



Robert L. McGee, Jr.  
Regulatory & Pricing Manager

One Energy Place  
Pensacola FL 32520-0780  
850 444 6530 tel  
850 444 6026 fax  
rlmcgee@southernco.com

October 14, 2016

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:

Attached is Gulf Power Company's Jurisdictional Rate of Return Report for the month of August, 2016. In compliance with the Commission's decision in Docket 160134-EI on September 13, 2016, Gulf's Jurisdictional Rate of Return Report reflects Scherer Unit 3 as a retail resource rededicated to serving Gulf's native load customers to the extent it is not committed to off-system sales. Furthermore, in compliance with that same decision, Gulf is including a second Jurisdictional Rate of Return Report which removes Scherer's related investment and expenses from the retail jurisdictional rate base.

Sincerely,

A handwritten signature in blue ink that reads "Robert L. McGee, Jr." with a stylized flourish at the end.

Robert L. McGee, Jr.  
Regulatory and Pricing Manager

md

Attachment

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

GOV 2-1-5-3

**August 2016**

Earnings Surveillance  
Report  
(Rate of Return)

Note: In compliance with the Florida Public Service Commission's decision in Docket 160134-EI on September 13, 2016, this Jurisdictional Rate of Return Report reflects Scherer Unit 3 as a retail resource rededicated to serving Gulf Power's native load customers to the extent it is not committed to off-system sales.



**GULF POWER COMPANY**  
**Earnings Surveillance Report Summary, Including Scherer 3\***  
**August, 2016**

	(1) Actual Per Books	(2) FPSC Adjustments	(3) FPSC Adjusted	(4) Pro Forma Adjustments	(5) Pro Forma Adjusted
<b>I. Average Rate of Return (Jurisdictional)</b>					
	(a)	(b)			
Net Operating Income	179,901,088	(67,462,299)	112,438,789	0	112,438,789
Average Rate Base	3,498,353,880	(1,405,498,397)	2,092,855,483	0	2,092,855,483
Average Rate of Return	5.14%		5.37%		5.37%
<b>II. Year End Rate of Return (Jurisdictional)</b>					
	(a)	(b)			
Net Operating Income	179,905,694	(68,093,178)	111,812,516	0	111,812,516
Year End Rate Base	3,594,981,873	(1,392,134,452)	2,202,847,421	0	2,202,847,421
Year End Rate of Return	5.00%		5.08%		5.08%

(a) Includes AFUDC Earnings

(b) Includes Reversal of AFUDC Earnings

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

Low	5.13%
Midpoint	5.50%
High	5.86%

**IV. Financial Integrity Indicators**

A. Tie With AFUDC	5.20 x (System per Books Basis)
B. Tie Without AFUDC	5.13 x (System per Books Basis)
C. AFUDC To Net Income	2.55% (System per Books Basis)
D. Internally Generated Funds	205.34% (System per Books Basis)
E. LTD To Total Investor Funds	43.70% (FPSC Adjusted Basis)
F. STD To Total Investor Funds	3.55% (FPSC Adjusted Basis)
G. Return on Common Equity	9.91% (FPSC Adjusted Basis)
H. Return on Common Equity	9.91% (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  
 Josh J. Mason  
 Assistant Treasurer, Financial Planning & Budgeting Manager

Signature  


Date  
 10/14/16

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GULF POWER COMPANY  
AVERAGE RATE OF RETURN  
RATE BASE, INCLUDING SCHERER 3\*  
August, 2016

	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>	5,027,111,800	1,601,428,063	3,425,683,737	14,755,650	139,214,173	0	3,579,653,560	152,061,224	3,731,704,784
<b>JURISDICTIONAL PER BOOKS</b>	4,604,211,539	1,494,445,154	3,109,766,385	14,323,976	134,734,986	0	3,258,825,348	239,528,532	3,498,353,880
<b>FPSC ADJUSTMENTS:</b>									
ENVIRONMENTAL RECOVERY CLAUSE	(1,282,856,308)	(208,469,489)	(1,074,386,819)		(18,734,916)		(1,093,121,735)	(6,147,920)	(1,099,269,655)
INT BEARING CWIP					(78,238,926)		(78,238,926)	0	(78,238,926)
ENERGY CONSERVATION CLAUSE	(13,621,661)	7,535,228	(21,156,889)		3,002		(21,153,887)	(1,369,430)	(22,523,317)
TRANSMISSION INVESTMENT PURSUANT TO STIP. & SETT.	(177,080,183)		(177,080,183)				(177,080,183)	0	(177,080,183)
CAPITALIZED DEF. EARNINGS ON TRANSM PURSUANT TO STIP. & SETT.								(7,284,292)	(7,284,292)
LOANS TO EMPLOYEES / RETIREES								(48,328)	(48,328)
INTEREST AND DIVIDENDS RECEIVABLE								(17,345)	(17,345)
FUELED PROP RES. N. ESCAMBIA & OTHER INV.				(12,661,331)			(12,661,331)	(4,360,729)	(17,022,060)
FUEL RELATED DEFERRED DEBITS								(2,892,438)	(2,892,438)
ACCRUED PROVISION FOR REFUND								0	0
UNAMORTIZED RATE CASE EXPENSES								(1,121,852)	(1,121,852)
<b>TOTAL FPSC ADJUSTMENTS</b>	(1,473,558,152)	(200,934,261)	(1,272,623,891)	(12,661,331)	(96,970,840)	0	(1,382,256,063)	(23,242,334)	(1,405,498,397)
<b>FPSC ADJUSTED</b>	3,130,653,387	1,293,510,893	1,837,142,494	1,662,645	37,764,146	0	1,876,569,285	216,286,198	2,092,855,483
<b>PRO FORMA REVENUE AND ANNUALIZATION ADJUSTMENTS</b>	0	0	0	0	0	0	0	0	0
<b>TOTAL PRO FORMA ADJUST</b>	0	0	0	0	0	0	0	0	0
<b>PRO FORMA ADJUSTED</b>	3,130,653,387	1,293,510,893	1,837,142,494	1,662,645	37,764,146	0	1,876,569,285	216,286,198	2,092,855,483

