

**Susan D. Ritenour**  
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March 13, 2015

Mr. Bart Fletcher  
Division of Accounting and Finance  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

RE: Monthly Rate of Return Report

Dear Mr. Fletcher:

Enclosed is Gulf Power Company's Jurisdictional Rate of Return Report for the month of January 2015.

Sincerely,

wb

enclosure

cc/enc.: Office of the Public Counsel  
c/o Florida Legislature  
111 W. Madison, Rm. 801  
Tallahassee FL 32399-1400

GOV 2-1-5-3

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FLORIDA PUBLIC SERVICE  
COMMISSION  
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DIVISION OF  
ACCOUNTING & FINANCE

**January 2015**

Earnings Surveillance  
Report  
(Rate of Return)



GULF POWER COMPANY  
Earnings Surveillance Report Summary  
January, 2015

|   | (1)<br>Actual<br>Per Books | (2)<br>FPSC<br>Adjustments | (3)<br>FPSC<br>Adjusted | (4)<br>Pro Forma<br>Adjustments | (5)<br>Pro Forma<br>Adjusted |
|---|----------------------------|----------------------------|-------------------------|---------------------------------|------------------------------|
| <b>I. Average Rate of Return<br/>(Jurisdictional)</b>   |                            |                            |                         |                                 |                              |
|   | (a)                        | (b)                        |                         |                                 |                              |
| Net Operating Income                                    | 178,510,575                | (68,819,598)               | 109,690,976             | 0                               | 109,690,976                  |
| Average Rate Base                                       | 3,215,513,317              | (1,300,060,601)            | 1,915,452,716           | 0                               | 1,915,452,716                |
| Average Rate of Return                                  | 5.55%                      |                            | 5.73%                   |                                 | 5.73%                        |
| <b>II. Year End Rate of Return<br/>(Jurisdictional)</b> |                            |                            |                         |                                 |                              |
|   | (a)                        | (b)                        |                         |                                 |                              |
| Net Operating Income                                    | 178,516,160                | (68,721,049)               | 109,795,110             | 0                               | 109,795,110                  |
| Year End Rate Base                                      | 3,326,625,420              | (1,392,544,879)            | 1,934,080,540           | 0                               | 1,934,080,540                |
| Year End Rate of Return                                 | 5.37%                      |                            | 5.68%                   |                                 | 5.68%                        |

(a) Includes AFUDC Earnings  
(b) Includes Reversal of AFUDC Earnings

**III. Required Rates of Return  
Average Capital Structure  
(FPSC Adjusted Basis)**

|          |       |
|----------|-------|
| Low      | 5.38% |
| Midpoint | 5.75% |
| High     | 6.12% |

**IV. Financial Integrity Indicators**

|                                |                                 |
|--------------------------------|---------------------------------|
| A. Tie With AFUDC              | 5.04 x (System per Books Basis) |
| B. Tie Without AFUDC           | 4.73 x (System per Books Basis) |
| C. AFUDC To Net Income         | 11.40% (System per Books Basis) |
| D. Internally Generated Funds  | 57.54% (System per Books Basis) |
| E. LTD To Total Investor Funds | 46.32% (FPSC Adjusted Basis)    |
| F. STD To Total Investor Funds | 0.86% (FPSC Adjusted Basis)     |
| G. Return on Common Equity     | 10.19% (FPSC Adjusted Basis)    |
| H. Return on Common Equity     | 10.19% (Proforma Basis)         |

I am aware that Section 837.06, Florida Statutes, provides:

Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree, punishable as provided in s. 775.082, s. 775.083, or s. 775.084.

Name and Title  
Susan D. Ritenour  
Corporate Planning Manager, Corporate Treasurer & Secretary

Signature  
  
Date  
10/12/15

GULF POWER COMPANY  
AVERAGE RATE OF RETURN  
RATE BASE  
January, 2015

SCHEDULE 2  
PAGE 1 OF 3

|   | PLANT IN SERVICE       | ACCUMULATED DEPRECIATION & AMORTIZATION | NET PLANT IN SERVICE | PROPERTY HELD FOR FUTURE USE | CONSTRUCTION WORK IN PROGRESS | NUCLEAR FUEL (NET) | NET UTILITY PLANT      | WORKING CAPITAL     | TOTAL RATE BASE        |
|---|------------------------|---|----------------------|------------------------------|-------------------------------|--------------------|------------------------|---------------------|------------------------|
| <b>SYSTEM PER BOOKS</b>                                       | 4,419,658,155          | 1,499,212,809                           | 2,920,445,346        | 15,706,951                   | 386,539,530                   | 0                  | 3,322,691,827          | 228,182,850         | 3,550,874,677          |
| <b>JURISDICTIONAL PER BOOKS</b>                               | 3,942,783,835          | 1,355,101,893                           | 2,587,681,942        | 15,247,447                   | 373,627,443                   | 0                  | 2,976,556,832          | 238,956,485         | 3,215,513,317          |
| <b>FPSC ADJUSTMENTS:</b>                                      |                        |   |                      |                              |                               |                    |                        |                     |                        |
| ENVIRONMENTAL RECOVERY CLAUSE                                 | (1,016,805,608)        | (157,571,464)                           | (859,234,144)        |                              | (13,300,664)                  |                    | (872,534,808)          | (7,020,619)         | (879,555,427)          |
| INT BEARING CWIP  |                        |   |                      |                              | (323,824,950)                 |                    | (323,824,950)          | 0                   | (323,824,950)          |
| ENERGY CONSERVATION CLAUSE                                    | (11,869,630)           | 6,491,908                               | (18,361,538)         |                              | (10,363)                      |                    | (18,371,901)           | (1,188,348)         | (19,560,249)           |
| TRANSMISSION INVESTMENT PURSUANT TO STIP. & SI                | (7,833)                |   | (7,833)              |                              |                               |                    | (7,833)                | 0                   | (7,833)                |
| CAPITALIZED DEF. EARNINGS ON TRANSM PURSUANT TO STIP. & SETT. |                        |   |                      |                              |                               |                    |                        | (2,639)             | (2,639)                |
| LOANS TO EMPLOYEES / RETIREES                                 |                        |   |                      |                              |                               |                    |                        | (35,810)            | (35,810)               |
| INTEREST AND DIVIDENDS RECEIVABLE                             |                        |   |                      |                              |                               |                    |                        | (25,529)            | (25,529)               |
| FUNDED PROP RES, N. ESCAMBIA & OTHER INV.                     |                        |   |                      | (12,585,871)                 |                               |                    | (12,585,871)           | (4,471,367)         | (17,057,238)           |
| FUEL RELATED DEFERRED DEBITS                                  |                        |   |                      |                              |                               |                    |                        | (55,417,550)        | (55,417,550)           |
| ACCRUED PROVISION FOR REFUND                                  |                        |   |                      |                              |                               |                    |                        | 0                   | 0                      |
| UNAMORTIZED RATE CASE EXPENSES                                |                        |   |                      |                              |                               |                    |                        | (4,573,376)         | (4,573,376)            |
| <b>TOTAL FPSC ADJUSTMENTS</b>                                 | <b>(1,028,683,071)</b> | <b>(151,079,556)</b>                    | <b>(877,603,515)</b> | <b>(12,585,871)</b>          | <b>(337,135,977)</b>          | <b>0</b>           | <b>(1,227,325,363)</b> | <b>(72,735,238)</b> | <b>(1,300,060,601)</b> |
| <b>FPSC ADJUSTED</b>  | <b>2,914,100,764</b>   | <b>1,204,022,337</b>                    | <b>1,710,078,427</b> | <b>2,661,576</b>             | <b>36,491,466</b>             | <b>0</b>           | <b>1,749,231,469</b>   | <b>166,221,247</b>  | <b>1,915,452,716</b>   |
| PRO FORMA REVENUE AND ANNUALIZATION ADJUSTMENTS               | 0                      | 0                                       | 0                    | 0                            | 0                             | 0                  | 0                      | 0                   | 0                      |
| <b>TOTAL PRO FORMA ADJUST</b>                                 | <b>0</b>               | <b>0</b>                                | <b>0</b>             | <b>0</b>                     | <b>0</b>                      | <b>0</b>           | <b>0</b>               | <b>0</b>            | <b>0</b>               |
| <b>PRO FORMA ADJUSTED</b>                                     | <b>2,914,100,764</b>   | <b>1,204,022,337</b>                    | <b>1,710,078,427</b> | <b>2,661,576</b>             | <b>36,491,466</b>             | <b>0</b>           | <b>1,749,231,469</b>   | <b>166,221,247</b>  | <b>1,915,452,716</b>   |

