**18,045**	15,333
Depreciation and amortization	**5,072**	6,461	**17,660**	19,381
Taxes other than income taxes	**3,984**	3,934	**11,172**	10,679
Total operating expenses	**72,317**	71,251	**186,596**	185,493
Operating Income	**24,654**	22,332	**46,113**	43,751
Other Income (Expense):				
Interest income	**33**	33	**60**	150
Other, net	**(566)**	(310)	**(1,126)**	(1,495)
Earnings Before Interest and Income Taxes	**24,121**	22,055	**45,047**	42,406
Interest and Other:				
Interest expense, net	**2,821**	3,049	**8,295**	9,589
Distributions on preferred securities of subsidiary	**685**	685	**2,055**	2,055
Total interest and other, net	**3,506**	3,734	**10,350**	11,644
Earnings Before Income Taxes	**20,615**	18,321	**34,697**	30,762
Income taxes	**7,467**	7,012	**12,712**	11,753
Net Income Before Cumulative Effect of Accounting Change	**13,148**	11,309	**21,985**	19,009
Cumulative effect of accounting change -- less income taxes of $14 thousand	**-**	-	**-**	22
Net Income	**$ 13,148**	$ 11,309	**$ 21,985**	$ 19,031

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)

	For the Nine Months Ended September 30, 2002	2001
	(in thousands)	
Operating Activities:		
Net income	**$ 21,985**	$ 19,031
Adjustments to reconcile net income		
to net cash provided from operating activities --		
Depreciation and amortization	**19,109**	20,865
Deferred income taxes and investment tax credits, net	**(6,593)**	(10,667)
Other, net	**1,632**	5,273
Changes in certain current assets and liabilities --		
Receivables, net	**(1,090)**	1,468
Fossil fuel stock	**1,663**	(973)
Materials and supplies	**3,572**	(633)
Accounts payable	**4,121**	(13,186)
Other	**2,700**	27,760
Net cash provided from operating activities	**47,099**	48,938
Investing Activities:		
Gross property additions	**(26,354)**	(25,404)
Other, net	**(2,192)**	(472)
Net cash used for investing activities	**(28,546)**	(25,876)
Financing Activities:		
Decrease in notes payable, net	**(26,467)**	(19,160)
Proceeds --		
Senior notes	**-**	65,000
Other long-term debt	**25,840**	-
Capital contributions from parent company	**1,437**	277
Retirements --		
First mortgage bonds	**(436)**	(20,642)
Other long-term debt	**-**	(30,630)
Payment of common stock dividends	**(17,025)**	(16,300)
Other	**(72)**	(394)
Net cash used for financing activities	**(16,723)**	(21,849)
Net Increase in Cash and Cash Equivalents	**1,830**	1,213
Cash and Cash Equivalents at Beginning of Period	**2,391**	-
Cash and Cash Equivalents at End of Period	**$ 4,221**	$ 1,213
Supplemental Cash Flow Information:		
Cash paid during the period for --		
Interest (net of amount capitalized)	**$8,559**	$10,503
Income taxes (net of refunds)	**$18,881**	($1,982)

The accompanying notes as they relate to SAVANNAH are an integral part of these condensed statements.

SAVANNAH ELECTRIC AND POWER COMPANY
CONDENSED BALANCE SHEETS (UNAUDITED)

Assets	At September 30, 2002	At December 31, 2001
	(in thousands)	
Current Assets:		
Cash and cash equivalents	**$ 4,221**	$ 2,391
Receivables --		
Customer accounts receivable	**42,788**	29,959
Under recovered retail fuel clause revenue	**-**	11,974
Other accounts and notes receivable	**2,863**	2,882
Affiliated companies	**1,627**	1,170
Accumulated provision for uncollectible accounts	**(703)**	(500)
Fossil fuel stock, at average cost	**8,188**	9,851
Materials and supplies, at average cost	**9,396**	12,969
Prepaid taxes	**19,449**	12,511
Other	**4,492**	586
Total current assets	**92,321**	83,793
Property, Plant, and Equipment:		
In service	**886,141**	855,290
Less accumulated provision for depreciation	**420,427**	402,492
	465,714	452,798
Construction work in progress	**4,762**	8,540
Total property, plant, and equipment	**470,476**	461,338
Other Property and Investments	**3,460**	2,742
Deferred Charges and Other Assets:		
Deferred charges related to income taxes	**11,840**	12,283
Cash surrender value of life insurance for deferred compensation plans	**20,477**	20,002
Debt expense, being amortized	**3,074**	3,197
Premium on reacquired debt, being amortized	**6,415**	6,890
Other	**8,732**	4,498
Total deferred charges and other assets	**50,538**	46,870
Total Assets	**$ 616,795**	$ 594,743

The accompanying notes as they relate to SAVANNAH are an integral part of these condensed statements.

SAVANNAH ELECTRIC AND POWER COMPANY
CONDENSED BALANCE SHEETS (UNAUDITED)

Liabilities and Stockholder's Equity	At September 30, 2002	At December 31, 2001
	(in thousands)	
Current Liabilities:		
Securities due within one year	$ **20,906**	$ 1,178
Notes payable	**5,692**	32,159
Accounts payable --		
Affiliated	**10,772**	5,087
Other	**8,859**	10,160
Customer deposits	**6,095**	6,237
Taxes accrued --		
Income taxes	**3,012**	2,587
Other	**4,634**	1,668
Interest accrued	**5,025**	4,014
Vacation pay accrued	**2,448**	2,361
Other	**11,353**	9,097
Total current liabilities	**78,796**	74,548
Long-term debt	**166,385**	160,709
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	**78,230**	77,331
Deferred credits related to income taxes	**12,778**	13,776
Accumulated deferred investment tax credits	**9,455**	9,952
Employee benefits provisions	**31,922**	27,486
Other	**15,914**	14,023
Total deferred credits and other liabilities	**148,299**	142,568
Company obligated mandatorily redeemable preferred securities of subsidiary trusts holding company junior subordinated notes	**40,000**	40,000
Common Stockholder's Equity:		
Common stock, par value $5 per share --		
Authorized - 16,000,000 shares		
Outstanding - 10,844,635 shares		
Par value	**54,223**	54,223
Paid-in capital	**14,264**	12,827
Retained earnings	**114,828**	109,868
Total common stockholder's equity	**183,315**	176,918
Total Liabilities and Stockholder's Equity	$ **616,795**	$ 594,743

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 2002 vs. THIRD QUARTER 2001
AND
YEAR-TO-DATE 2002 vs. YEAR-TO-DATE 2001

RESULTS OF OPERATIONS

Earnings

SAVANNAH's net income for the third quarter 2002 and year-to-date 2002 was $13.1 million and $22.0 million, respectively, as compared to $11.3 million and $19.0 million for the corresponding periods of 2001. Earnings increased by $1.8 million, or 16.3%, in the third quarter 2002 and increased by $3.0 million, or 15.5%, year-to-date 2002. The increases in earnings for both periods in 2002 were primarily due to higher operating revenues and lower depreciation and amortization expenses, offset somewhat by higher operation and maintenance expenses, and higher purchased power capacity expenses.

Significant income statement items appropriate for discussion include the following:

	Increase (Decrease)			
	Third Quarter		Year-To-Date	
	(in thousands)	*%*	*(in thousands)*	*%*
Retail sales	$ 5,132	5.8	$ 5,237	2.4
Sales for resale - non-affiliates	(2,080)	(54.6)	(2,624)	(35.5)
Sale for resale - affiliates	319	50.0	603	24.0
Purchased power - non-affiliates	(11,240)	(83.2)	(16,188)	(75.0)
Purchased power - affiliates	10,726	86.6	11,544	28.1
Other operation expense	1,273	10.2	2,991	8.1
Maintenance expense	937	21.6	2,712	17.7
Depreciation and amortization	(1,389)	(21.5)	(1,721)	(8.9)
Interest expense, net	(228)	(7.5)	(1,294)	(13.5)

Retail sales. Excluding fuel revenues, which do not affect net income, retail sales revenue increased by $6.3 million, or 12.3%, for the third quarter 2002 and by $11.2 million, or 8.9%, for year-to-date 2002 when compared to the same periods in the prior year primarily as a result of increased demand due to hotter weather, growth in the number of customers served and the impact of the base rate increase. Energy sales in the third quarter 2002 increased by 7.8%, 7.5% and 9.3% to residential, commercial and industrial customers, respectively, when compared to the corresponding periods in 2001. Year-to-date energy sales increased to residential and commercial customers by 4.1% and 6.9%, respectively, while industrial energy sales were down slightly by 0.6%.

Sales for resale - non-affiliates. Sales for resale to non-affiliates during the third quarter 2002 and year-to-date 2002 decreased when compared to the same periods in 2001 primarily due to lower demand for energy by non-affiliates. These transactions do not have a significant impact on earnings since the energy is usually sold at variable cost.

Sales for resale - affiliates. Revenues from sales for resale to affiliated companies within the SOUTHERN system will vary depending on demand and the availability and cost of generating resources at each company. These transactions do not have a significant impact on earnings.

Purchased power - non-affiliates. Decreases in purchased power from non-affiliates for the third quarter 2002 and year-to-date 2002 are directly related to the 7½ year PPA between SAVANNAH and SOUTHERN POWER for energy and capacity from Plant Wansley Units 6 and 7 which began operation in June 2002. The energy which was previously purchased from non-affiliated companies is now being purchased from affiliates. Throughout the SOUTHERN system, an additional 2,279 megawatts of generation has been placed into commercial operation during 2002. Non-affiliated transactions are primarily energy and do not have a significant impact on earnings, as energy costs are generally recovered through SAVANNAH's fuel cost recovery clause.