\*In compliance with the Florida Public Service Commission's decision in Docket 160134-EI on September 13, 2016, this Jurisdictional Rate of Return Report reflects Scherer Unit 3 as a retail resource rededicated to serving Gulf Power's native load customers to the extent it is not committed to off-system sales.

GULF POWER COMPANY  
AVERAGE RATE OF RETURN  
INCOME STATEMENT, INCLUDING SCHERER 3\*  
August, 2016

	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	1,445,739,289	559,728,238	313,736,743	165,664,697	119,270,870	27,551,967	63,189,377	(574,948)	0	1,247,566,943	199,172,345
JURISDICTIONAL PER BOOKS	1,303,711,959	474,785,356	299,984,959	157,241,005	117,702,471	27,046,938	51,363,496	(417,098)	0	1,127,707,126	176,004,833
LESS FPSC ADJUSTMENTS:	(99,333,975)	(369,011,680)	(11,477,914)	(381,924)	(324,874)	(124,325)				(389,136,005)	(197,969)
RETAIL FUEL REVENUES & EXPENSES	(85,657,543)	(85,773,676)				44,798				(85,728,878)	71,335
PURCHASED POWER CAPACITY REVENUES & EXPENSES	(14,028,273)					(711,154)				(12,895,866)	(1,132,407)
ENERGY CONSERVATION COST REVENUES & EXPENSES	(167,727,870)	(25,728,395)	(11,477,914)	(381,924)	(324,874)	(34,791,753)				(112,327,132)	(55,400,738)
ENVIRONMENTAL COST RECOVERY CLAUSE	(42,635,816)			(47,046,537)	(41,461,201)	(453,108)				(41,914,309)	(721,507)
FRANCHISE FEE REVENUE & EXPENSE	(31,943,826)				(31,569,464)	(144,402)				(31,713,866)	(229,939)
GROSS RECEIPTS TAX REVENUE & ADJUSTMENT						54,909					87,435
MARKETING SUPPORT ACTIVITIES			(143,344)			138,453				(87,435)	
WHOLESALE EXPENSES			(358,919)			108,490				(220,466)	220,466
INSTITUTIONAL ADVERTISING EXPENSE			(281,245)			20,156				(172,755)	172,755
ECONOMIC DEVELOPMENT EXPENSE			(52,250)			5,306				(32,094)	32,094
MGMT FINANCIAL PLANNING SERVICES			(13,755)			16,842				(8,449)	8,449
DIRECTORS' & OFFICERS' INSURANCE			(43,681)			494				(26,819)	26,819
INDUSTRY ASSOCIATION DUES			(1,280)			183,403				(786)	786
TALLAHASSEE LIAISON EXPENSES			(454,192)		(21,252)	565,984				(292,041)	292,041
GRT, FPSC FEES ON CLAUSES & FEES					(1,466,971)	8,198				(901,087)	901,087
(GAIN) / LOSS ON DISPOSITION OF PROPERTY						7,709,602			(21,251)	(13,053)	13,053
INTEREST SYNCHRONIZATION										7,709,602	(7,709,602)
TOTAL FPSC ADJUSTMENTS	(731,327,302)	(474,785,356)	(38,593,894)	(47,428,461)	(79,604,289)	(27,368,006)	0	0	(21,251)	(667,761,258)	(63,566,044)
FPSC ADJUSTED	572,384,657	0	261,431,065	109,812,544	38,098,182	(321,070)	51,363,496	(417,098)	(21,251)	459,945,868	112,438,789
PRO FORMA REVENUE ANNUALIZATION ADJUSTMENTS	0	0	0	0	0	0	0	0	0	0	0
TOTAL PRO FORMA ADJUSTMENTS	0	0	0	0	0	0	0	0	0	0	0
PRO FORMA ADJUSTED	572,384,657	0	261,431,065	109,812,544	38,098,182	(321,070)	51,363,496	(417,098)	(21,251)	459,945,868	112,438,789
(a) THE ADDITION OF EARNINGS FROM AFUDC WOULD INCREASE THE SYSTEM NOI BY				3,988,925	AND THE JURISDICTIONAL NOI BY		3,896,255				
CURRENT MONTH SYSTEM PER BOOKS	149,775,642	60,332,133	32,220,143	15,190,837	11,465,870	10,775,066	(523,376)	(42,621)	0	129,418,053	26,357,789
CURRENT MONTH JURISDICTIONAL PER BOOKS	134,700,511	49,749,355	29,635,920	14,725,736	11,384,414	10,298,845	(509,650)	(36,886)	0	115,227,734	19,472,777

TOTALS MAY NOT ADD DUE TO ROUNDING.

\*In compliance with the Florida Public Service Commission's decision in Docket 160134-EI on September 13, 2016, this Jurisdictional Rate of Return Report reflects Scherer Unit 3 as a retail resource reallocated to serving Gulf Power's native load customers to the extent it is not committed to off-system sales.