GULF POWER COMPANY  
AVERAGE RATE OF RETURN  
INCOME STATEMENT  
January, 2015

SCHEDULE 2  
PAGE 2 OF 3

|  | OPERATING REVENUES | O & M FUEL & NET INTERCHANGE | O & M OTHER  | DEPRECIATION & AMORTIZATION | TAXES OTHER THAN INCOME       | INCOME TAXES CURRENT | DEFERRED INCOME TAXES (NET) | INVESTMENT TAX CREDIT (NET) | (GAIN)/LOSS ON DISPOSITION OF PROPERTY | TOTAL OPERATING EXPENSES | NET OPERATING INCOME |
|--|--------------------|------------------------------|--------------|-----------------------------|-------------------------------|----------------------|-----------------------------|-----------------------------|--|--------------------------|----------------------|
| SYSTEM PER BOOKS   | 1,554,357,349      | 694,298,424                  | 336,416,441  | 132,118,231                 | 111,272,660                   | 11,157,429           | 77,423,701                  | (1,224,407)                 | 0                                      | 1,361,460,479            | 192,896,870 (a)      |
| JURISDICTIONAL PER BOOKS   | 1,318,458,157      | 538,042,354                  | 317,820,038  | 121,458,277                 | 109,419,278                   | 14,297,869           | 57,794,134                  | (877,128)                   | 0                                      | 1,157,754,819            | 160,703,539 (a)      |
| LESS FPSC ADJUSTMENTS:   |                    |                              |              |                             |                               |                      |                             |                             |  |                          |                      |
| RETAIL FUEL REVENUES & EXPENSES  | (471,163,544)      | (470,834,557)                |              |                             |                               | (126,906)            |                             |                             |  | (470,961,463)            | (202,080)            |
| PURCHASED POWER CAPACITY REVENUES & EXPENSES                             | (66,649,484)       | (67,019,290)                 |              |                             |                               | 142,653              |                             |                             |  | (66,876,637)             | 227,153              |
| ENERGY CONSERVATION COST REVENUES & EXPENSES                             | (17,032,234)       |                              | (14,667,652) | (336,392)                   | (381,907)                     | (635,054)            |                             |                             |  | (18,021,005)             | (1,011,229)          |
| ENVIRONMENTAL COST RECOVERY CLAUSE                                       | (142,330,946)      |                              | (26,947,404) | (39,511,412)                | (2,327,790)                   | (28,369,729)         |                             |                             |  | (97,156,335)             | (45,174,611)         |
| FRANCHISE FEE REVENUE & EXPENSE  | (41,801,627)       |                              |              |                             | (40,726,323)                  | (414,799)            |                             |                             |  | (41,141,122)             | (660,505)            |
| GROSS RECEIPTS TAX REVENUE & ADJUSTMENT                                  | (31,393,748)       |                              |              |                             | (30,988,539)                  | (156,309)            |                             |                             |  | (31,144,848)             | (248,900)            |
| MARKETING SUPPORT ACTIVITIES   |                    |                              | (200,801)    |                             |                               | 77,459               |                             |                             |  | (123,342)                | 123,342              |
| WHOLESALE EXPENSES   |                    | (188,506)                    |              |                             |                               | 72,718               |                             |                             |  | (115,790)                | 115,790              |
| INSTITUTIONAL ADVERTISING EXPENSE  |                    |                              | (387,956)    |                             |                               | 149,654              |                             |                             |  | (238,302)                | 238,302              |
| ECONOMIC DEVELOPMENT EXPENSE   |                    |                              | (62,932)     |                             |                               | 24,276               |                             |                             |  | (38,656)                 | 38,656               |
| MGMT FINANCIAL PLANNING SERVICES   |                    |                              | (30,147)     |                             |                               | 11,829               |                             |                             |  | (18,518)                 | 18,518               |
| DIRECTORS' & OFFICERS' INSURANCE   |                    |                              | (48,034)     |                             |                               | 18,529               |                             |                             |  | (29,505)                 | 29,505               |
| INDUSTRY ASSOCIATION DUES  |                    |                              | (845)        |                             |                               | 326                  |                             |                             |  | (519)                    | 519                  |
| TALLAHASSEE LIAISON EXPENSES   |                    |                              | (410,792)    |                             | (18,976)                      | 165,783              |                             |                             |  | (263,985)                | 263,985              |
| TRANSMISSION DEFERRED RETURN PURSUANT TO STIP. & SETT.                   |                    |                              |              | 11,672                      |                               | (4,503)              |                             |                             |  | 7,169                    | (7,169)              |
| DEPRECIATION CREDIT ADJUSTMENT   |                    |                              |              |                             |                               | 0                    |                             |                             |  | 0                        | 0                    |
| GRT, FPSC FEES ON CLAUSES & FEES   |                    |                              |              |                             | (1,466,410)                   | 565,668              |                             |                             |  | (900,742)                | 900,742              |
| (GAIN) / LOSS ON DISPOSITION OF PROPERTY                                 |                    |                              |              |                             |                               | 141,361              |                             |                             | (366,510)                              | (225,129)                | 225,129              |
| INTEREST SYNCHRONIZATION   |                    |                              |              |                             |                               | 5,889,707            |                             |                             |  | 5,889,707                | (5,889,707)          |
| TOTAL FPSC ADJUSTMENTS   | (770,371,583)      | (538,042,354)                | (42,756,562) | (39,836,132)                | (75,909,944)                  | (22,447,519)         | 0                           | 0                           | (366,510)                              | (719,359,021)            | (51,012,562)         |
| FPSC ADJUSTED  | 548,086,574        | 0                            | 274,863,474  | 81,622,146                  | 33,509,332                    | (8,149,850)          | 57,794,134                  | (877,128)                   | (366,510)                              | 438,395,598              | 109,690,976          |
| PRO FORMA REVENUE ANNUALIZATION ADJUSTMENTS                              |                    |                              |              |                             |                               |                      |                             |                             |  |                          |                      |
| TOTAL PRO FORMA ADJUSTMENTS  | 0                  | 0                            | 0            | 0                           | 0                             | 0                    | 0                           | 0                           | 0                                      | 0                        | 0                    |
| PRO FORMA ADJUSTED   | 548,086,574        | 0                            | 274,863,474  | 81,622,146                  | 33,509,332                    | (8,149,850)          | 57,794,134                  | (877,128)                   | (366,510)                              | 438,395,598              | 109,690,976          |
| (a) THE ADDITION OF EARNINGS FROM AFUDC WOULD INCREASE THE SYSTEM NOI BY |                    |                              |              | 18,230,568                  | AND THE JURISDICTIONAL NOI BY | 17,807,036           |                             |                             |  |                          |                      |
| CURRENT MONTH SYSTEM PER BOOKS   | 126,604,231        | 53,040,329                   | 29,041,094   | (2,159,379)                 | 9,574,597                     | (28,267,395)         | 40,743,111                  | (58,495)                    | 0                                      | 101,913,862              | 24,690,369           |
| CURRENT MONTH JURISDICTIONAL PER BOOKS                                   | 106,679,765        | 42,160,932                   | 26,245,576   | (3,091,171)                 | 9,411,236                     | (24,282,594)         | 35,717,151                  | (30,360)                    | 0                                      | 86,130,771               | 22,548,965           |