Purchased power - affiliates. As noted above, the increase in purchased power from affiliates was due to the new PPA with SOUTHERN POWER which became effective June 2002. The annual capacity costs of this PPA are approximately $14.0 million. The capacity costs of the PPA will be recovered through base rates and the energy component is recovered through the fuel cost recovery clause. (Reference is made to Note (M) in the "Notes to the Condensed Financial Statements" herein.) Purchased power-affiliates also includes energy purchases which will vary depending on demand and cost of generation resources at each company. These energy costs are recovered through the fuel cost recovery clause and have no significant impact on earnings.

Other operation expense. During the third quarter 2002 and year-to-date 2002, other operation expense increased when compared to the corresponding periods in 2001. The third quarter 2002 and year-to-date 2002 increases are primarily attributed to higher distribution expenses and higher administrative and general expenses.

Maintenance expense. The third quarter 2002 and year-to-date 2002 increases when compared to the corresponding periods in 2001 are primarily a result of scheduled maintenance outages at Plant Kraft and amortization of expenses for a major maintenance project on the combustion turbines at Plant McIntosh.

Depreciation and amortization. This item decreased in the third quarter 2002 and year-to-date 2002 primarily as a result of discontinuing accelerated depreciation and beginning to amortize the regulatory liability for accelerated depreciation back to the customers in June 2002, in accordance with the new retail rate order. (Reference is made to Note (M) in the "Notes to the Condensed Financial Statements" herein.)

Interest expense, net. A reduction in outstanding debt and lower interest rates are the reasons for the decreases in interest expense, net in the third quarter 2002 and year-to-date 2002 when compared to the same periods in 2001.

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 the effects of weather and the economy on energy sales. For information regarding the results of a recent rate filing, reference is made to Note (M) in the "Notes to the Condensed Financial Statements" herein for additional information.

With the enactment of the Energy Act and new legislation being discussed at federal and state levels to expand customer choice, SAVANNAH 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.

SAVANNAH's business activities are subject to extensive governmental regulation related to public health and the environment. Litigation over environmental issues and claims of various types, including property damage, personal injury and citizen enforcement of environmental requirements, has increased generally throughout the United States; in particular, personal injury claims for damages caused by alleged exposure to hazardous materials have become more frequent. Although the ultimate outcome of such litigation currently filed against SAVANNAH cannot be predicted at this time, management does not anticipate that the liabilities, if any, arising from such proceedings would have a material adverse effect on SAVANNAH's financial position, results of operations or cash flows.

Compliance costs related to the Clean Air Act and other environmental issues could affect earnings if such costs cannot be recovered. For additional information about the Clean Air Act and other environmental issues, including the EPA litigation, see Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS - "Environmental Matters" and Note 3 to the financial statements of SAVANNAH in the Form 10-K.

On April 25, 2002, the Stakeholder Advisory Committee met and selected the candidates that will be considered for the SeTrans ISA. On June 27, 2002, SOUTHERN and other SeTrans sponsors submitted a Petition for Declaratory Order seeking the FERC's approval of the SeTrans governance structure and the selection process for the ISA, as well as guidance on various issues. The FERC granted the petition on October 10, 2002, approving the governance structure and the selection process for the ISA. The FERC also provided guidance on other issues identified in the petition. On November 1, 2002, the SeTrans sponsors announced that they had selected the team of ESB International, Ltd. ("ESBI") and Accenture LLP as the preferred candidate for ISA. Should negotiations with this candidate successfully conclude with final agreement among the parties, the sponsors intend to seek any regulatory or other approvals necessary for formation of the SeTrans RTO and the approval of ESBI/Accenture to serve in the capacity of SeTrans ISA. Reference is made to Item 1 - BUSINESS - "Certain Factors Affecting the Industry" and Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS - "Industry Restructuring" of SAVANNAH in the Form 10-K for additional information.

SAVANNAH plans to retire a 102 megawatt peaking facility in May 2005. In June 2002, SAVANNAH entered into a fifteen-year PPA with SOUTHERN POWER to purchase 200 megawatts of capacity beginning in June 2005 from the planned combined-cycle plant at Plant McIntosh to be built and owned by SOUTHERN POWER. The annual capacity cost is expected to be approximately $14.5 million. The PPA is undergoing a certification process with the Georgia PSC. A decision is expected by December 17, 2002.

On July 31, 2002, the FERC issued a notice of proposed rulemaking entitled "Remedying Undue Discrimination Through Open Access Transmission Service and Standard Electricity Market Design." The FERC has indicated that the proposal, if adopted, would (among other things): (i) require transmission assets of jurisdictional utilities to be operated by an independent entity; (ii) establish a standard market design; (iii) establish a single type of transmission service that applies to all customers; (iv) assert jurisdiction over the transmission component of bundled retail service; (v) establish a generation reserve margin; (vi) establish bid caps for day-ahead and spot energy markets; and (vii) revise the FERC policy on the pricing of transmission expansions. The FERC has revised the comment schedule such that comments on certain issues are due on November 15, 2002 and comments on other issues are due on January 10, 2003. Reply comments are due on

February 17, 2003. Any impact of this proposal on SOUTHERN and its subsidiaries will depend on the form in which final rules may be ultimately adopted.

Reference is made to Notes (C) through (E), (M) 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. Reference is also made to Part II - Item 1 - "Legal Proceedings" herein. Reference is also made to Note (E) in the "Notes to the Condensed Financial Statements" herein for information relating to certain lawsuits regarding the installation of fiber optic cable over SAVANNAH's existing easements.

Accounting Policies

Critical Policy

SAVANNAH's significant accounting policies are described in Note 1 to the financial statements of SAVANNAH in Item 8 of the Form 10-K. SAVANNAH's only critical accounting policy involves rate regulation. SAVANNAH 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 SAVANNAH's operations is no longer subject to these provisions, SAVANNAH would be required to write off related regulatory assets and liabilities that are not specifically recoverable and determine if any other assets, including plant, have been impaired.

New Accounting Standards

In June 2001, the FASB issued Statement No. 143, "Asset Retirement Obligations," which establishes new accounting and reporting standards for legal obligations associated with retiring assets. The liability for an asset's future retirement must be recorded in the period in which the liability is incurred. The cost must be capitalized as part of the related long-lived asset and depreciated over the asset's useful life. Changes in the liability resulting from the passage of time will be recognized as operating expenses. Statement No. 143 must be adopted by January 1, 2003. SAVANNAH is currently assessing the impact of adopting Statement No. 143 on its financial statements.

In July 2002, the FASB issued Statement No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." Statement No. 146 requires that a liability for costs associated with an exit or disposal activity be recognized and measured initially at fair value when the liability is incurred. Disposal activities which are addressed in Statement No. 146 include the termination benefits provided to current employees that are involuntarily terminated, costs to terminate a contract that is not a capital lease and costs to consolidate facilities or relocate employees. Statement No. 146 is effective for exit or disposal activities that are initiated after December 31, 2002. SAVANNAH does not expect that adoption of Statement No. 146 will have a material impact on its financial statements.

Reference is made to Note 1 to the financial statements of SAVANNAH in Item 8 of the Form 10-K regarding SAVANNAH's adoption of FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended. Recent accounting changes have been issued by the Emerging Issues Task Force ("EITF") of the FASB. These changes will require certain energy trading contracts that are currently marked to market to be accounted for under the accrual basis. These changes will also require certain trading activities to be recorded on a net basis for income statement presentation. The new rules will be effective January 1, 2003. SAVANNAH is in the process of determining the impact of this recently issued guidance.

However, in many cases, SAVANNAH's current transactions meet the normal purchases and sale exception under FASB Statement No. 133 and are already accounted for under the accrual basis.

FINANCIAL CONDITION

Overview

Major changes in SAVANNAH's financial condition during the first nine months of 2002 included the addition of approximately $26.3 million to utility plant. The funds for these additions and other capital requirements were derived primarily from operations and the issuance of securities. See SAVANNAH's Condensed Statements of Cash Flows herein for further details.

Credit Rating Risk

SAVANNAH does not have any credit agreements that would require material changes in payment schedules or terminations as a result of a credit rating downgrade.

Exposure to Market Risks

SAVANNAH's market risk exposures relative to interest rate changes have not changed materially compared with the December 31, 2001 reporting period. In addition, SAVANNAH is not aware of any facts or circumstances that would significantly affect such exposures in the near term.

Due to cost-based rate regulations, SAVANNAH has limited exposure to market volatility in interest rates, commodity fuel prices and prices of electricity. To mitigate residual risks relative to movements in electricity prices, SAVANNAH enters into fixed price contracts for the purchase and sale of electricity through the wholesale electricity market and, to a lesser extent, similar contracts for gas purchases. SAVANNAH has also implemented a retail fuel hedging program at the instruction of its PSC. The fair value of derivative energy contracts at September 30, 2002 is as follows:

	Third Quarter 2002 Changes	Year-to-Date Changes
	Fair Value	
	(in thousands)	
Contracts beginning of period	$ (47)	$(1,053)
Contracts realized or settled	297	261
New contracts at inception	-	-
Changes in valuation techniques	-	-
Current period changes	325	1,367
Contracts at September 30, 2002	$575	$ 575

	Source of September 30, 2002 Valuation Prices		
	Total	Maturity	
	Fair Value	Year 1	1-3 Years
		(in thousands)	
Actively quoted	$575	$575	-
External sources	-	-	-
Models and other methods	-	-	-
Contracts at September 30, 2002	$575	$575	-

Unrealized gains and losses from mark to market adjustments on contracts related to the retail fuel hedging programs are recorded as regulatory assets and liabilities. At September 30, 2002, SAVANNAH had approximately $578 thousand in regulatory liabilities related to unrealized gains on mark to market derivative contracts associated with its fuel hedging programs. Realized gains and losses from these programs are included in fuel expense and are recovered through SAVANNAH's fuel cost recovery clause. Gains and losses on contracts that do not represent hedges are recognized in the Statements of Income as incurred. For the quarter and year-to-date periods ended September 30, 2002 and 2001, these amounts were not material.