GULF POWER COMPANY  
AVERAGE RATE OF RETURN  
SYSTEM ADJUSTMENTS, INCLUDING SCHERER 3\*  
August, 2016

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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	(1,321,401,397)	FUEL & IIC FUEL REVENUES AND ECONOMY PROFITS	(474,407,924)	(183,002,857)
ACCUMULATED DEPRECIATION	214,733,227	ENVIRONMENTAL COST RECOVERY CLAUSE REVENUES	(172,946,230)	(66,714,008)
CWIP	(19,297,830)	PURCHASED POWER CAPACITY COST CLAUSE REVENUES	(85,845,057)	(33,114,731)
ENERGY CONSERVATION COST RECOVERY INVESTMENT	(13,621,661)	ENERGY CONSERVATION COST RECOVERY CLAUSE REVENUES	(14,028,273)	(5,411,406)
ACCUMULATED DEPRECIATION	(7,535,228)	FUEL EXPENSE	(470,365,524)	181,443,501
CWIP	3,002	PURCHASED POWER CAPACITY COST EXPENSE	(88,361,374)	34,085,400
TRANSMISSION PURSUANT TO STIP. & SETT. INVESTMENT	(177,080,183)	CONSERVATION EXPENSES - DEPRECIATION AND O & M	(11,859,838)	4,574,932
FAS 143 NET PLANT	(85,837,740)	CONSERVATION EXPENSES - OTHER TAXES	(324,874)	125,320
INTEREST BEARING CWIP	(80,099,801)	ENVIRONMENTAL COST RECOVERY EXPENSE	(79,799,312)	30,782,585
PHFU - NORTH ESCAMBIA	(13,042,899)	FRANCHISE FEE REVENUES	(42,635,816)	(16,446,766)
		FRANCHISE FEE	(41,461,201)	15,993,858
		GROSS RECEIPTS TAX REVENUES	(31,943,826)	(12,322,331)
		GROSS RECEIPTS TAX EXPENSE	(31,569,484)	12,177,929
WORKING CAPITAL:		MARKETING SUPPORT ACTIVITIES	(142,344)	54,909
ECRC WORKING CAPITAL	(6,332,643)	WHOLESALE EXPENSES	(369,304)	142,459
CONSERVATION/AEM INVENTORY	(1,369,430)	INSTITUTIONAL ADVERTISING EXPENSE	(286,786)	110,628
CAPITALIZED DEF. EARNINGS ON TRANSMISSION PURSUANT TO STIP. & SETT.	(7,284,292)	ECONOMIC DEVELOPMENT EXPENSE	(52,250)	20,156
FUNDED PROPERTY INSURANCE RESERVE	(2)	MGMT FINANCIAL PLANNING SERVICES	(14,058)	5,423
LOANS TO EMPLOYEES AND RETIREES	(50,438)	DIRECTORS' & OFFICERS' INSURANCE	(44,825)	17,214
INTEREST & DIVIDENDS RECEIVABLE	(18,102)	INDUSTRY ASSOCIATION DUES	(1,305)	504
NORTH ESCAMBIA SITE	(4,552,326)	TALLAHASSEE LIAISON EXPENSE	(485,947)	197,454
UNAMORTIZED RATE CASE EXPENSE	(1,170,870)	GRT/FPSC FEES ON CLAUSE REV ADJ & FRAN FEES	(1,466,971)	565,884
FUEL RELATED DEFERRED DEBITS	(2,892,438)	COMP SALES/TRANS REV/G/L SALE GAS/PROV RT REPRN. ESC REV	(2,262,355)	(872,704)
UNREALIZED LOSS ON FWD CONTRACT	(13,707)	GAIN/LOSS ON DISPOSITION OF PROPERTY	(21,642)	8,348
ACCUM. PROV. FOR RATE REFUNDS	0	INTEREST SYNCHRONIZATION	7,946,837	7,946,837
FAS 143 WORKING CAPITAL	100,067,310			
FAS 158 REGULATORY ASSETS	(152,607,415)			
FAS 158 REGULATORY LIABILITIES	152,607,415			
PPA REGULATORY ASSETS	(159,412,715)			
PPA REGULATORY LIABILITIES	159,412,715			
FAS 133 REGULATORY ASSETS	(85,398,011)			
FAS 133 REGULATORY LIABILITIES	85,398,011			

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GULF POWER COMPANY  
YEAR END RATE OF RETURN  
RATE BASE, INCLUDING SCHERER 3\*  
August, 2016