TOTALS MAY NOT ADD DUE TO ROUNDING.

GULF POWER COMPANY  
AVERAGE RATE OF RETURN  
SYSTEM ADJUSTMENTS  
January, 2015

SCHEDULE 2  
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| <u>RATE BASE ADJUSTMENTS</u>  | <u>AMOUNT</u>   | <u>NET OPERATING INCOME STATEMENT ADJUSTMENTS</u>        | <u>AMOUNT</u> | <u>TAX EFFECT</u> |
|---|-----------------|--|---------------|-------------------|
| ENVIRONMENTAL COST RECOVERY CLAUSE INVESTMENT                       | (1,047,382,477) | FUEL & IIC FUEL REVENUES AND ECONOMY PROFITS             | (629,412,763) | (242,795,974)     |
| ACCUMULATED DEPRECIATION  | 162,309,874     | ENVIRONMENTAL COST RECOVERY CLAUSE REVENUES              | (146,596,588) | (56,549,634)      |
| CWIP  | (13,700,635)    | PURCHASED POWER CAPACITY COST CLAUSE REVENUES            | (87,066,073)  | (25,870,738)      |
| ENERGY CONSERVATION COST RECOVERY INVESTMENT                        | (11,869,630)    | ENERGY CONSERVATION COST RECOVERY CLAUSE REVENUES        | (17,032,234)  | (6,570,184)       |
| ACCUMULATED DEPRECIATION  | (6,491,908)     | FUEL EXPENSE   | (625,288,723) | 241,196,638       |
| CWIP  | (10,363)        | PURCHASED POWER CAPACITY COST EXPENSE                    | (69,041,189)  | 26,632,839        |
| TRANSMISSION PURSUANT TO STIP. & SETT. INVESTMENT                   | (7,833)         | CONSERVATION EXPENSES - DEPRECIATION AND O & M           | (15,004,044)  | 5,787,810         |
| FAS 143 NET PLANT   | (15,189,535)    | CONSERVATION EXPENSES - OTHER TAXES                      | (381,907)     | 147,321           |
| INTEREST BEARING CWIP   | (331,526,969)   | ENVIRONMENTAL COST RECOVERY EXPENSE                      | (70,792,550)  | 27,308,226        |
| PHFU - NORTH ESCAMBIA   | (12,965,165)    | FRANCHISE FEE REVENUES                                   | (41,801,627)  | (16,124,978)      |
|   |                 | FRANCHISE FEE  | (40,726,323)  | 15,710,179        |
|   |                 | GROSS RECEIPTS TAX REVENUES                              | (31,393,748)  | (12,110,138)      |
|   |                 | GROSS RECEIPTS TAX EXPENSE                               | (30,988,539)  | 11,953,829        |
| WORKING CAPITAL:  |                 | MARKETING SUPPORT ACTIVITIES                             | (200,801)     | 77,459            |
| ECRC WORKING CAPITAL  | (7,231,740)     | WHOLESALE EXPENSE  | (194,252)     | 74,933            |
| CONSERVATION/AEM INVENTORY  | (1,188,348)     | INSTITUTIONAL ADVERTISING EXPENSE                        | (395,599)     | 152,602           |
| CAPITALIZED DEF. EARNINGS ON TRANSMISSION PURSUANT TO STIP. & SETT. | (2,754)         | ECONOMIC DEVELOPMENT EXPENSE                             | (62,933)      | 24,276            |
| FUNDED PROPERTY INSURANCE RESERVE                                   | 0               | MGMT FINANCIAL PLANNING SERVICES                         | (30,813)      | 11,886            |
| LOANS TO EMPLOYEES AND RETIREES                                     | (37,373)        | DIRECTORS' & OFFICERS' INSURANCE                         | (49,095)      | 18,938            |
| INTEREST & DIVIDENDS RECEIVABLE                                     | (26,643)        | INDUSTRY ASSOCIATION DUES                                | (861)         | 332               |
| NORTH ESCAMBIA SITE   | (4,666,737)     | TALLAHASSEE LIAISON EXPENSE                              | (439,262)     | 169,445           |
| UNAMORTIZED RATE CASE EXPENSE                                       | (4,773,203)     | TRANSMISSION DEFERRED RETURN PURSUANT TO STIP. & SETT.   | 11,672        | (4,503)           |
| FUEL RELATED DEFERRED DEBITS  | (55,417,550)    | DEPRECIATION CREDIT ADJUSTMENT                           | 0             | 0                 |
| UNREALIZED LOSS ON FWD CONTRACT                                     | 1,697           | GRT/FPSC FEES ON CLAUSE REV ADJ & FRAN FEES              | (1,468,410)   | 565,888           |
| ACCUM. PROV. FOR RATE REFUNDS                                       | 0               | COMP SALES/TRANS REV/G/L SALE GAS/PROV RT REFVN. ESC REV | 11,366        | 4,385             |
| FAS 143 WORKING CAPITAL   | 26,429,496      | GAIN/LOSS ON DISPOSITION OF PROPERTY                     | (385,256)     | 148,613           |
| FAS 158 REGULATORY ASSETS   | (85,070,637)    | INTEREST SYNCHRONIZATION                                 | 6,312,989     | 6,312,989         |
| FAS 158 REGULATORY LIABILITIES                                      | 85,070,637      |  |               |                   |
| PPA REGULATORY ASSETS   | (191,173,077)   |  |               |                   |
| PPA REGULATORY LIABILITIES  | 191,173,077     |  |               |                   |
| FAS 133 REGULATORY ASSETS   | (35,306,587)    |  |               |                   |
| FAS 133 REGULATORY LIABILITIES                                      | 35,306,587      |  |               |                   |

GULF POWER COMPANY  
YEAR END RATE OF RETURN  
RATE BASE  
January, 2015

SCHEDULE 3  
PAGE 1 OF 3

|   | PLANT IN<br>SERVICE    | ACCUMULATED<br>DEPRECIATION &<br>AMORTIZATION | NET<br>PLANT IN<br>SERVICE | PROPERTY HELD<br>FOR FUTURE USE | CONSTRUCTION<br>WORK IN<br>PROGRESS | NUCLEAR FUEL<br>(NET) | NET<br>UTILITY PLANT   | WORKING<br>CAPITAL  | TOTAL<br>RATE BASE     |
|---|------------------------|---|----------------------------|---------------------------------|-------------------------------------|-----------------------|------------------------|---------------------|------------------------|