For additional information, reference is made to Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS - "Exposure to Market Risks" of SAVANNAH in the Form 10-K and Note 1 to the financial statements of SAVANNAH in Item 8 of the Form 10-K.

Financing Activities

In September 2002, SAVANNAH entered into a three-year revolving credit agreement in the amount of $30 million. SAVANNAH immediately borrowed $25 million against this line, which will remain outstanding until the termination of the line on September 6, 2005. This long-term borrowing is priced at 6 months LIBOR + 37.5 basis points. The proceeds of the borrowing were used to pay off short-term indebtedness.

On November 7, 2002, SAVANNAH issued $55 million of Series D 5.50% Senior Insured Quarterly Notes due November 15, 2017. The proceeds will be used to redeem in December 2002 $23.1 million outstanding aggregate principal amount of its First Mortgage Bonds, 7.40% Series due July 1, 2023 and $30 million outstanding aggregate principal amount of its Series A 6 5/8% Senior Retail Intermediate Bonds due March 17, 2015 and for general corporate purposes.

SAVANNAH plans to continue, to the extent possible, a program to retire higher-cost debt and replace these securities with lower-cost capital.

Capital Requirements

Reference is made to Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS of SAVANNAH under "Capital Requirements for Construction," "Other Capital Requirements" and "Environmental Matters" in the Form 10-K for a description of SAVANNAH's capital requirements for its construction program, maturing debt and environmental compliance efforts.

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. 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, 2002 approximately $4.2 million of cash and cash equivalents and $65 million of committed credit arrangements with banks, of which $10 million expired on October 28, 2002, $40 million expires in 2003 and $15 million expires in 2005. The credit arrangements provide liquidity support to SAVANNAH's obligations with respect to variable rate pollution control bonds and commercial paper. SAVANNAH may also meet short-term cash needs through a SOUTHERN subsidiary organized to issue and sell commercial paper and extendible commercial notes at the request and for the benefit of SAVANNAH and other SOUTHERN subsidiaries. At September 30, 2002, SAVANNAH had outstanding $5.7 million of notes payable. 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.

SOUTHERN POWER COMPANY

SOUTHERN POWER COMPANY
CONDENSED STATEMENTS OF INCOME (UNAUDITED)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2002	2001	**2002**	2001
	(in thousands)		*(in thousands)*	
Operating Revenues:				
Sales for resale --				
Non-affiliates	**$ 43,458**	$ 12,999	**$ 86,300**	$ 12,999
Affiliates	**92,445**	1,603	**126,592**	1,603
Other revenues	**292**	2	**379**	2
Total Operating Revenues	**136,195**	14,604	**213,271**	14,604
Operating Expenses:				
Operation --				
Fuel	**50,740**	2,336	**71,905**	2,336
Purchased power --				
Non-affiliates	**20,489**	813	**31,214**	813
Affiliates	**4,407**	2,249	**9,198**	2,249
Other	**6,597**	782	**14,999**	2,474
Maintenance	**934**	45	**1,805**	45
Depreciation and amortization	**6,294**	1,307	**11,779**	1,307
Taxes other than income taxes	**1,437**	-	**2,940**	-
Total operating expenses	**90,898**	7,532	**143,840**	9,224
Operating Income	**45,297**	7,072	**69,431**	5,380
Other Income:				
Interest income	**31**	29	**260**	44
Other, net	**(3,406)**	36	**(4,855)**	36
Earnings Before Interest and Income Taxes	**41,922**	7,137	**64,836**	5,460
Interest and Other:				
Interest expense, net	**3,167**	260	**4,362**	261
Earnings Before Income Taxes	**38,755**	6,877	**60,474**	5,199
Income taxes	**11,426**	911	**19,832**	256
Net Income	**$ 27,329**	$ 5,966	**$ 40,642**	$ 4,943

The accompanying notes as they relate to SOUTHERN POWER are an integral part of these condensed statements.

SOUTHERN POWER COMPANY
CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)

	For the Nine Months Ended September 30, 2002	2001
	(in thousands)	
Operating Activities:		
Net income	**$ 40,642**	$ 4,943
Adjustments to reconcile net income		
to net cash provided from operating activities --		
Depreciation and amortization	**14,216**	1,307
Deferred income taxes and investment tax credits, net	**5,818**	-
Deferred revenues under purchased power agreements	**28,365**	3,478
Other, net	**5,163**	3,921
Changes in certain current assets and liabilities --		
Receivables, net	**(38,015)**	(8,398)
Fossil fuel stock	**(3,429)**	(3,378)
Materials and supplies	**(435)**	(5,731)
Accounts payable	**18,766**	6,468
Taxes accrued	**16,689**	2,807
Other	**4,384**	(389)
Net cash provided from operating activities	**92,164**	5,028
Investing Activities:		
Gross property additions	**(1,062,304)**	(417,440)
Construction payables, net	**(55,711)**	-
Other	**(340)**	-
Net cash used for investing activities	**(1,118,355)**	(417,440)
Financing Activities:		
Increase in notes payable, net	**212,900**	156,543
Proceeds --		
Senior notes	**575,000**	-
Capital contributions from parent company	**275,955**	255,376
Retirements --		
Other long-term debt	**(17,001)**	-
Other	**(24,326)**	544
Net cash provided from financing activities	**1,022,528**	412,463
Net Increase (Decrease) in Cash and Cash Equivalents	**(3,663)**	51
Cash and Cash Equivalents at Beginning of Period	**3,711**	-
Cash and Cash Equivalents at End of Period	**$ 48**	$ 51
Supplemental Cash Flow Information:		
Cash paid during the period for --		
Interest (net of amount capitalized)	**$-**	$-
Income taxes (net of refunds)	**$1,963**	$-

The accompanying notes as they relate to SOUTHERN POWER are an integral part of these condensed statements.

SOUTHERN POWER COMPANY
CONDENSED BALANCE SHEETS (UNAUDITED)

Assets	At September 30, 2002	At December 31, 2001
	(in thousands)	
Current Assets:		
Cash and cash equivalents	**$ 48**	$ 3,711
Receivables --		
Customer accounts receivable	**10,134**	3,416
Accumulated provision for uncollectible accounts	**(350)**	-
Affiliated companies	**49,863**	1,965
Fossil fuel stock, at average cost	**6,854**	3,425
Materials and supplies, at average cost	**6,166**	5,731
Other	**13,047**	9,391
Total current assets	**85,762**	27,639
Property, Plant, and Equipment:		
In service	**894,783**	265,153
Less accumulated provision for depreciation	**15,064**	3,291
	879,719	261,862
Construction work in progress	**931,680**	500,358
Total property, plant, and equipment	**1,811,399**	762,220
Other Property and Investments:		
Other	**157**	9,059
Total other property and investments	**157**	9,059
Deferred Charges and Other Assets:		
Accumulated deferred income taxes	**39,884**	11,915
Other	**15,732**	12,024
Total deferred charges and other assets	**55,616**	23,939
Total Assets	**$ 1,952,934**	$ 822,857

The accompanying notes as they relate to SOUTHERN POWER are an integral part of these condensed statements.

SOUTHERN POWER COMPANY
CONDENSED BALANCE SHEETS (UNAUDITED)

Liabilities and Stockholder's Equity	At September 30, 2002	At December 31, 2001
	(in thousands)	
Current Liabilities:		
Notes payable--		
Affiliated	$ 212,212	$ 950
Other	1,638	-
Accounts payable --		
Affiliated	2,033	26,135
Other	7,686	4,278
Taxes accrued --		
Income taxes	14,147	394
Other	2,936	-
Interest accrued	11,582	-
Other	2,898	886
Total current liabilities	255,132	32,643
Long-term debt	850,420	293,205
Deferred Credits and Other Liabilities:		
Due to affiliated companies	23,693	23,415
Obligations under risk management activities	57,565	365
Deferred revenues under purchased power agreements	30,096	1,731
Other	3,559	4,505
Total deferred credits and other liabilities	114,913	30,016
Common Stockholder's Equity:		
Authorized - 1,000,000 shares		
Outstanding - 1,000 shares		
Paid-in capital	728,051	452,097
Retained earnings	48,849	8,207
Accumulated other comprehensive income	(44,431)	6,689
Total common stockholder's equity	732,469	466,993
Total Liabilities and Stockholder's Equity	$ 1,952,934	$ 822,857

The accompanying notes as they relate to SOUTHERN POWER are an integral part of these condensed statements.

SOUTHERN POWER COMPANY

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2002	2001	**2002**	2001
	(in thousands)		*(in thousands)*	
Net Income	**$ 27,329**	$ 5,966	**$ 40,642**	$ 4,943
Other comprehensive income:				
Changes in fair value of qualifying hedges, net of tax of $(11,773), $0, $(28,170), $0, respectively	**(25,226)**	-	**(51,418)**	-
Less: Reclassification adjustment for amounts included in net income, net of tax of $166, $0, $190, $0, respectively	**260**	-	**298**	-
COMPREHENSIVE INCOME	**$ 2,363**	$ 5,966	**$ (10,478)**	$ 4,943

SOUTHERN POWER COMPANY

CONDENSED STATEMENTS OF ACCUMULATED OTHER COMPREHENSIVE INCOME (UNAUDITED)

	At September 30, 2002	At December 31, 2001
	(in thousands)	
Balance at beginning of period	**$ 6,689**	$ -
Change in current period	**(51,120)**	6,689
BALANCE AT END OF PERIOD	**$ (44,431)**	$ 6,689

The accompanying notes as they relate to SOUTHERN POWER are an integral part of these condensed statements.

SOUTHERN POWER COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
RESULTS OF OPERATIONS AND FINANCIAL CONDITION

THIRD QUARTER 2002 vs. THIRD QUARTER 2001
AND
YEAR-TO-DATE 2002 vs. YEAR-TO-DATE 2001

RESULTS OF OPERATIONS

Overview

SOUTHERN POWER was formed in January 2001 as a wholly owned subsidiary of SOUTHERN. SOUTHERN POWER owns, constructs and acquires SOUTHERN's new competitive contract-based wholesale generation assets. SOUTHERN POWER is the primary vehicle to develop SOUTHERN's position in the competitive contract-based wholesale generation market. SOUTHERN POWER began significant operations when Plant Dahlberg was transferred from GEORGIA in July 2001.