	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
SYSTEM PER BOOKS	5,050,100,828	1,591,546,896	3,458,553,932	14,754,000	55,591,233	0	3,528,898,166	152,051,224	3,680,950,390
JURISDICTIONAL PER BOOKS	4,813,106,270	1,535,214,988	3,277,891,282	14,322,375	53,488,300	0	3,345,701,957	249,279,916	3,594,981,873
<u>FPSC ADJUSTMENTS:</u>									
ENVIRONMENTAL RECOVERY CLAUSE	(1,348,160,369)	(213,620,984)	(1,134,539,385)		(18,646,886)		(1,153,186,271)	(6,147,920)	(1,159,334,191)
INT BEARING CWIP								0	0
ENERGY CONSERVATION CLAUSE	(14,120,139)	8,121,831	(22,241,970)				(22,241,970)	(1,369,430)	(23,611,400)
TRANSMISSION INVESTMENT PURSUANT TO STIP. & SETT.	(176,436,198)		(176,436,198)				(176,436,198)	0	(176,436,198)
CAPITALIZED DEF. EARNINGS ON TRANSM PURSUANT TO STIP. & SETT.								(11,650,640)	(11,650,640)
LOANS TO EMPLOYEES AND RETIREES								(48,328)	(48,328)
INTEREST AND DIVIDENDS RECEIVABLE								(17,345)	(17,345)
FUNDED PROP RES. N. ESCAMBIA SITE, & OTHER INV.				(12,661,331)			(12,661,331)	(4,360,729)	(17,022,060)
FUEL RELATED DEFERRED DEBITS								(2,892,438)	(2,892,438)
ACCRUED PROVISION FOR REFUND								0	0
UNAMORTIZED RATE CASE EXPENSES								(1,121,852)	(1,121,852)
TOTAL FPSC ADJUSTMENTS	(1,538,716,706)	(205,499,153)	(1,333,217,553)	(12,661,331)	(18,646,886)	0	(1,364,525,770)	(27,608,682)	(1,392,134,452)
FPSC ADJUSTED	3,274,389,564	1,329,715,835	1,944,673,729	1,661,044	34,841,414	0	1,981,176,187	221,671,234	2,202,847,421
PRO FORMA REVENUE AND ANNUALIZATION ADJUSTMENTS	0	0	0	0	0	0	0	0	0
TOTAL PRO FORMA ADJUSTMENTS	0	0	0	0	0	0	0	0	0
PRO FORMA ADJUSTED	3,274,389,564	1,329,715,835	1,944,673,729	1,661,044	34,841,414	0	1,981,176,187	221,671,234	2,202,847,421

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GULF POWER COMPANY  
YEAR END RATE OF RETURN  
INCOME STATEMENT, INCLUDING SCHERER 3\*  
August, 2016

	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	1,446,739,289	558,728,238	313,736,743	165,664,697	119,270,870	27,551,967	63,189,377	(574,948)	0	1,247,566,943	199,172,345
JURISDICTIONAL PER BOOKS	1,303,711,959	474,785,356	299,984,959	157,241,005	117,702,471	27,047,790	51,358,036	(417,098)	0	1,127,702,520	176,009,439
LESS FPSC ADJUSTMENTS:	(389,333,975)	(389,011,680)				(124,325)				(389,136,005)	(197,969)
RETAIL FUEL REVENUES & EXPENSES	(85,657,543)	(85,773,676)				44,798				(85,728,878)	71,335
PURCHASED POWER CAPACITY REVENUES & EXPENSES	(14,028,273)					(711,154)				(12,895,866)	(1,132,407)
ENERGY CONSERVATION COST REVENUES & EXPENSES	(187,727,870)	(11,477,914)	(324,874)	(981,924)	(4,760,507)	(34,791,753)				(112,327,132)	(55,400,738)
ENVIRONMENTAL COST RECOVERY CLAUSE	(42,635,816)	(25,728,335)		(47,046,537)	(41,461,201)	(453,108)				(41,914,308)	(721,507)
FRANCHISE FEE REVENUE & EXPENSE	(31,943,826)				(31,569,484)	(144,402)				(31,713,886)	(229,939)
GROSS RECEIPTS TAX REVENUE & ADJUSTMENT						54,909				(87,435)	87,435
MARKETING SUPPORT ACTIVITIES						138,453				(220,466)	220,466
WHOLESALE EXPENSES			(142,344)			108,490				(172,755)	172,755
INSTITUTIONAL ADVERTISING EXPENSE			(358,919)			20,156				(32,094)	32,094
ECONOMIC DEVELOPMENT EXPENSE			(281,245)			5,306				(26,819)	26,819
MGMT FINANCIAL PLANNING SERVICES			(52,250)			16,842				(786)	786
DIRECTORS' & OFFICERS' INSURANCE			(13,755)			494				(292,041)	292,041
INDUSTRY ASSOCIATION DUES			(43,661)			183,403				(901,087)	901,087
TALLAHASSEE LIAISON EXPENSES			(1,280)			565,884				(13,053)	13,053
GRT, FPSC FEES ON CLAUSES & FEES			(454,192)		(21,252)	8,198			(21,251)	8,340,681	(9,340,681)
(GAIN)/LOSS ON DISPOSITION OF PROPERTY					(1,466,971)						
INTEREST SYNCHRONIZATION						8,340,681					
TOTAL FPSC ADJUSTMENTS	(731,327,302)	(474,785,356)	(38,553,894)	(47,428,461)	(79,604,289)	(26,737,127)	0	0	(21,251)	(667,130,379)	(64,196,923)
FPSC ADJUSTED	572,384,657	0	261,431,065	109,812,544	38,098,182	310,663	51,358,036	(417,098)	(21,251)	460,572,141	111,812,516
PRO FORMA REVENUE ANNUALIZATION	0	0	0	0	0	0	0	0	0	0	0
TOTAL PRO FORMA ADJUSTMENTS	572,384,657	0	261,431,065	109,812,544	38,098,182	310,663	51,358,036	(417,098)	(21,251)	460,572,141	111,812,516
PRO FORMA ADJUSTED	572,384,657	0	261,431,065	109,812,544	38,098,182	310,663	51,358,036	(417,098)	(21,251)	460,572,141	111,812,516
(a) THE ADDITION OF EARNINGS FROM AFUDC WOULD INCREASE THE SYSTEM NOI BY				3,988,925	AND THE JURISDICTIONAL NOI BY		3,896,255				

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GULF POWER COMPANY  
YEAR END RATE OF RETURN  
SYSTEM ADJUSTMENTS, INCLUDING SCHERER 3\*  
August, 2016