| SYSTEM PER BOOKS  | 4,479,880,872          | 1,547,173,267                                 | 2,932,707,605              | 15,560,289                      | 487,872,764                         | 0                     | 3,436,140,658          | 228,182,850         | 3,664,323,508          |
| JURISDICTIONAL PER BOOKS                                      | 3,998,790,831          | 1,398,710,575                                 | 2,600,080,256              | 15,105,075                      | 474,141,282                         | 0                     | 3,089,326,613          | 237,298,807         | 3,326,625,420          |
| <b>FPSC ADJUSTMENTS:</b>                                      |                        |   |                            |                                 |                                     |                       |                        |                     |                        |
| ENVIRONMENTAL RECOVERY CLAUSE                                 | (1,019,182,719)        | (175,863,098)                                 | (843,319,621)              |                                 | (16,460,064)                        |                       | (859,779,685)          | (7,020,619)         | (866,800,304)          |
| INT BEARING CWIP  |                        |   |                            |                                 | (427,783,610)                       |                       | (427,783,610)          | 0                   | (427,783,610)          |
| ENERGY CONSERVATION CLAUSE                                    | (12,554,259)           | 6,920,379                                     | (19,474,638)               |                                 |                                     |                       | (19,474,638)           | (1,188,348)         | (20,662,986)           |
| TRANSMISSION INVESTMENT PURSUANT TO STIP. & SET               | (101,833)              |   | (101,833)                  |                                 |                                     |                       | (101,833)              | 0                   | (101,833)              |
| CAPITALIZED DEF. EARNINGS ON TRANSM PURSUANT TO STIP. & SETT. |                        |   |                            |                                 |                                     |                       |                        | (11,184)            | (11,184)               |
| LOANS TO EMPLOYEES AND RETIREES                               |                        |   |                            |                                 |                                     |                       |                        | (35,810)            | (35,810)               |
| INTEREST AND DIVIDENDS RECEIVABLE                             |                        |   |                            |                                 |                                     |                       |                        | (25,529)            | (25,529)               |
| FUNDED PROP RES, N. ESCAMBIA SITE, & OTHER INV.               |                        |   |                            | (12,661,331)                    |                                     |                       | (12,661,331)           | (4,471,367)         | (17,132,698)           |
| FUEL RELATED DEFERRED DEBITS                                  |                        |   |                            |                                 |                                     |                       |                        | (55,417,550)        | (55,417,550)           |
| ACCRUED PROVISION FOR REFUND                                  |                        |   |                            |                                 |                                     |                       |                        | 0                   | 0                      |
| UNAMORTIZED RATE CASE EXPENSES                                |                        |   |                            |                                 |                                     |                       |                        | (4,573,376)         | (4,573,376)            |
| <b>TOTAL FPSC ADJUSTMENTS</b>                                 | <b>(1,031,838,811)</b> | <b>(168,942,719)</b>                          | <b>(862,896,092)</b>       | <b>(12,661,331)</b>             | <b>(444,243,674)</b>                | <b>0</b>              | <b>(1,319,801,097)</b> | <b>(72,743,783)</b> | <b>(1,392,544,879)</b> |
| <b>FPSC ADJUSTED</b>  | <b>2,966,952,020</b>   | <b>1,229,767,856</b>                          | <b>1,737,184,164</b>       | <b>2,443,744</b>                | <b>29,897,608</b>                   | <b>0</b>              | <b>1,769,525,516</b>   | <b>164,555,024</b>  | <b>1,934,080,540</b>   |
| PRO FORMA REVENUE AND<br>ANNUALIZATION ADJUSTMENTS            | 0                      | 0   | 0                          | 0                               | 0                                   | 0                     | 0                      | 0                   | 0                      |
| <b>TOTAL PRO FORMA ADJUSTMENTS</b>                            | <b>0</b>               | <b>0</b>                                      | <b>0</b>                   | <b>0</b>                        | <b>0</b>                            | <b>0</b>              | <b>0</b>               | <b>0</b>            | <b>0</b>               |
| <b>PRO FORMA ADJUSTED</b>                                     | <b>2,966,952,020</b>   | <b>1,229,767,856</b>                          | <b>1,737,184,164</b>       | <b>2,443,744</b>                | <b>29,897,608</b>                   | <b>0</b>              | <b>1,769,525,516</b>   | <b>164,555,024</b>  | <b>1,934,080,540</b>   |