Earnings

In 2001 and through May 2002, Plant Dahlberg was SOUTHERN POWER's only electric generating facility in commercial operation. Plant Franklin Unit 1 and Plant Wansley Units 6 and 7 were placed in commercial operation in June 2002 and SOUTHERN POWER's PPAs with GEORGIA and SAVANNAH for those units went into effect. Also in June 2002, SOUTHERN POWER's PPAs with 11 electric municipal cooperatives in Georgia went into effect. Reference is made to "OUR BUSINESS -- Existing and Approved Power Purchase Agreements" and "OUR BUSINESS -- 2002 Power Purchase Agreements and Requirements Agreements" in the Southern Power Prospectus.

SOUTHERN POWER's net income for third quarter 2002 and year-to-date 2002 was $27.3 million and $40.6 million, respectively, compared to $6.0 million and $4.9 million, respectively, for the corresponding periods of 2001. The increase in earnings for both reporting periods is primarily attributed to the sale of wholesale capacity and energy to affiliated and non-affiliated companies. A significant portion of this income is a result of the commercial operation of Plant Wansley Units 6 and 7 and Plant Franklin Unit 1 on June 1, 2002 and the initiation of PPAs for those units with GEORGIA and SAVANNAH. In addition, 2002 reflects a full nine months of Plant Dahlberg's operations and related PPAs with non-affiliates.

Operating Revenues. In the third quarter 2002 and year-to-date 2002, operating revenues increased by $121.6 million and $198.7 million, respectively, when compared to the corresponding periods in 2001 primarily due to the commercial operation in June 2002 of Plant Wansley Units 6 and 7 and Plant Franklin Unit 1. Revenues for both of these reporting periods were mainly derived from PPAs with affiliated companies and, to a lesser extent, non-affiliated companies. Revenues from sales to affiliated companies through the SOUTHERN system power pool ("Southern Pool") that are not covered by PPAs and energy sales under PPAs will vary depending on demand and the availability and cost of generating resources at each company within the Southern Pool. These transactions do not have a significant impact on earnings, since the energy is generally sold at variable cost.

Fuel expense. The third quarter 2002 and year-to-date 2002 increases in fuel expense are primarily attributed to commercial operation in June 2002 of Plant Wansley Units 6 and 7 and Plant Franklin Unit 1, when compared to the corresponding periods in 2001.

Purchased power from non-affiliates. During the third quarter 2002 and year-to-date 2002, these purchases from non-affiliates increased in order to meet the demand for much larger contractual sales commitments and the fulfillment of those contracts using purchased energy in some cases.

Purchased power from affiliates. These expenses in the third quarter 2002 and year-to-date 2002 increased as a result of much larger contractual sales commitments and the fulfillment of those contracts using purchased energy in some cases. Expenses from purchased power transactions will vary depending on demand and the availability and cost of generating resources accessible throughout the SOUTHERN system.

Other operation expense. For the third quarter 2002 and year-to-date 2002, other operation expense increased when compared to the same periods in 2001. The increases are related to production expenses and administrative and general expenses resulting from the commercial operation in June 2002 of Plant Wansley Units 6 and 7 and Plant Franklin Unit 1. In addition, administrative and general expenses include the write-off in May 2002 of $2.9 million for previously deferred site investigation and site development costs associated with potential new plant sites that, after management review, are no longer considered probable for future development.

Maintenance expense. The increases for the third quarter 2002 and year-to-date 2002 are directly related to commercial operation of Plant Dahlberg in May 2001 and Plant Wansley Units 6 and 7 and Plant Franklin Unit 1 in June 2002.

Depreciation and amortization. The third quarter 2002 and year-to-date 2002 increases are primarily due to the increase of utility plant placed in service in June 2002.

Taxes other than income taxes. In 2002, this item is related to property taxes for Plant Wansley Units 6 and 7 and Plant Franklin Unit 1.

Other, net. The decreases for the third quarter 2002 and year-to-date 2002 are mainly attributed to unrealized losses on derivative energy contracts. See "Exposure to Market Risks" below for further information related to these contracts.

Interest expense, net. Increases for the third quarter 2002 and year-to-date 2002 are primarily due to the increased amount of outstanding debt when compared to the corresponding periods in 2001. Debt increased due to the issuance of $575 million in senior notes in June 2002 and increased borrowings from SOUTHERN to support the ongoing construction program.

Effects of Inflation

SOUTHERN POWER is subject to long-term contracts and income tax laws that are based on the recovery of historical costs. While the inflation rate has been relatively low in recent years, it still has an adverse effect on SOUTHERN POWER because of its large investments in generating facilities with long economic lives. 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.

Future Earnings Potential

The results of operations for the third quarter 2002 and year-to-date 2002 are not necessarily indicative of future earnings. The level of future earnings depends on numerous factors including regulatory matters, energy sales, creditworthiness of customers, completion of construction on new generating facilities and the total generating capacity available in the Super Southeast.

SOUTHERN POWER's PPAs with non-affiliated counterparties have provisions that require the posting of collateral or an acceptable substitute guarantee in the event that S&P or Moody's downgrades the credit ratings of such counterparty to below-investment grade, or, if the counterparty is not rated, fails to maintain a minimum coverage ratio. The PPAs are expected to provide SOUTHERN POWER with a stable source of revenue during their respective terms. For additional information on PPAs, reference is made to MANAGEMENT'S DISCUSSION AND ANALYSIS AND RESULTS OF OPERATIONS under "Future Earnings Potential" in the Southern Power Prospectus.

In 2002, SOUTHERN POWER executed additional long-term power sales agreements whereby SOUTHERN POWER will sell capacity and energy from planned generating facilities. These contracts begin in 2005 and are subject to regulatory approval. Under these contracts, SOUTHERN POWER has the right, at its sole discretion, to supply capacity and energy under these arrangements from any resource available to them as part of the SOUTHERN system. Reference is made to Note (C) to SOUTHERN POWER's Condensed Consolidated Financial Statements for the six-month periods ended June 30, 2002 and 2001 in the Southern Power Prospectus.

SOUTHERN POWER has capacity sale contracts with subsidiaries of Dynegy Inc. ("Dynegy"). Dynegy is currently experiencing liquidity problems and has had its credit rating reduced below investment grade. Minimum capacity revenues under one of these contracts average approximately $13 million annually through May 2005. Dynegy has provided a letter of credit expiring in February 2003 totaling $20 million (approximately 18 months of capacity payments) to SOUTHERN POWER. In addition, two one-year letters of credit totaling $50 million (approximately 14 months of capacity payments) were provided in April 2002 as security for obligations of affiliates of Dynegy under the Plant Franklin Unit 3 PPA beginning in 2005. These letters of credit can be drawn in the event of (a) a default under the PPA or (b) failure to renew the letters of credit prior to expiration. In the event of such a default, and if SOUTHERN POWER was unable to resell that capacity in the market, future earnings could be affected. The outcome cannot now be determined.

Federal and state environmental regulatory agencies are actively considering and developing additional control strategies for emission of air pollution from all major sources of air pollution, particularly electric generating facilities. This includes the overall reduction of emission of nitrogen oxides ("NOx") in the eastern United States, the reduction of NOx and particulate matter emissions to reduce regional haze and visibility impairment in sensitive areas, the development of appropriate control standards and technologies for emissions of mercury and the reduction of so-called "greenhouse gases" (such as carbon dioxide) to address concerns over global climate change. For additional information, reference is made to MANAGEMENT'S DISCUSSION AND ANALYSIS AND RESULTS OF OPERATIONS under "Future Earnings Potential - Environmental Matters" in the Southern Power Prospectus.

SOUTHERN POWER's business activities are subject to extensive governmental regulation related to public health and the environment. Litigation over environmental issues and claims of various types, including property damage, personal injury and citizen enforcement of environmental requirements, has increased generally throughout the United States; in particular, personal injury claims for damages caused by alleged exposure to hazardous materials have become more frequent.

On April 25, 2002, the Stakeholder Advisory Committee met and selected the candidates that will be considered for the SeTrans ISA. On June 27, 2002, SOUTHERN and other SeTrans sponsors submitted a Petition for Declaratory Order seeking the FERC's approval of the SeTrans governance structure and the selection process for the ISA, as well as guidance on various issues. The FERC granted the petition on October 10, 2002, approving the governance structure and the selection process for the ISA. The FERC also provided guidance on the other issues identified in the petition. On November 1, 2002, the SeTrans sponsors announced that they had selected the team of ESB International, Ltd. ("ESBI") and Accenture LLP as the preferred candidate for ISA. Should negotiations with this candidate successfully conclude with final agreement among the parties, the sponsors intend to seek any regulatory or other approvals necessary for formation of the SeTrans RTO and the approval of ESBI/Accenture to serve in the capacity of SeTrans ISA. Reference is made to MANAGEMENT'S DISCUSSION AND ANALYSIS AND RESULTS OF OPERATIONS under "FERC Matters" in the Southern Power Prospectus for additional information.

On July 31, 2002, the FERC issued a notice of proposed rulemaking entitled "Remedying Undue Discrimination Through Open Access Transmission Service and Standard Electricity Market Design." The FERC has indicated that the proposal, if adopted, would (among other things): (i) require transmission assets of jurisdictional utilities to be operated by an independent entity; (ii) establish a standard market design; (iii) establish a single type of transmission service that applies to all customers; (iv) assert jurisdiction over the transmission component of bundled retail service; (v) establish a generation reserve margin; (vi) establish bid caps for day-ahead and spot energy markets; and (vii) revise the FERC policy on the pricing of transmission expansions. The FERC has revised the comment schedule such that comments on certain issues are due on November 15, 2002 and comments on other issues are due on January 10, 2003. Reply comments are due on February 17, 2003. Any impact of this proposal on SOUTHERN and its subsidiaries will depend on the form in which final rules may be ultimately adopted.