SCHEDULE 3  
PAGE 3 OF 3

<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	(1,388,801,838)	FUEL & IIC FUEL REVENUES AND ECONOMY PROFITS	(474,407,924)	(183,002,857)
ACCUMULATED DEPRECIATION	220,029,084	ENVIRONMENTAL COST RECOVERY CLAUSE REVENUES	(172,946,230)	(66,714,008)
CWIP	(19,206,246)	PURCHASED POWER CAPACITY COST CLAUSE REVENUES	(85,845,057)	(33,114,731)
ENERGY CONSERVATION COST RECOVERY INVESTMENT	(14,120,139)	ENERGY CONSERVATION COST RECOVERY CLAUSE REVENUES	(14,028,273)	(5,411,406)
ACCUMULATED DEPRECIATION	(8,121,831)	FUEL EXPENSE	(470,365,524)	181,443,501
CWIP	0	PURCHASED POWER CAPACITY COST EXPENSE	(88,361,374)	34,085,400
TRANSMISSION PURSUANT TO STIP. & SETT. INVESTMENT	(176,436,198)	CONSERVATION EXPENSES - DEPRECIATION AND O & M	(11,859,838)	4,574,932
FAS 143 NET PLANT	(48,737,816)	CONSERVATION EXPENSES - OTHER TAXES	(324,874)	125,320
INTEREST BEARING CWIP	0	ENVIRONMENTAL COST RECOVERY EXPENSE	(79,799,312)	30,782,585
PHFU - NORTH ESCAMBIA	(13,042,899)	FRANCHISE FEE REVENUES	(42,635,816)	(16,446,766)
		FRANCHISE FEE	(41,461,201)	15,993,858
WORKING CAPITAL:		GROSS RECEIPTS TAX REVENUES	(31,943,826)	(12,322,331)
ECRC WORKING CAPITAL	(6,332,643)	GROSS RECEIPTS TAX EXPENSE	(31,569,484)	12,177,929
CONSERVATION/AEM INVENTORY	(1,369,430)	MARKETING SUPPORT ACTIVITIES	(142,344)	54,909
CAPITALIZED DEF. EARNINGS ON TRANSMISSION PURSUANT TO STIP. & SETT.	(7,284,292)	WHOLESALE EXPENSES	(369,304)	142,459
FUNDED PROPERTY INSURANCE RESERVE	(2)	INSTITUTIONAL ADVERTISING EXPENSE	(286,786)	110,628
LOANS TO EMPLOYEES AND RETIREES	(50,438)	ECONOMIC DEVELOPMENT EXPENSE	(52,250)	20,156
INTEREST & DIVIDENDS RECEIVABLE	(18,102)	MGMT FINANCIAL PLANNING SERVICES	(14,058)	5,423
NORTH ESCAMBIA SITE	(4,552,326)	DIRECTORS' & OFFICERS' INSURANCE	(44,625)	17,214
UNAMORTIZED RATE CASE EXPENSE	(1,170,870)	INDUSTRY ASSOCIATION DUES	(1,305)	504
FUEL RELATED DEFERRED DEBITS	(2,892,438)	TALLAHASSEE LIAISON EXPENSE	(485,947)	187,454
UNREALIZED LOSS ON FWD CONTRACT	(13,707)	GRT/FPSC FEES ON CLAUSE REV ADJ & FRAN FEES	(1,466,971)	565,884
ACCUM. PROV. FOR RATE REFUNDS	0	COMP SALES/TRANS REV/GAL SALE GAS/PROV RT REFV. ESC REV	(2,262,355)	(872,704)
FAS 143 WORKING CAPITAL	100,067,310	GAIN/LOSS ON DISPOSITION OF PROPERTY	(21,642)	8,348
FAS 158 REGULATORY ASSETS	(152,607,415)	INTEREST SYNCHRONIZATION	9,214,201	9,214,201
FAS 158 REGULATORY LIABILITIES	152,607,415			
PPA REGULATORY ASSETS	(159,412,715)			
PPA REGULATORY LIABILITIES	159,412,715			
FAS 133 REGULATORY ASSETS	(85,398,011)			
FAS 133 REGULATORY LIABILITIES	85,398,011			

\*In compliance with the Florida Public Service Commission's decision in Docket 160134-EI on September 13, 2016, this Jurisdictional Rate of Return Report reflects Scherer Unit 3 as a retail resource rededicated to serving Gulf Power's native load customers to the extent it is not committed to off-system sales.