GULF POWER COMPANY  
YEAR END RATE OF RETURN  
INCOME STATEMENT  
January, 2015

SCHEDULE 3  
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|  | OPERATING REVENUES | O & M FUEL & NET INTERCHANGE | O & M OTHER  | DEPRECIATION & AMORTIZATION | TAXES OTHER THAN INCOME | INCOME TAXES CURRENT | DEFERRED INCOME TAXES (NET) | INVESTMENT TAX CREDIT (NET) | (GAIN)/LOSS ON DISPOSITION OF PROPERTY | TOTAL OPERATING EXPENSES | NET OPERATING INCOME |
|--|--------------------|------------------------------|--------------|-----------------------------|-------------------------|----------------------|-----------------------------|-----------------------------|--|--------------------------|----------------------|
| SYSTEM PER BOOKS                                       | 1,554,357,349      | 694,298,424                  | 336,416,441  | 132,116,231                 | 111,272,660             | 11,157,429           | 77,423,701                  | (1,224,407)                 | 0                                      | 1,361,460,479            | 192,896,870 (a)      |
| JURISDICTIONAL PER BOOKS                               | 1,318,458,157      | 538,042,354                  | 317,620,036  | 121,458,277                 | 109,419,276             | 14,299,461           | 57,786,757                  | (877,128)                   | 0                                      | 1,157,749,034            | 160,709,124 (a)      |
| LESS FPSC ADJUSTMENTS:                                 |                    |                              |              |                             |                         |                      |                             |                             |  |                          |                      |
| RETAIL FUEL REVENUES & EXPENSES                        | (471,163,544)      | (470,834,557)                |              |                             |                         | (126,906)            |                             |                             |  | (470,961,463)            | (202,080)            |
| PURCHASED POWER CAPACITY REVENUES & EXPENSES           | (66,649,484)       | (67,019,290)                 |              |                             |                         | 142,653              |                             |                             |  | (66,876,637)             | 227,153              |
| ENERGY CONSERVATION COST REVENUES & EXPENSES           | (17,032,234)       |                              | (14,667,652) | (336,392)                   | (381,907)               | (635,054)            |                             |                             |  | (16,021,005)             | (1,011,229)          |
| ENVIRONMENTAL COST RECOVERY CLAUSE                     | (142,330,946)      |                              | (26,947,404) | (39,511,412)                | (2,327,790)             | (28,369,729)         |                             |                             |  | (97,156,335)             | (45,174,611)         |
| FRANCHISE FEE REVENUE & EXPENSE                        | (41,801,627)       |                              |              |                             | (40,726,323)            | (414,799)            |                             |                             |  | (41,141,122)             | (660,505)            |
| GROSS RECEIPTS TAX REVENUE & ADJUSTMENT                | (31,393,748)       |                              |              |                             | (30,988,539)            | (156,309)            |                             |                             |  | (31,144,848)             | (248,900)            |
| MARKETING SUPPORT ACTIVITIES                           |                    |                              | (200,801)    |                             |                         | 77,459               |                             |                             |  | (123,342)                | 123,342              |
| WHOLESALE EXPENSES                                     |                    | (188,506)                    |              |                             |                         | 72,716               |                             |                             |  | (115,790)                | 115,790              |
| INSTITUTIONAL ADVERTISING EXPENSE                      |                    |                              | (387,956)    |                             |                         | 149,654              |                             |                             |  | (238,302)                | 238,302              |
| ECONOMIC DEVELOPMENT EXPENSE                           |                    |                              | (62,932)     |                             |                         | 24,276               |                             |                             |  | (38,656)                 | 38,656               |
| MGMT FINANCIAL PLANNING SERVICES                       |                    |                              | (30,147)     |                             |                         | 11,629               |                             |                             |  | (18,518)                 | 18,518               |
| DIRECTORS' & OFFICERS' INSURANCE                       |                    |                              | (48,034)     |                             |                         | 18,529               |                             |                             |  | (29,505)                 | 29,505               |
| INDUSTRY ASSOCIATION DUES                              |                    |                              | (845)        |                             |                         | 326                  |                             |                             |  | (519)                    | 519                  |
| TALLAHASSEE LIAISON EXPENSES                           |                    |                              | (410,792)    |                             | (18,976)                | 165,783              |                             |                             |  | (263,985)                | 263,985              |
| TRANSMISSION DEFERRED RETURN PURSUANT TO STIP. & SETT. |                    |                              |              | 11,672                      |                         | (4,503)              |                             |                             |  | 7,169                    | (7,169)              |
| DEPRECIATION CREDIT ADJUSTMENT                         |                    |                              |              |                             |                         |                      |                             |                             |  | 0                        | 0                    |
| GRT, FPSC FEES ON CLAUSES & FEES                       |                    |                              |              |                             | (1,466,410)             | 565,668              |                             |                             |  | (900,742)                | 900,742              |
| (GAIN) / LOSS ON DISPOSITION OF PROPERTY               |                    |                              |              |                             |                         | 141,381              |                             |                             | (366,510)                              | (225,129)                | 225,129              |
| INTEREST SYNCHRONIZATION                               |                    |                              |              |                             |                         | 5,791,158            |                             |                             |  | 5,791,158                | (5,791,158)          |
| TOTAL FPSC ADJUSTMENTS                                 | (770,371,583)      | (538,042,354)                | (42,756,562) | (39,836,132)                | (75,909,944)            | (22,546,068)         | 0                           | 0                           | (366,510)                              | (719,457,570)            | (50,914,013)         |
| FPSC ADJUSTED  | 548,086,574        | 0                            | 274,863,474  | 81,622,146                  | 33,509,332              | (8,246,607)          | 57,786,757                  | (877,128)                   | (366,510)                              | 438,291,464              | 109,795,110          |
| PRO FORMA REVENUE ANNUALIZATION                        |                    |                              |              |                             |                         |                      |                             |                             |  |                          |                      |
| TOTAL PRO FORMA ADJUSTMENTS                            | 0                  | 0                            | 0            | 0                           | 0                       | 0                    | 0                           | 0                           | 0                                      | 0                        | 0                    |
| PRO FORMA ADJUSTED                                     | 548,086,574        | 0                            | 274,863,474  | 81,622,146                  | 33,509,332              | (8,246,607)          | 57,786,757                  | (877,128)                   | (366,510)                              | 438,291,464              | 109,795,110          |