Reference is made to Note 10 - "Contingencies" to the consolidated financial statements for December 31, 2001 contained in the Southern Power Prospectus for discussion of various contingencies and other matters which may affect future earnings potential. Reference is also made to Notes (E), (N), (P) 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. Further reference is made to Part II - Item 1 - "Legal Proceedings" herein.

Accounting Policies

Critical Policies

SOUTHERN POWER's significant accounting policies are described in Note 1 - "Basis of Presentation and Summary of Significant Accounting Policies" to the consolidated financial statements for December 31, 2001 contained in the Southern Power Prospectus. SOUTHERN POWER has three critical accounting policies that require a significant amount of judgment and are considered to be the most important to the presentation of SOUTHERN POWER's financial position and results of operations. The first critical policy is the levelized recognition of capacity revenues from long-term contracts. Secondly, SOUTHERN POWER designates qualifying derivative instruments as cash flow or fair value hedges under FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities" and marks such derivative instruments to market based primarily on quoted market prices. The unrealized changes in fair value of qualifying cash flow hedges are deferred in Other Comprehensive Income. Any ineffectiveness in those hedges and changes in non-qualifying positions are reported as a component of current period income. Third, SOUTHERN POWER uses flow-through accounting for state manufacturer's tax credits. This means that SOUTHERN POWER recognizes the credit as a reduction of tax expense when it is more likely than not to be allowed by the Georgia Department of Revenue.

New Accounting Standards

In June 2001, the FASB issued Statement No. 143, "Asset Retirement Obligations," which establishes new accounting and reporting standards for legal obligations associated with retiring assets. The liability for an asset's future retirement must be recorded in the period in which the liability is incurred. The cost must be capitalized as part of the related long-lived asset and depreciated over the asset's useful life. Changes in the liability resulting from the passage of time will be recognized as operating expenses. Statement No. 143 must be adopted by January 1, 2003. SOUTHERN POWER is currently assessing the impact of adopting Statement No. 143 on its financial statements.

In July 2002, the FASB issued Statement No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." Statement No. 146 requires that a liability for costs associated with an exit or disposal activity be recognized and measured initially at fair value when the liability is incurred. Disposal activities which are addressed in Statement No. 146 include the termination benefits provided to current employees that are involuntarily terminated, costs to terminate a contract that is not a capital lease and costs to consolidate facilities or relocate employees. Statement No. 146 is effective for exit or disposal activities that are initiated after December 31, 2002. SOUTHERN POWER does not expect that adoption of Statement No. 146 will have a material impact on its financial statements.

Reference is made to Note 1 – "Basis of Presentation and Summary of Significant Accounting Policies" to the consolidated financial statements for December 31, 2001 contained in the Southern Power Prospectus regarding SOUTHERN POWER's application of FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended. Recent accounting changes have been issued by the Emerging Issues Task Force ("EITF") of the FASB. These changes will require certain energy trading contracts that are currently marked to market to be accounted for under the accrual basis. These changes will also require certain trading activities to be recorded on a net basis for income statement presentation. The new rules will be effective January 1, 2003. SOUTHERN POWER is in the process of determining the impact of this recently

issued guidance. However, in many cases, SOUTHERN POWER's current transactions meet the normal purchases and sale exception under FASB Statement No. 133 and are already accounted for under the accrual basis.

FINANCIAL CONDITION

Overview

The major changes in SOUTHERN POWER's financial condition during the first nine months of 2002 were the addition of approximately $1.1 billion to utility plant related to on-going construction of SOUTHERN POWER's combined-cycle units and the transfer of two units at Plant Wansley from GEORGIA. The funds for these additions were provided by SOUTHERN POWER's credit facility, the issuance of Senior Notes in June 2002 and capital contributions and subordinated loans from SOUTHERN. See SOUTHERN POWER's Condensed Statements of Cash Flows herein for further details.

Off-Balance Sheet Financing Arrangements

In 2001, SOUTHERN POWER entered into a financial arrangement with Westdeutsche Landesbank Girozentrale ("WestLB") whereby SOUTHERN POWER could assign up to $125 million in vendor contracts for equipment to WestLB. For accounting purposes, WestLB was the owner of the contracts. SOUTHERN POWER acted as an agent for WestLB and instructed WestLB when to make payments to the vendors. SOUTHERN POWER terminated this arrangement and reacquired these assets in March 2002 for their original cost of $61 million. SOUTHERN POWER will indemnify WestLB against any future claims arising from the arrangement and SOUTHERN has guaranteed SOUTHERN POWER's indemnification obligation.

In conjunction with the termination of the agreement, WestLB assigned a contract with Alstom Power Inc. ("Alstom") related to the purchase and sale of a steam generator and auxiliary equipment for Plant Franklin Unit 3 to SOUTHERN POWER. SOUTHERN entered into a limited keep-well arrangement with Alstom whereby SOUTHERN will contribute funds to SOUTHERN POWER via loans or capital contributions to fund SOUTHERN POWER's performance or equipment purchases under certain arrangements. As of September 30, 2002, SOUTHERN POWER's remaining purchase obligations to Alstom totaled approximately $2.0 million.

Credit Rating Risk

SOUTHERN POWER does not have any credit agreements that would require material changes in payment schedules or terminations as a result of a credit rating downgrade. There are certain physical electricity sale contracts, fixed-price physical gas purchases and agreements covering interest rate swaps and currency swaps that could require collateral -- but not accelerated payment -- in the event of a credit rating change to below investment grade. Generally, collateral may be provided for by a SOUTHERN guaranty, letter of credit or cash. At September 30, 2002, the maximum potential collateral requirements under the electricity sale contracts and financial instrument agreements were approximately $192 million. At September 30, 2002, there were no material collateral requirements for the gas purchase contracts.

Exposure to Market Risks

SOUTHERN POWER is exposed to market risks, including changes in interest rates, currency exchange rates and certain commodity prices. To manage the volatility attributable to these exposures, SOUTHERN POWER nets the exposure to take advantage of natural offsets and enters into various derivative transactions for the remaining exposure pursuant to policies in areas such as counterparty exposure and hedging practices. SOUTHERN POWER's policy is that derivatives are to be used primarily for hedging purposes. Derivative positions are monitored using techniques that include market valuation and sensitivity analysis.

If SOUTHERN POWER sustained a 100 basis-point change in interest rates for all variable rate long-term debt, the change would affect annualized gross interest cost by approximately $3.3 million at September 30, 2002. Most or all of that change would be capitalized, given the size of SOUTHERN POWER's construction program. To further mitigate SOUTHERN POWER's exposure to interest rates, it has entered into interest rate swaps that were designated as cash flow hedges of 2002 and 2003 planned debt issuances. Changes in the fair values of these swaps are deferred in Other Comprehensive Income. Based on SOUTHERN POWER's overall interest rate exposure at September 30, 2002, including derivative and other interest-rate sensitive instruments, a near-term 100 basis-point change in interest rates would not materially affect SOUTHERN POWER's financial statements. In addition, SOUTHERN POWER is not aware of any facts or circumstances that would significantly affect such exposures in the near term.

Because energy from SOUTHERN POWER's facilities is primarily sold under long-term contracts with tolling agreements and provisions shifting substantially all of the responsibility for fuel cost to the PPA counterparties, SOUTHERN POWER's exposure to market volatility in commodity fuel prices and prices of electricity is limited. To mitigate residual risks in those areas, SOUTHERN POWER enters into fixed-price contracts for the purchase or sale of fuel and electricity. In connection with the transfers of Plant Franklin in 2001 and Plant Wansley in 2002 to SOUTHERN POWER, GEORGIA transferred approximately $5.6 million and $1.6 million, respectively, in derivative assets relating to electric and gas forward contracts in effect at the date of the transfers. These contracts were recorded at fair value on the date of the transfer, which was equal to GEORGIA's carrying amount. Following the transfer, these contracts are marked to market through income until realized and settled.

SOUTHERN POWER has firm purchase commitments that require payment in Euros. As a hedge against fluctuations in the exchange rate for Euros, SOUTHERN POWER entered into forward contracts to purchase Euros and has designated these contracts as fair value hedges of an unrecognized firm commitment. Since the terms of these Euro contracts mirror the purchase commitment terms, there is no ineffectiveness recognized in income. At September 30, 2002, SOUTHERN POWER had outstanding contracts covering a notional amount of $11.9 million in commitments through May 2003.

Unrealized gains and losses on electric and gas contracts used to hedge anticipated purchases and sales are deferred in Other Comprehensive Income. Gains and losses on contracts that do not represent hedges are recognized in the Statements of Income as incurred. The fair values of derivative energy contracts at September 30, 2002 are as follows:

	Third Quarter 2002 Changes	Year-to-Date Changes
	Fair Value	
	(in thousands)	
Contracts beginning of period	$4,290	$5,496
Contracts realized or settled	(2,096)	(4,916)
New contracts at inception	-	1,576
Changes in valuation techniques	-	-
Current period changes	286	324
Contracts at September 30, 2002	$2,480	$2,480

	Source of September 30, 2002 Valuation Prices		
	Total	Maturity	
	Fair Value	Year 1	1-3 Years
		(in thousands)	
Actively quoted	$2,480	$2,480	$-
External sources	-	-	-
Models and other methods	-	-	-
Contracts at September 30, 2002	$2,480	$2,480	$-

Realized gains and losses on hedged transactions are recognized in revenues and/or fuel expense in the Statements of Income as incurred. For the three month and nine month periods ended September 30, 2002, approximately $2.3 million and $4.9 million, respectively, of losses were recognized in Other Income in the Statements of Income. For the three month and nine month periods ended September 30, 2001, these amounts were not material.