GULF POWER COMPANY  
 CAPITAL STRUCTURE, INCLUDING SCHERER 3\*  
 FPSC ADJUSTED BASIS  
 August, 2016

AVERAGE	SYSTEM PER BOOKS			ADJUSTMENTS			LOW POINT			MIDPOINT			HIGH POINT		
	PER BOOKS	RETAIL PER BOOKS	PRO RATA	SPECIFIC	ADJUSTED RETAIL	RATIO (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	
LONG TERM DEBT	1,250,607,009	1,168,081,211	(469,288,221)	0	698,792,990	33.39	4.46	1.49	4.46	1.49	4.46	1.49	4.46	1.49	
SHORT TERM DEBT	104,020,205	94,930,892	(39,139,428)	0	56,791,464	2.71	0.49	0.01	0.49	0.01	0.49	0.01	0.49	0.01	
PREFERENCE STOCK	146,504,249	136,970,064	(55,029,083)	0	81,940,981	3.92	6.14	0.24	6.14	0.24	6.14	0.24	6.14	0.24	
CUSTOMER DEPOSITS	36,048,661	36,067,012	(14,490,280)	0	21,576,732	1.03	2.36	0.02	2.36	0.02	2.36	0.02	2.36	0.02	
COMMON EQUITY	1,349,112,441	1,272,974,935	(511,430,316)	0	761,544,619	36.39	9.25	3.37	10.25	3.73	11.25	3.73	11.25	4.09	
DEFERRED INCOME TAXES	889,570,276	840,795,659	(337,799,002)	0	502,997,657	24.03									
FASB 109 DEFERRED TAXES	(54,988,455)	(51,973,470)	20,890,857	0	(31,092,613)	(1.49)									
TAX CREDITS - ZERO COST	0	0	0	0	0	0.00									
TAX CREDITS - WEIGHTED COST	2,008,419	507,577	(203,924)	0	303,653	0.01	6.91	0.00	7.41	0.00	7.90	0.00	7.90	0.00	
TOTAL	3,722,882,805	3,498,353,880	(1,405,498,397)	0	2,092,855,483	100.00 %		5.13 %		5.50 %		5.50 %		5.86 %	

YEAR-END	SYSTEM PER BOOKS			ADJUSTMENTS			LOW POINT			MIDPOINT			HIGH POINT		
	PER BOOKS	RETAIL PER BOOKS	PRO RATA	SPECIFIC	ADJUSTED RETAIL	RATIO (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	
LONG TERM DEBT	1,157,329,836	1,112,073,442	(430,643,549)	0	681,429,893	30.93	4.36	1.35	4.36	1.35	4.36	1.35	4.36	1.35	
SHORT TERM DEBT	149,984,748	141,286,912	(54,712,481)	0	86,574,431	3.93	0.11	0.00	0.11	0.00	0.11	0.00	0.11	0.00	
PREFERENCE STOCK	146,504,320	140,775,394	(54,514,399)	0	86,260,995	3.92	6.14	0.24	6.14	0.24	6.14	0.24	6.14	0.24	
CUSTOMER DEPOSITS	36,260,715	36,160,517	(14,002,936)	0	22,157,581	1.01	2.38	0.02	2.38	0.02	2.38	0.02	2.38	0.02	
COMMON EQUITY	1,369,210,602	1,340,676,150	(519,169,531)	0	821,507,619	37.29	9.25	3.45	10.25	3.82	11.25	3.82	11.25	4.20	
DEFERRED INCOME TAXES	906,595,968	875,085,000	(338,871,243)	0	536,213,757	24.34									
FASB 109 DEFERRED TAXES	(54,348,223)	(52,459,216)	20,314,506	0	(32,144,710)	(1.46)									
TAX CREDITS - ZERO COST	0	0	0	0	0	0.00									
TAX CREDITS - WEIGHTED COST	1,740,462	1,383,674	(535,819)	0	847,855	0.04	6.98	0.00	7.50	0.00	8.02	0.00	8.02	0.00	
TOTAL	3,713,278,448	3,594,981,873	(1,392,134,452)	0	2,202,847,421	100.00 %		5.07 %		5.44 %		5.44 %		5.82 %	

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**GULF POWER COMPANY**  
**Financial Integrity Indicators, INCLUDING SCHERER 3\***  
**August, 2016**

**A. Times Interest Earned with AFUDC**

Earnings Before Interest	202,831,027
AFUDC - Debt	1,231,779
Income Taxes	92,741,874
	<hr/>
Total	296,804,680
Interest Charges (Before Deducting AFUDC - Debt)	57,127,295
	<hr/>
T.I.E. With AFUDC	5.20 x

**B. Times Interest Earned without AFUDC**

Earnings Before Interest	202,831,027
AFUDC - Other	(2,757,147)
Income Taxes	92,741,874
	<hr/>
Total	292,815,755
Interest Charges (Before Deducting AFUDC - Debt)	57,127,295
	<hr/>
T.I.E. Without AFUDC	5.13 x

**C. Percent AFUDC To Net Income Available for Common Stockholders**

AFUDC - Debt	1,231,779
X (1 - Income Tax Rate)	0.61425
	<hr/>
Subtotal	756,620
AFUDC - Other	2,757,147
	<hr/>
Total	3,513,767
	<hr/>
Net Income Available for Common Stockholders	137,933,010
Percent AFUDC to Available Net Income	2.55%

**D. Percent Internally Generated Funds**

Net Income	146,935,511
Preference Dividends	(9,002,500)
Common Dividends	(122,591,000)
AFUDC (Debt & Other)	(3,988,925)
Depreciation & Amortization	174,707,348
Deferred Income Taxes	63,166,199
Investment Tax Credits	0
Other	52,601,689
	<hr/>
Total	301,828,321
	<hr/>
Construction Expenditures (Excluding AFUDC Other & Debt)	146,992,718
	<hr/>
Percent Internally Generated Funds	205.34%

**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	698,792,990
Short Term Debt	56,791,464
Preference Stock	81,940,981
Common Equity	761,544,619
	<hr/>
Total	1,599,070,054
	<hr/>
% Long Term Debt To Total	43.70%
	<hr/>
% Short Term Debt To Total	3.55%