(a) THE ADDITION OF EARNINGS FROM AFUDC WOULD INCREASE THE SYSTEM NOI BY 18,230,568 AND THE JURISDICTIONAL NOI BY 17,807,036



GULF POWER COMPANY  
YEAR END RATE OF RETURN  
SYSTEM ADJUSTMENTS  
January, 2015

SCHEDULE 3  
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| <u>RATE BASE ADJUSTMENTS</u>  | <u>AMOUNT</u>   | <u>NET OPERATING INCOME STATEMENT ADJUSTMENTS</u>       | <u>AMOUNT</u> | <u>TAX EFFECT</u> |
|---|-----------------|---|---------------|-------------------|
| ENVIRONMENTAL COST RECOVERY CLAUSE INVESTMENT                       | (1,050,050,704) | FUEL & IIC FUEL REVENUES AND ECONOMY PROFITS            | (629,412,783) | (242,795,974)     |
| ACCUMULATED DEPRECIATION  | 181,189,464     | ENVIRONMENTAL COST RECOVERY CLAUSE REVENUES             | (146,596,588) | (56,549,634)      |
| CWIP  | (16,958,590)    | PURCHASED POWER CAPACITY COST CLAUSE REVENUES           | (87,066,073)  | (25,870,738)      |
| ENERGY CONSERVATION COST RECOVERY INVESTMENT                        | (12,554,259)    | ENERGY CONSERVATION COST RECOVERY CLAUSE REVENUES       | (17,032,234)  | (6,570,184)       |
| ACCUMULATED DEPRECIATION  | (6,920,379)     | FUEL EXPENSE  | (625,286,723) | 241,198,638       |
| CWIP  | 0               | PURCHASED POWER CAPACITY COST EXPENSE                   | (69,041,189)  | 26,632,639        |
| TRANSMISSION PURSUANT TO STIP. & SETT. INVESTMENT                   | (101,833)       | CONSERVATION EXPENSES - DEPRECIATION AND O & M          | (15,004,044)  | 5,787,810         |
| FAS 143 NET PLANT   | (15,113,167)    | CONSERVATION EXPENSES - OTHER TAXES                     | (381,907)     | 147,321           |
| INTEREST BEARING CWIP   | (437,958,235)   | ENVIRONMENTAL COST RECOVERY EXPENSE                     | (70,792,550)  | 27,308,226        |
| PHFU - NORTH ESCAMBIA   | (13,042,899)    | FRANCHISE FEE REVENUES                                  | (41,801,627)  | (16,124,978)      |
|   |                 | FRANCHISE FEE   | (40,726,323)  | 15,710,179        |
|   |                 | GROSS RECEIPTS TAX REVENUES                             | (31,393,748)  | (12,110,138)      |
|   |                 | GROSS RECEIPTS TAX EXPENSE                              | (30,888,539)  | 11,953,829        |
|   |                 | MARKETING SUPPORT ACTIVITIES                            | (200,801)     | 77,459            |
| WORKING CAPITAL:  |                 | WHOLESALE EXPENSE                                       | (194,252)     | 74,933            |
| ECRC WORKING CAPITAL  | (7,231,740)     | INSTITUTIONAL ADVERTISING EXPENSE                       | (395,599)     | 152,602           |
| CONSERVATION/AEM INVENTORY  | (1,188,348)     | ECONOMIC DEVELOPMENT EXPENSE                            | (82,933)      | 24,276            |
| CAPITALIZED DEF. EARNINGS ON TRANSMISSION PURSUANT TO STIP. & SETT. | (2,754)         | MGMT FINANCIAL PLANNING SERVICES                        | (30,813)      | 11,886            |
| FUNDED PROPERTY INSURANCE RESERVE                                   | 0               | DIRECTORS' & OFFICERS' INSURANCE                        | (49,095)      | 18,938            |
| LOANS TO EMPLOYEES AND RETIREES                                     | (37,373)        | INDUSTRY ASSOCIATION DUES                               | (861)         | 332               |
| INTEREST & DIVIDENDS RECEIVABLE                                     | (26,643)        | TALLAHASSEE LIAISON EXPENSE                             | (439,282)     | 189,445           |
| NORTH ESCAMBIA SITE   | (4,686,737)     | TRANSMISSION DEFERRED RETURN PURSUANT TO STIP. & SETT.  | 11,872        | (4,503)           |
| UNAMORTIZED RATE CASE EXPENSE                                       | (4,773,203)     | DEPRECIATION CREDIT ADJUSTMENT                          | 0             | 0                 |
| FUEL RELATED DEFERRED DEBITS  | (55,417,550)    | GRT/FPSC FEES ON CLAUSE REV ADJ & FRAN FEES             | (1,486,410)   | 565,668           |
| UNREALIZED LOSS ON FWD CONTRACT                                     | 1,697           | COMP SALES/TRANS REVIG/L SALE GAS/PROV RT REFN. ESC REV | 11,368        | 4,385             |
| ACCUM. PROV. FOR RATE REFUNDS                                       | 0               | GAIN/LOSS ON DISPOSITION OF PROPERTY                    | (385,258)     | 148,613           |
| FAS 143 WORKING CAPITAL   | 26,429,496      | INTEREST SYNCHRONIZATION                                | 6,133,258     | 6,133,258         |
| FAS 158 REGULATORY ASSETS   | (85,070,637)    |   |               |                   |
| FAS 158 REGULATORY LIABILITIES                                      | 85,070,637      |   |               |                   |
| PPA REGULATORY ASSETS   | (191,173,077)   |   |               |                   |
| PPA REGULATORY LIABILITIES  | 191,173,077     |   |               |                   |
| FAS 133 REGULATORY ASSETS   | (35,306,587)    |   |               |                   |
| FAS 133 REGULATORY LIABILITIES                                      | 35,306,587      |   |               |                   |