Financing Activities

During the first nine months of 2002, SOUTHERN made to SOUTHERN POWER equity contributions of approximately $275.9 million, plus subordinated loans of approximately $212.9 million. Equity contributions and subordinated loans from SOUTHERN are projected to total approximately $980 million to SOUTHERN POWER by the end of 2002. No dividends are projected to be paid in 2002.

In June 2002, SOUTHERN POWER issued $575 million of 6.25% Senior Notes, Series A due July 15, 2012. The net proceeds were used to reduce outstanding indebtedness under a revolving credit agreement and to reduce loans from SOUTHERN. SOUTHERN POWER also settled several interest rate swap agreements entered into in anticipation of this issuance at a $16.9 million loss. This amount has been deferred in Other Comprehensive Income and will be amortized to Interest Expense over the life of the Senior Notes. Reference is made to Note (N) in the "Notes to the Condensed Financial Statements" herein for additional information relating to interest rate swaps and other derivative instruments.

Capital Requirements

Reference is made to MANAGEMENT'S DISCUSSION AND ANALYSIS AND RESULTS OF OPERATIONS under "Capital Requirements for Construction" and "Other Capital Requirements" in the Southern Power Prospectus for a description of SOUTHERN POWER's capital requirements for its construction program, maturing debt, purchase commitments and long-term service agreements.

Sources of Capital

To meet short-term cash needs and contingencies, SOUTHERN POWER had at September 30, 2002 approximately $48 thousand of cash and cash equivalents. To meet liquidity and capital resource requirements, SOUTHERN POWER had at September 30, 2002 approximately $574 million of unused committed credit arrangements with banks expiring in 2004. Amounts drawn under the arrangements are used to finance acquisition and construction costs related to gas-fired electric generating facilities and for general corporate purposes, subject to borrowing limitations for each generating facility. The arrangements permit SOUTHERN POWER to fund construction of future generating facilities upon meeting certain requirements. At September 30, 2002, SOUTHERN POWER had $276 million in outstanding bank borrowings.

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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
SOUTHERN POWER COMPANY

INDEX TO APPLICABLE NOTES TO
FINANCIAL STATEMENTS BY REGISTRANT

Registrant	**Applicable Notes**
SOUTHERN	All Notes
ALABAMA	A, C, D, E, G, N, Q
GEORGIA	A, C, D, E, H, I, Q
GULF	A, C, D, E, J, Q
MISSISSIPPI	A, C, D, E, K, L, Q
SAVANNAH	A, C, D, E, M, Q
SOUTHERN POWER	A, E, N, P, Q

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THE SOUTHERN COMPANY AND SUBSIDIARY COMPANIES
ALABAMA POWER COMPANY
GEORGIA POWER COMPANY
GULF POWER COMPANY
MISSISSIPPI POWER COMPANY
SAVANNAH ELECTRIC AND POWER COMPANY
SOUTHERN 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 necessary to present fairly the results of operations for the periods ended September 30, 2002 and 2001. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States 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. Disclosure which would substantially duplicate the disclosure in the Form 10-K and, in the case of SOUTHERN POWER, in the Southern Power Prospectus and details which have not changed significantly in amount or composition since the filing of the Form 10-K and the Southern Power Prospectus are omitted from this Form 10-Q. Therefore, it is suggested that these condensed financial statements of SOUTHERN and the operating companies be read in conjunction with the financial statements of such registrant and the notes thereto included in the Form 10-K and, for SOUTHERN POWER, the Southern Power Prospectus. Certain prior period amounts have been reclassified to conform with current period presentation. Due to seasonal variations in the demand for energy, operating results for the periods presented do not necessarily indicate operating results for the entire year.

(B) Reference is made to Note 11 to the financial statements of SOUTHERN in Item 8 and MANAGEMENT'S DISCUSSION AND ANALYSIS - "Overview of Consolidated Earnings and Dividends" of SOUTHERN in Item 7 of the Form 10-K for information on the spin off of Mirant from SOUTHERN.

On April 2, 2001, SOUTHERN completed the spin off of Mirant with a tax free distribution to SOUTHERN's shareholders of its remaining ownership of 272 million Mirant shares. Shares from the spin off were distributed at a ratio of approximately 0.4 share of Mirant common stock for every share of SOUTHERN common stock held at the record date. The distribution resulted in charges of approximately $3.2 billion and $0.4 billion to SOUTHERN's paid-in capital and retained earnings, respectively. The distribution was treated as a non-cash transaction for purposes of the Statement of Cash Flows.

As a result of the spin off, SOUTHERN's financial statements reflect Mirant as discontinued operations. All historical financial statements presented and footnotes have been reclassified to conform to this presentation.

In August 2002, Mirant announced that it was reviewing several accounting issues relating to its 2001 financial statements. On November 7, 2002, Mirant filed its Form 10-Q for the quarter ended June 30, 2002 and announced that it had identified accounting errors in previously issued financial statements, primarily related to its risk management and marketing operations. As a result of these accounting errors, Mirant reported that its net income for January 1, 1999 through December 31, 2001 was overstated by $51 million. Mirant identified a number of items that contributed to this overstatement

and stated that the specific periods to which certain of these items apply have not been determined. Mirant also identified certain balance sheet adjustments for 2000 and 2001. Because SOUTHERN reported Mirant as discontinued operations, those balance sheet adjustments do not affect SOUTHERN's financial statements. Mirant further announced that it had requested its independent auditors to reaudit Mirant's 2000 and 2001 financial statements to address the accounting errors identified during its review and to comply with certain new accounting standards. Mirant stated that it did not believe that its reaudit could be completed until it files its Form 10-K for the year ended December 31, 2002 (due by March 31, 2003). If Mirant's reaudit of its 2000 and 2001 financial statements results in adjustments that relate to periods prior to SOUTHERN's spin off of Mirant, SOUTHERN's earnings from discontinued operations and net assets of discontinued operations for such periods could be affected. Because any such adjustments would only relate to operations discontinued by SOUTHERN, they would have no effect on SOUTHERN's 2002 earnings or its future earnings potential, financial position, liquidity or cash flows. Based on the nature and amount of Mirant's identified accounting errors, SOUTHERN's management does not currently anticipate that a reaudit of SOUTHERN's 2000 and 2001 financial statements will be necessary.

(C) 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 that are not specifically recoverable and determine if any other assets have been impaired. For additional information, see Note 1 to the financial statements of SOUTHERN and each of the operating companies in Item 8 of the Form 10-K.

(D) Reference is made to Note 3 to the financial statements of SOUTHERN, ALABAMA, GEORGIA, GULF, MISSISSIPPI and SAVANNAH in Item 8 of the Form 10-K for information on EPA litigation. On November 4, 2002, the U.S. District Court in Alabama extended the stay of the EPA litigation proceeding in Alabama until the earlier of February 4, 2003 or a ruling by the U.S. Court of Appeals for the Eleventh Circuit in the related litigation involving TVA.

(E) Reference is made to Note 3 to the financial statements of SOUTHERN and the operating companies in Item 8 and to "Legal Proceedings" in Item 3 of the Form 10-K for information relating to various lawsuits. For information on SOUTHERN POWER contingencies, reference is made to Note (M) to the condensed consolidated financial statements for June 30, 2002 and 2001 and Note 10 - "Contingencies" to the consolidated financial statements for December 31, 2001, all contained in the Southern Power Prospectus.

SOUTHERN has received a subpoena to provide information to a federal grand jury in the Northern District of California (San Francisco). The subpoena covers a number of broad areas, including specific information regarding electricity production and sales activities in California. SOUTHERN's former subsidiary, Mirant, participated in energy marketing and trading in California during the period relevant to the subpoena. Mirant was spun off from SOUTHERN in April 2001. SOUTHERN will cooperate fully in the investigation. Reference is made to Note (B) herein and to Note 11 to the financial statements of SOUTHERN in Item 8 and MANAGEMENT'S DISCUSSION AND ANALYSIS - "Overview of Consolidated Earnings and Dividends" of SOUTHERN in Item 7 of the Form 10-K for information on the spin off of Mirant from SOUTHERN.

In recent months, affiliates of SOUTHERN, including GEORGIA, GULF, MISSISSIPPI, SAVANNAH and Southern Telecom, Inc. (collectively, "Defendants"), have been named as defendants in numerous lawsuits brought by landowners regarding the installation and use of fiber optic cable over Defendants'

rights of way located on the landowners' property. The plaintiffs' lawsuits claim that Defendants may not use or sublease to third parties some or all of the fiber optic communications lines on the rights of way that cross the plaintiffs' properties, and that such actions by Defendants exceed the easements or other property rights held by Defendants. The plaintiffs assert claims for, among other things, trespass and unjust enrichment, and the plaintiffs seek compensatory and punitive damages and injunctive relief. Defendants believe that the plaintiffs' claims are without merit and are vigorously defending these cases. An adverse outcome in these matters could result in substantial judgments; however, at this time, the ultimate outcome of these cases cannot be determined.

(F) SOUTHERN has made separate guarantees to certain counterparties regarding performance of contractual commitments by Mirant's trading and marketing subsidiaries. At September 30, 2002, the total notional amount of guarantees was $52.0 million, all of which will expire by 2007. The estimated fair value of net contractual commitments outstanding was approximately $15.5 million. SOUTHERN's potential exposure under these contractual commitments is not expected to materially differ from the estimated fair value. Subsequent to the spin off, Mirant began paying SOUTHERN a monthly fee of 1% on the average aggregate maximum principal amount of all guarantees outstanding until they are replaced or expire. Mirant must use reasonable efforts to release SOUTHERN from all such support arrangements and will indemnify SOUTHERN for any obligations incurred. Reference is made to Note 6 to the financial statements of SOUTHERN in Item 8 of the Form 10-K and Note 9 to the financial statements of SOUTHERN under the caption "Guarantees" in Item 8 of the Form 10-K.