**G. FPSC Adjusted Average Jurisdictional Return On Common Equity**

	G. FPSC ADJ.	H. PROFORMA
FPSC Adjusted Average Earned Rate of Return	5.37%	5.37%
Less: Reconciled Average Retail Weighted Cost Rates For:		
Long Term Debt	(1.49)	(1.49)
Short Term Debt	(0.01)	(0.01)
Preference Stock	(0.24)	(0.24)
Customer Deposits	(0.02)	(0.02)
Tax Credits - Weighted Cost (Common Equity at Midpoint)	(0.00)	(0.00)
	<hr/>	<hr/>
Subtotal	(1.77)	(1.77)
	<hr/>	<hr/>
Total	3.60	3.60
Divided by Common Equity Ratio	36.39	36.39
	<hr/>	<hr/>
Jurisdictional Return on Common Equity	9.91%	9.91%

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GULF POWER COMPANY  
Storm Accrual - Twelve Month to Date  
August, 2016

Supplemental 1

<u>Month</u>	<u>Year</u>	<u>\$</u>
September	2015	291,666
October	2015	291,667
November	2015	291,667
December	2015	291,666
January	2016	291,667
February	2016	291,666
March	2016	291,667
April	2016	291,667
May	2016	291,667
June	2016	291,667
July	2016	291,666
<b>August</b>	<b>2016</b>	<b>291,667</b>
<b>12 - M-T-D</b>		<b><u>3,500,000</u></b>

**August 2016**

Earnings Surveillance  
Report  
(Rate of Return)



GULF POWER COMPANY  
Earnings Surveillance Report Summary  
August, 2016

	(1) Actual Per Books	(2) FPSC Adjustments	(3) FPSC Adjusted	(4) Pro Forma Adjustments	(5) Pro Forma Adjusted
<b>I. Average Rate of Return</b> (Jurisdictional)					
	(a)	(b)			
Net Operating Income	183,630,152	(67,377,330)	116,252,822	0	116,252,822
Average Rate Base	3,395,251,369	(1,405,498,397)	1,989,752,972	0	1,989,752,972
Average Rate of Return	5.41%		5.84%		5.84%
<b>II. Year End Rate of Return</b> (Jurisdictional)					
	(a)	(b)			
Net Operating Income	183,637,361	(68,537,019)	115,100,342	0	115,100,342
Year End Rate Base	3,388,435,353	(1,392,134,452)	1,996,300,901	0	1,996,300,901
Year End Rate of Return	5.42%		5.77%		5.77%

(a) Includes AFUDC Earnings

(b) Includes Reversal of AFUDC Earnings

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

Low	5.12%
Midpoint	5.49%
High	5.85%

**IV. Financial Integrity Indicators**

A. Tie With AFUDC	5.20 x (System per Books Basis)
B. Tie Without AFUDC	5.13 x (System per Books Basis)
C. AFUDC To Net Income	2.55% (System per Books Basis)
D. Internally Generated Funds	205.34% (System per Books Basis)
E. LTD To Total Investor Funds	43.78% (FPSC Adjusted Basis)
F. STD To Total Investor Funds	3.53% (FPSC Adjusted Basis)
G. Return on Common Equity	11.24% (FPSC Adjusted Basis)
H. Return on Common Equity	11.24% (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

Josh J. Mason  
Assistant Treasurer, Financial Planning & Budgeting Manager

Signature



Date

10/14/16

GULF POWER COMPANY  
 AVERAGE RATE OF RETURN  
 RATE BASE  
 August, 2016

	PLANT IN SERVICE	ACCUMULATED DEPRECIATION & AMORTIZATION	NET PLANT IN SERVICE	PROPERTY HELD FOR FUTURE USE	CONSTRUCTION WORK IN PROGRESS	NUCLEAR FUEL (NET)	UTILITY PLANT	WORKING CAPITAL	TOTAL RATE BASE
<b>SYSTEM PER BOOKS</b>	5,027,111,800	1,601,428,063	3,425,683,737	14,755,650	139,214,173	0	3,579,653,560	152,061,224	3,731,704,784
<b>JURISDICTIONAL PER BOOKS</b>	4,456,641,155	1,443,410,277	3,013,230,878	14,323,976	133,791,337	0	3,161,346,192	233,905,177	3,395,251,369
<b>EPSC ADJUSTMENTS:</b>									
ENVIRONMENTAL RECOVERY CLAUSE	(1,282,856,308)		(208,469,489)	(1,074,386,819)	(18,734,916)		(1,093,121,735)	(6,147,920)	(1,099,269,655)
INT BEARING CWIP					(78,238,926)		(78,238,926)	0	(78,238,926)
ENERGY CONSERVATION CLAUSE	(13,621,661)	7,535,228	(21,156,889)		3,002		(21,153,887)	(1,369,430)	(22,523,317)
TRANSMISSION INVESTMENT PURSUANT TO STIP. & SETT.	(177,080,183)		(177,080,183)				(177,080,183)	0	(177,080,183)
CAPITALIZED DEF. EARNINGS ON TRANSM PURSUANT TO STIP. & SETT.								(7,284,292)	(7,284,292)
LOANS TO EMPLOYEES / RETIREES								(48,328)	(48,328)
INTEREST AND DIVIDENDS RECEIVABLE								(17,345)	(17,345)
FUNDED PROP RES. N. ESCAMBIA & OTHER INV.				(12,661,331)			(12,661,331)	(4,360,729)	(17,022,060)
FUEL RELATED DEFERRED DEBITS								(2,892,438)	(2,892,438)
ACCRUED PROVISION FOR REFUND								0	0
UNAMORTIZED RATE CASE EXPENSES								(1,121,852)	(1,121,852)
<b>TOTAL FPSC ADJUSTMENTS</b>	(1,473,558,152)	(200,994,261)	(1,272,623,891)	(12,661,331)	(96,970,840)	0	(1,382,256,063)	(23,242,334)	(1,405,498,397)
<b>FPSC ADJUSTED</b>	2,983,083,003	1,242,476,016	1,740,606,987	1,662,645	36,820,497	0	1,779,090,129	210,662,843	1,989,752,972
<b>PRO FORMA REVENUE AND ANNUALIZATION ADJUSTMENTS</b>	0	0	0	0	0	0	0	0	0
<b>TOTAL PRO FORMA ADJUST</b>	0	0	0	0	0	0	0	0	0
<b>PRO FORMA ADJUSTED</b>	2,983,083,003	1,242,476,016	1,740,606,987	1,662,645	36,820,497	0	1,779,090,129	210,662,843	1,989,752,972