GULF POWER COMPANY  
CAPITAL STRUCTURE  
FPSC ADJUSTED BASIS  
January, 2015

SCHEDULE 4

| AVERAGE                     | SYSTEM<br>PER BOOKS  | RETAIL<br>PER BOOKS  | ADJUSTMENTS            |          | ADJUSTED<br>RETAIL   | RATIO<br>(%)    | LOW POINT        |                      |                  | MIDPOINT             |                  |                      | HIGH POINT       |                      |  |
|-----------------------------|----------------------|----------------------|------------------------|----------|----------------------|-----------------|------------------|----------------------|------------------|----------------------|------------------|----------------------|------------------|----------------------|--|
|                             |                      |                      | PRO RATA               | SPECIFIC |                      |                 | COST RATE<br>(%) | WEIGHTED COST<br>(%) | COST RATE<br>(%) | WEIGHTED COST<br>(%) | COST RATE<br>(%) | WEIGHTED COST<br>(%) | COST RATE<br>(%) | WEIGHTED COST<br>(%) |  |
| LONG TERM DEBT              | 1,271,063,980        | 1,165,985,741        | (471,418,394)          | 0        | 694,567,347          | 36.26           | 4.54             | 1.65                 | 4.54             | 1.65                 | 4.54             | 1.65                 | 4.54             | 1.65                 |  |
| SHORT TERM DEBT             | 83,801,601           | 21,537,068           | (8,707,628)            | 0        | 12,829,440           | 0.67            | 0.23             | 0.00                 | 0.23             | 0.00                 | 0.23             | 0.00                 | 0.23             | 0.00                 |  |
| PREFERENCE STOCK            | 146,503,864          | 134,374,314          | (54,328,729)           | 0        | 80,045,585           | 4.18            | 6.14             | 0.26                 | 6.14             | 0.26                 | 6.14             | 0.26                 | 6.14             | 0.26                 |  |
| CUSTOMER DEPOSITS           | 34,883,449           | 35,492,334           | (14,349,866)           | 0        | 21,142,468           | 1.10            | 2.38             | 0.03                 | 2.38             | 0.03                 | 2.38             | 0.03                 | 2.38             | 0.03                 |  |
| COMMON EQUITY               | 1,294,246,411        | 1,195,151,186        | (483,210,242)          | 0        | 711,940,944          | 37.17           | 9.25             | 3.44                 | 10.25            | 3.81                 | 11.25            | 4.18                 |                  |                      |  |
| DEFERRED INCOME TAXES       | 755,258,036          | 703,769,599          | (284,540,301)          | 0        | 419,229,298          | 21.89           |                  |                      |                  |                      |                  |                      |                  |                      |  |
| FASB 109 DEFERRED TAXES     | (46,962,769)         | (43,761,161)         | 17,693,026             | 0        | (26,068,135)         | (1.36)          |                  |                      |                  |                      |                  |                      |                  |                      |  |
| TAX CREDITS - ZERO COST     | 0                    | 0                    | 0                      | 0        | 0                    | 0.00            |                  |                      |                  |                      |                  |                      |                  |                      |  |
| TAX CREDITS - WEIGHTED COST | 3,317,004            | 2,964,236            | (1,198,467)            | 0        | 1,765,769            | 0.09            | 6.88             | 0.01                 | 7.36             | 0.01                 | 7.84             | 0.01                 |                  |                      |  |
| <b>TOTAL</b>                | <b>3,542,111,576</b> | <b>3,215,513,317</b> | <b>(1,300,060,601)</b> | <b>0</b> | <b>1,915,452,716</b> | <b>100.00 %</b> |                  | <b>5.38 %</b>        |                  | <b>5.75 %</b>        |                  | <b>6.12 %</b>        |                  |                      |  |