(G) Reference is made to Item 1 - Business - "Rate Proceedings" and Note 3 to the financial statements of SOUTHERN and ALABAMA in Item 8 of the Form 10-K for information relating to retail rate adjustment procedures. On March 5, 2002, the Alabama PSC approved a revision to ALABAMA's rates that provide for periodic adjustments based upon ALABAMA's earned return on end-of-period retail common equity. This revision provides for an annual, rather than quarterly, adjustment and imposes a 3 percent limit on any such annual adjustment. The return on common equity range of 13.0 to 14.5 percent remains unchanged. In April 2002, retail rates were increased by 2 percent in accordance with the Rate Stabilization and Equalization Plan. The Alabama PSC also accepted ALABAMA's proposal to lower the energy cost recovery factor for the billing months April 2002 through December 2002.

(H) On December 20, 2001, the Georgia PSC approved a new three-year retail rate order for GEORGIA ending December 31, 2004. Under the terms of the order, earnings will be evaluated annually against a retail return on common equity range of 10 percent to 12.95 percent. Two-thirds of any earnings above the 12.95 percent return will be applied to rate refunds, with the remaining one-third retained by GEORGIA. Retail rates were decreased by $118 million effective January 1, 2002. Pursuant to a previous three-year accounting order, GEORGIA recorded $332 million of accelerated cost amortization and interest thereon which has been credited to a regulatory liability account as mandated by the Georgia PSC. Under the new rate order, the accelerated amortization and the interest will be amortized equally over three years as a credit to expense beginning in January 2002. Effective January 1, 2002, GEORGIA discontinued recording accelerated depreciation and amortization. GEORGIA will not file for a general base rate increase unless its projected retail return on common equity falls below 10 percent. GEORGIA is required to file a general rate case on July 1, 2004, in response to which the Georgia PSC would be expected to determine whether the rate order should be continued, modified or discontinued. See Note 3 to the financial statements of GEORGIA in Item 8 of the Form 10-K under "Retail Rate Orders" for additional information.

(I) 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.

(J) On September 10, 2001, GULF filed a request with the Florida PSC for a base rate increase of $69.9 million. This increase was necessary to cover costs related to GULF's new combined-cycle facility, Plant Smith Unit 3, increases in operation and maintenance expenses and other capital additions. GULF subsequently reduced its request to $64.9 million, primarily to reflect lower financing costs related to Smith Unit 3 and a 25-year depreciable life for Smith Unit 3 (rather than the 20-year life as originally filed). On April 26, 2002, the Florida PSC voted to grant GULF a $53.2 million, or 8.9 percent, annual increase, which reflects an authorized return on equity of 12.0 percent. The new rates resulting from the revenue increase were approved by the Florida PSC on May 8, 2002 and became effective on June 7, 2002.

(K) In August 2001, MISSISSIPPI filed a request with the Mississippi PSC to increase annual retail rate revenues by approximately $46.4 million. In order to consider MISSISSIPPI's request, the Mississippi PSC suspended the semi-annual evaluations under PEP. In December 2001, the Mississippi PSC approved an increase of approximately $39 million, which took effect in January 2002. Additionally, the Mississippi PSC ordered MISSISSIPPI to reactivate the semi-annual evaluations under PEP, beginning with the 12-month period ending December 31, 2002. PEP will remain in effect until the Mississippi PSC modifies, suspends or terminates the plan. On April 30, 2002, the Mississippi PSC held and concluded hearings on a review of the return on equity models used in PEP in setting MISSISSIPPI's authorized return on equity. In May 2002, the Mississippi PSC issued an order adopting new return on equity models to be used in the PEP process. The new models are very similar to those that established the $39 million rate increase authorized in December 2001 and will be incorporated into the PEP evaluation filing for the period ending December 31, 2002.

(L) Reference is made to Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS - "Future Earnings Potential" of MISSISSIPPI in the Form 10-K regarding the settlement agreement between MISSISSIPPI and certain wholesale customers to increase its wholesale tariff rates effective June 1, 2002. On April 19, 2002, the FERC accepted for filing the settlement agreement and placed the new tariff rates in effect June 1, 2002 without modifying the agreement reached between MISSISSIPPI and its customers. The settlement agreement results in an annual increase of approximately $10.5 million and the adoption of an Energy Cost Management clause similar to the one approved by MISSISSIPPI's retail jurisdiction. Reference is made to Note 1 to the financial statements of MISSISSIPPI in Item 8 of the Form 10-K for further information on the Energy Cost Management clause. The FERC's acceptance of MISSISSIPPI's filing constitutes final agency action on this matter.

(M) SAVANNAH filed a base rate case on November 30, 2001. The primary reason for this base rate case was to recover significant new revenue requirements related to a 200 MW Plant Wansley PPA which began in June 2002, as well as other operation and maintenance changes. SAVANNAH also filed for a fuel cost recovery decrease to offset most, if not all, of the base rate increase. On May 30, 2002, the Georgia PSC approved a $7.8 million base rate increase and an authorized return on equity of 12.0 percent rather than the $24.4 million and 13.5 percent return on equity which were requested. At the same time, the Georgia PSC also approved a $44.3 million fuel cost allowance reduction. SAVANNAH had requested a $41.3 million fuel cost reduction. All customers saw a net rate decrease effective June 2002. On June 10, 2002, SAVANNAH filed for reconsideration of the Georgia PSC base rate case order, seeking additional revenues. On August 6, 2002, the Georgia PSC voted to deny

SAVANNAH's request for reconsideration in this matter. SAVANNAH has decided not to file an appeal of the reconsideration decision and during the fourth quarter 2002 will review the potential need for another rate case in 2003. SAVANNAH is also pursuing a regulatory solution to recover the remaining Plant Wansley PPA costs.

(N) In addition to the fixed price electric and gas contracts used to mitigate exposure to volatile energy prices (see "Exposure to Market Risks" in MANAGEMENT'S DISCUSSION AND ANALYSIS herein), SOUTHERN and certain of its subsidiaries enter into interest rate swaps to hedge exposure to interest rate changes. Swaps related to fixed rate securities are accounted for as fair value hedges; swaps related to variable rate securities or forecasted transactions are accounted for as cash flow hedges. The swaps are generally structured to mirror the terms of the hedged debt instruments; therefore, no ineffectiveness has been recorded in earnings. As of September 30, 2002, the following swaps were outstanding:

Fair Value Hedges

	Notional Amount	Fixed Rate Received	Variable Rate Paid	Maturity Date	Fair Value September 30, 2002
SOUTHERN	$400 million	5.3%	6-month LIBOR less 0.103%	February 2007	$34.9 million

Cash Flow Hedges

	Notional Amount	Variable Rate Received	Weighted Average Fixed Rate Paid	Maturity Date	Fair Value September 30, 2002
SOUTHERN	$400 million; $200 million	1-month LIBOR	3.1975%	June 2003; June 2004	$ (6.4 million)
ALABAMA	$350 million	3-month LIBOR plus 0.12%	3.015%	December 2003	$ (5.1 million)
SOUTHERN POWER	$350 million	1-month LIBOR	6.2348%	June 2013	$(46.3 million)
SOUTHERN POWER	$100 million	1-month LIBOR	6.1863%	June 2008	$(11.1 million)

For the quarter and year-to-date periods ended September 30, 2002, approximately $0.5 million was reclassified by SOUTHERN POWER from Other Comprehensive Income to Interest Expense. For the 12-month period ended September 30, 2003, approximately $1.7 million is expected to be reclassified.

(O) SOUTHERN's reportable business segment is sale of electricity in the Southeast by the operating companies and SOUTHERN POWER. Net income and total assets for discontinued operations are included in the Reconciling Eliminations columns. The All Other category includes parent SOUTHERN, which does not allocate operating expenses to business segments, and segments below the quantitative threshold for separate disclosure. These segments include telecommunications, energy products and services, and leasing and financing services. Intersegment revenues are not material.

Financial data for business segments for the periods covered in the Form 10-Q are as follows:

	Electric Utilities	All Other	Reconciling Eliminations	Consolidated
			(in millions)	
Three Months Ended September 30, 2002:				
Operating revenues	$ 3,177	$ 77	$ (6)	$ 3,248
Segment net income (loss)	589	(34)	40	595
Nine Months Ended September 30, 2002:				
Operating revenues	$ 7,881	$ 227	$ (16)	$ 8,092
Segment net income (loss)	1,162	(53)	42	1,151
Total assets at September 30, 2002	$30,116	$1,051	$ 285	$31,452
Three Months Ended September 30, 2001:				
Operating revenues	$ 3,095	$ 74	$ (4)	$ 3,165
Segment net income (loss)	551	4	(1)	554
Nine Months Ended September 30, 2001:				
Operating revenues	$ 7,819	$ 191	$ (14)	$ 7,996
Segment net income (loss)	1,026	(20)	140	1,146
Total assets at December 31, 2001	$28,713	$2,420	$ (1,236)	$29,897

(P) SOUTHERN has committed to directly fund 40% of the construction costs of the facilities funded under SOUTHERN POWER's revolving credit facility with Citibank N.A. In addition, SOUTHERN has guaranteed the timely completion of SOUTHERN POWER's projects currently financed under such revolving credit facility. In this guarantee, SOUTHERN agrees to pay for cost overruns to the extent that SOUTHERN POWER's cash flow is insufficient. SOUTHERN also agrees to prepay any portion of the credit facility used for SOUTHERN POWER projects not completed within two years of the proposed projects' completion dates. At September 30, 2002, the outstanding amount of this revolving credit facility related to projects under construction was $276 million. Reference is made to Note 9 to the consolidated financial statements for December 31, 2001 contained in the Southern Power Prospectus for additional information.

(Q) Certain keep-well agreements were created to facilitate the assignment of specific partially executory vendor contracts to SOUTHERN POWER. As of September 30, 2002, SOUTHERN keep-well agreements were in place to facilitate the transfer of specific vendor contracts from ALABAMA to SOUTHERN POWER related to the Plant Harris construction. SOUTHERN keep-wells are also in place for the transfer of specific vendor contracts from GEORGIA to SOUTHERN POWER for the operation of Plant Dahlberg and construction at the Plant Franklin and Plant Stanton sites. As of September 30, 2002, estimated remaining payments are $32.6 million related to the GEORGIA contracts and none related to the ALABAMA contracts.

Certain other keep-well arrangements were entered into in order to enhance the efficiency and flexibility of the energy sales and related natural gas procurement function. Acting as agent for the operating companies, SOUTHERN POWER and Southern Gas under agency agreements ("Agreements"), SCS may enter into various types of wholesale energy and natural gas contracts. Under such Agreements, each of the operating companies, SOUTHERN POWER and Southern Gas may be jointly and severally liable for the obligations of each of the operating companies, SOUTHERN

POWER and Southern Gas. In that regard, the creditworthiness of SOUTHERN POWER and Southern Gas is currently inferior to the creditworthiness of the operating companies. To insure that the operating companies will not subsidize or be responsible for any costs, losses, liabilities or damages arising out of or resulting from SOUTHERN POWER's or Southern Gas' inclusion as a contracting party under the Agreements, SOUTHERN has entered into keep-well agreements with each of the operating companies.

Based on SOUTHERN POWER's and Southern Gas' share of natural gas and wholesale energy purchase commitments, SOUTHERN's maximum exposure under the Agreements was $34.5 million as of September 30, 2002.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

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.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits.

Exhibit 24 - (a) Powers of Attorney and resolutions. (Designated in the Form 10-K for the year ended December 31, 2001, 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.)

(b) Power of Attorney for GEORGIA. (Designated in GEORGIA's Form 10-Q for June 30, 2002, as Exhibit 24(b).)

(c) Power of Attorney for GULF. (Designated in GULF's Form 10-Q for June 30, 2002, as Exhibit 24(c).)

Exhibit 99 - SOUTHERN POWER's prospectus filed with the SEC on October 1, 2002 pursuant to Rule 424(b) under the Securities Act of 1933, with respect to SOUTHERN POWER's registration statement (Registration No. 333-98553).

(b) Reports on Form 8-K.

SOUTHERN filed a Current Report on Form 8-K dated July 24, 2002:

Items reported:	*Items 5 and 7*
Financial statements filed:	*None*

SOUTHERN filed a Current Report on Form 8-K dated August 12, 2002:

Items reported:	*Items 5 and 9*
Financial statements filed	*None*

ALABAMA filed Current Reports on Form 8-K dated September 26, 2002 and October 16, 2002:

Items reported:	*Items 5 and 7*
Financial statements filed:	*None*

GEORGIA filed a Current Report on Form 8-K dated October 30, 2002:

Items reported:	*Items 5 and 7*
Financial statements filed:	*None*

SAVANNAH filed a Current Report on Form 8-K dated November 4, 2002:

Items reported:	*Items 5 and 7*
Financial statements filed:	*None*

THE SOUTHERN COMPANY

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 *Allen Franklin*
Chairman and Chief Executive Officer
(Principal Executive Officer)

By *Gale E. Klappa*
Executive Vice President, Chief Financial Officer and Treasurer
(Principal Financial Officer)

By */s/ Wayne Boston*
(Wayne Boston, Attorney-in-fact)

Date: November 12, 2002

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THE SOUTHERN COMPANY

Certification Of Chief Executive Officer Per Section 302 Of The Sarbanes-Oxley Act

I, Allen Franklin, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Southern Company;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 12, 2002

/s/ Allen Franklin
Allen Franklin
Chairman and Chief Executive Officer

THE SOUTHERN COMPANY

Certification Of Chief Financial Officer Per Section 302 Of The Sarbanes-Oxley Act

I, Gale E. Klappa, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Southern Company;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 12, 2002

/s/ Gale E. Klappa
Gale E. Klappa
Executive Vice President, Chief Financial Officer and Treasurer

ALABAMA POWER COMPANY

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.

ALABAMA POWER COMPANY

By *Charles D. McCrary*
President and Chief Executive Officer
(Principal Executive Officer)

By *William B. Hutchins, III*
Executive Vice President, Chief Financial Officer and Treasurer
(Principal Financial Officer)

By */s/ Wayne Boston*
(Wayne Boston, Attorney-in-fact)

Date: November 12, 2002

ALABAMA POWER COMPANY

Certification Of Chief Executive Officer Per Section 302 Of The Sarbanes-Oxley Act

I, Charles D. McCrary, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Alabama Power Company;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 12, 2002

/s/ Charles D. McCrary
Charles D. McCrary
President and Chief Executive Officer

ALABAMA POWER COMPANY

Certification Of Chief Financial Officer Per Section 302 Of The Sarbanes-Oxley Act

I, William B. Hutchins, III, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Alabama Power Company;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 12, 2002

/s/ William B. Hutchins, III
William B. Hutchins, III
Executive Vice President, Chief Financial Officer and Treasurer

GEORGIA POWER COMPANY

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 *David M. Ratcliffe*
President and Chief Executive Officer
(Principal Executive Officer)

By *Allen L. Leverett*
Executive Vice President, Chief Financial Officer and Treasurer
(Principal Financial Officer)

By */s/ Wayne Boston*
(Wayne Boston, Attorney-in-fact)

Date: November 12, 2002

GEORGIA POWER COMPANY

Certification Of Chief Executive Officer Per Section 302 Of The Sarbanes-Oxley Act

I, David M. Ratcliffe, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Georgia Power Company;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 12, 2002

/s/ David M. Ratcliffe
David M. Ratcliffe
President and Chief Executive Officer

GEORGIA POWER COMPANY

Certification Of Chief Financial Officer Per Section 302 Of The Sarbanes-Oxley Act

I, Allen L. Leverett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Georgia Power Company;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 12, 2002

/s/ Allen L. Leverett
Allen L. Leverett
Executive Vice President, Chief Financial Officer and Treasurer

GULF POWER COMPANY

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.

GULF POWER COMPANY

By *Thomas A. Fanning*
President and Chief Executive Officer
(Principal Executive Officer)

By *Ronnie R. Labrato*
Vice President, Chief Financial Officer and Comptroller
(Principal Financial and Accounting Officer)

By */s/ Wayne Boston*
(Wayne Boston, Attorney-in-fact)

Date: November 12, 2002

GULF POWER COMPANY

Certification Of Chief Executive Officer Per Section 302 Of The Sarbanes-Oxley Act

I, Thomas A. Fanning, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Gulf Power Company;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 12, 2002

/s/ Thomas A. Fanning
Thomas A. Fanning
President and Chief Executive Officer

GULF POWER COMPANY

Certification Of Chief Financial Officer Per Section 302 Of The Sarbanes-Oxley Act

I, Ronnie R. Labrato, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Gulf Power Company;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 12, 2002

/s/ Ronnie R. Labrato
Ronnie R. Labrato
Vice President, Chief Financial Officer and Comptroller

MISSISSIPPI POWER COMPANY

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 *Michael D. Garrett*
President and Chief Executive Officer
(Principal Executive Officer)

By *Michael W. Southern*
Vice President, Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)

By */s/ Wayne Boston*
(Wayne Boston, Attorney-in-fact)

Date: November 12, 2002

MISSISSIPPI POWER COMPANY

Certification Of Chief Executive Officer Per Section 302 Of The Sarbanes-Oxley Act

I, Michael D. Garrett, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Mississippi Power Company;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 12, 2002

/s/ Michael D. Garrett
Michael D. Garrett
President and Chief Executive Officer

MISSISSIPPI POWER COMPANY

Certification Of Chief Financial Officer Per Section 302 Of The Sarbanes-Oxley Act

I, Michael W. Southern, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Mississippi Power Company;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 12, 2002

/s/ Michael W. Southern
Michael W. Southern
Vice President, Chief Financial Officer and Treasurer

SAVANNAH ELECTRIC AND POWER COMPANY

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.

SAVANNAH ELECTRIC AND POWER COMPANY

By *Anthony R. James*
President and Chief Executive Officer
(Principal Executive Officer)

By *Kirby R. Willis*
Vice President, Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)

By */s/ Wayne Boston*
(Wayne Boston, Attorney-in-fact)

Date: November 12, 2002

SAVANNAH ELECTRIC AND POWER COMPANY

Certification Of Chief Executive Officer Per Section 302 Of The Sarbanes-Oxley Act

I, Anthony R. James, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Savannah Electric and Power Company;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 12, 2002

/s/ Anthony R. James
Anthony R. James
President and Chief Executive Officer

SAVANNAH ELECTRIC AND POWER COMPANY

Certification Of Chief Financial Officer Per Section 302 Of The Sarbanes-Oxley Act

I, Kirby R. Willis, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Savannah Electric and Power Company;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 12, 2002

/s/ Kirby R. Willis
Kirby R. Willis
Vice President, Chief Financial Officer and Treasurer

SOUTHERN POWER COMPANY

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.

SOUTHERN POWER COMPANY

By /s/ William P. Bowers
William P. Bowers
President and Chief Executive Officer
(Principal Executive Officer)

By /s/ Cliff S. Thrasher
Cliff S. Thrasher
Vice President, Comptroller and Chief Financial Officer
(Principal Financial and Accounting Officer)

Date: November 12, 2002

SOUTHERN POWER COMPANY

Certification Of Chief Executive Officer Per Section 302 Of The Sarbanes-Oxley Act

I, William P. Bowers, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Southern Power Company;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 12, 2002

/s/ William P. Bowers
William P. Bowers
President and Chief Executive Officer

SOUTHERN POWER COMPANY

Certification Of Chief Financial Officer Per Section 302 Of The Sarbanes-Oxley Act

I, Cliff S. Thrasher, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Southern Power Company;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 12, 2002

/s/ Cliff S. Thrasher
Cliff S. Thrasher
Vice President, Comptroller and Chief Financial Officer