| YEAR-END                    | SYSTEM<br>PER BOOKS  | RETAIL<br>PER BOOKS  | ADJUSTMENTS            |          | ADJUSTED<br>RETAIL   | RATIO<br>(%)    | LOW POINT        |                      |                  | MIDPOINT             |                  |                      | HIGH POINT       |                      |  |
|-----------------------------|----------------------|----------------------|------------------------|----------|----------------------|-----------------|------------------|----------------------|------------------|----------------------|------------------|----------------------|------------------|----------------------|--|
|                             |                      |                      | PRO RATA               | SPECIFIC |                      |                 | COST RATE<br>(%) | WEIGHTED COST<br>(%) | COST RATE<br>(%) | WEIGHTED COST<br>(%) | COST RATE<br>(%) | WEIGHTED COST<br>(%) | COST RATE<br>(%) | WEIGHTED COST<br>(%) |  |
| LONG TERM DEBT              | 1,344,721,289        | 1,213,021,075        | (507,777,725)          | 0        | 705,243,350          | 36.46           | 4.51             | 1.64                 | 4.51             | 1.64                 | 4.51             | 1.64                 | 4.51             | 1.64                 |  |
| SHORT TERM DEBT             | 104,969,710          | 40,504,711           | (16,955,509)           | 0        | 23,549,202           | 1.22            | 0.31             | 0.00                 | 0.31             | 0.00                 | 0.31             | 0.00                 | 0.31             | 0.00                 |  |
| PREFERENCE STOCK            | 146,503,864          | 132,155,469          | (55,321,053)           | 0        | 76,834,416           | 3.97            | 6.14             | 0.24                 | 6.14             | 0.24                 | 6.14             | 0.24                 | 6.14             | 0.24                 |  |
| CUSTOMER DEPOSITS           | 35,079,191           | 34,943,773           | (14,627,668)           | 0        | 20,316,105           | 1.05            | 2.34             | 0.02                 | 2.34             | 0.02                 | 2.34             | 0.02                 | 2.34             | 0.02                 |  |
| COMMON EQUITY               | 1,317,208,537        | 1,206,186,683        | (504,916,808)          | 0        | 701,269,875          | 36.26           | 9.25             | 3.35                 | 10.25            | 3.72                 | 11.25            | 4.08                 |                  |                      |  |
| DEFERRED INCOME TAXES       | 816,675,091          | 747,630,041          | (312,962,313)          | 0        | 434,667,728          | 22.48           |                  |                      |                  |                      |                  |                      |                  |                      |  |
| FASB 109 DEFERRED TAXES     | (54,947,338)         | (50,301,865)         | 21,056,655             | 0        | (29,245,210)         | (1.51)          |                  |                      |                  |                      |                  |                      |                  |                      |  |
| TAX CREDITS - ZERO COST     | 0                    | 0                    | 0                      | 0        | 0                    | 0.00            |                  |                      |                  |                      |                  |                      |                  |                      |  |
| TAX CREDITS - WEIGHTED COST | 2,724,895            | 2,485,532            | (1,040,458)            | 0        | 1,445,074            | 0.07            | 6.84             | 0.00                 | 7.31             | 0.01                 | 7.78             | 0.01                 |                  |                      |  |
| <b>TOTAL</b>                | <b>3,712,935,239</b> | <b>3,326,625,420</b> | <b>(1,392,544,879)</b> | <b>0</b> | <b>1,934,080,540</b> | <b>100.00 %</b> |                  | <b>5.28 %</b>        |                  | <b>5.64 %</b>        |                  | <b>6.00 %</b>        |                  |                      |  |

GULF POWER COMPANY  
Financial Integrity Indicators  
January, 2015

## A. Times Interest Earned with AFUDC

|   |                   |
|---|-------------------|
| Earnings Before Interest                            | 203,379,120       |
| AFUDC - Debt  | 5,588,351         |
| Income Taxes  | <u>88,015,379</u> |
| Total   | 296,982,850       |
| Interest Charges (Before<br>Deducting AFUDC - Debt) | <u>58,900,752</u> |
| T.I.E. With AFUDC                                   | <u>5.04 x</u>     |

## B. Times Interest Earned without AFUDC

|   |                   |
|---|-------------------|
| Earnings Before Interest                            | 203,379,120       |
| AFUDC - Other                                       | (12,642,217)      |
| Income Taxes  | <u>88,015,379</u> |
| Total   | 278,752,282       |
| Interest Charges (Before<br>Deducting AFUDC - Debt) | <u>58,900,752</u> |
| T.I.E. Without AFUDC                                | <u>4.73 x</u>     |

C. Percent AFUDC To Net Income Available  
for Common Stockholders

|   |                    |
|---|--------------------|
| AFUDC - Debt                                    | 5,588,351          |
| X (1 - Income Tax Rate)                         | 0.61425            |
| Subtotal  | 3,432,645          |
| AFUDC - Other                                   | <u>12,642,217</u>  |
| Total   | <u>16,074,862</u>  |
| Net Income Available for<br>Common Stockholders | <u>141,064,220</u> |
| Percent AFUDC to Available<br>Net Income        | <u>11.40%</u>      |

## D. Percent Internally Generated Funds

|   |                     |
|---|---------------------|
| Net Income  | 150,066,720         |
| Preference Dividends  | (9,002,500)         |
| Common Dividends  | (124,940,000)       |
| AFUDC (Debt & Other)  | (18,230,568)        |
| Depreciation & Amortization                                 | 140,990,536         |
| Deferred Income Taxes                                       | 77,403,615          |
| Investment Tax Credits                                      | 0                   |
| Other   | <u>(16,257,939)</u> |
| Total   | 200,029,864         |
| Construction Expenditures<br>(Excluding AFUDC Other & Debt) | <u>347,637,548</u>  |
| Percent Internally Generated Funds                          | <u>57.54%</u>       |

E. Long Term Debt as Percent of Total  
Investor Capital  
(See calculation in item F. below)F. Short Term Debt as Percent of Total Investor Capital  
Reconciled Average Retail Amounts

|                            |                      |
|----------------------------|----------------------|
| Long Term Debt             | 694,567,347          |
| Short Term Debt            | 12,829,440           |
| Preference Stock           | 80,045,585           |
| Common Equity              | <u>711,940,944</u>   |
| Total                      | <u>1,499,383,316</u> |
| % Long Term Debt To Total  | <u>46.32%</u>        |
| % Short Term Debt To Total | <u>0.86%</u>         |

G. FPSC Adjusted Average Jurisdictional Return  
On Common Equity

|   | G.<br>FPSC ADJ. | H.<br>PROFORMA |
|---|-----------------|----------------|
| FPSC Adjusted Average Earned<br>Rate of Return              | 5.73%           | 5.73%          |
| Less: Reconciled Average Retail Weighted<br>Cost Rates For: |                 |                |
| Long Term Debt  | (1.65)          | (1.65)         |
| Short Term Debt   | (0.00)          | (0.00)         |
| Preference Stock  | (0.26)          | (0.26)         |
| Customer Deposits   | (0.03)          | (0.03)         |
| Tax Credits - Weighted Cost<br>(Common Equity at Midpoint)  | <u>(0.01)</u>   | <u>(0.01)</u>  |
| Subtotal  | <u>(1.94)</u>   | <u>(1.94)</u>  |
| Total   | 3.79            | 3.79           |
| Divided by Common Equity Ratio                              | <u>37.17</u>    | <u>37.17</u>   |
| Jurisdictional Return on Common Equity                      | <u>10.19%</u>   | <u>10.19%</u>  |