GULF POWER COMPANY  
AVERAGE RATE OF RETURN  
INCOME STATEMENT  
August, 2016

	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	1,446,739,289	556,728,238	313,736,743	165,664,697	119,270,870	27,551,967	63,189,377	(574,948)	0	1,247,566,943	199,172,345
JURISDICTIONAL PER BOOKS	1,303,711,959	474,785,356	296,342,908	153,995,132	117,298,531	26,405,376	55,466,759	(316,001)	0	1,123,978,062	179,793,897
LESS FPSC ADJUSTMENTS:	(389,333,975)	(389,011,660)				(124,325)				(389,136,005)	(197,969)
RETAIL FUEL REVENUES & EXPENSES	(85,657,543)	(85,773,676)				44,798				(85,728,878)	71,335
PURCHASED POWER CAPACITY REVENUES & EXPENSES	(14,028,273)				(324,874)	(711,154)				(12,895,866)	(1,132,407)
ENERGY CONSERVATION COST REVENUES & EXPENSES	(167,727,870)	(11,477,914)	(981,924)	(47,046,537)	(4,760,507)	(34,791,753)				(112,327,132)	(55,400,738)
ENVIRONMENTAL COST RECOVERY CLAUSE	(42,635,816)	(25,728,395)			(41,461,201)	(453,108)				(41,914,309)	(721,507)
FRANCHISE FEE REVENUE & EXPENSE	(31,943,826)				(31,569,484)	(144,402)				(31,713,886)	(229,939)
GROSS RECEIPTS TAX REVENUE & ADJUSTMENT						54,909				(87,433)	87,435
MARKETING SUPPORT ACTIVITIES			(142,244)			138,453				(220,466)	220,466
WHOLESALE EXPENSES			(356,919)			108,490				(172,755)	172,755
INSTITUTIONAL ADVERTISING EXPENSE			(281,245)			20,156				(32,094)	32,094
ECONOMIC DEVELOPMENT EXPENSE			(52,260)			5,306				(8,449)	8,449
MGMT FINANCIAL PLANNING SERVICES			(13,755)			16,842				(26,819)	26,819
DIRECTORS' & OFFICERS' INSURANCE			(43,661)			494				(786)	786
INDUSTRY ASSOCIATION DUES			(1,280)			183,403				(292,041)	292,041
TALLAHASSEE LIASON EXPENSES			(454,192)		(21,252)	565,984				(901,087)	901,087
GRT, FPSC FEES ON CLAUSES & FEES					(1,466,971)	8,198			(21,251)	(13,053)	13,053
(GAIN) / LOSS ON DISPOSITION OF PROPERTY						7,824,833				7,824,833	(7,824,833)
INTEREST SYNCHRONIZATION											
TOTAL FPSC ADJUSTMENTS	(731,927,302)	(474,785,356)	(38,553,894)	(47,428,461)	(79,604,289)	(27,452,375)	0	0	(21,251)	(667,846,227)	(63,481,075)
FPSC ADJUSTED	572,384,657	0	257,789,014	106,566,671	37,694,242	(1,047,599)	55,466,759	(316,001)	(21,251)	456,131,835	116,252,822
PRO FORMA REVENUE ADJUSTMENTS	0	0	0	0	0	0	0	0	0	0	0
TOTAL PRO FORMA ADJUSTMENTS	0	0	0	0	0	0	0	0	0	0	0
PRO FORMA ADJUSTED	572,384,657	0	257,789,014	106,566,671	37,694,242	(1,047,599)	55,466,759	(316,001)	(21,251)	456,131,835	116,252,822
(a) THE ADDITION OF EARNINGS FROM AFUDC WOULD INCREASE THE SYSTEM NOI BY			3,988,925		AND THE JURISDICTIONAL NOI BY		3,896,255				
CURRENT MONTH SYSTEM PER BOOKS	149,775,842	60,322,133	32,220,143	15,190,837	11,465,870	10,775,066	(523,376)	(42,621)	0	129,418,053	20,357,789
CURRENT MONTH JURISDICTIONAL PER BOOKS	134,700,511	49,749,355	29,016,322	14,220,043	11,300,600	10,890,171	(552,907)	(21,142)	0	114,602,442	20,098,089

TOTALS MAY NOT ADD DUE TO ROUNDING.



GULF POWER COMPANY  
AVERAGE RATE OF RETURN  
SYSTEM ADJUSTMENTS  
August, 2016

SCHEDULE 2  
PAGE 3 OF 3

<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	(1,321,401,397)	FUEL & IIC FUEL REVENUES AND ECONOMY PROFITS	(474,407,924)	(183,002,857)
ACCUMULATED DEPRECIATION	214,733,227	ENVIRONMENTAL COST RECOVERY CLAUSE REVENUES	(172,946,230)	(68,714,008)
CWIP	(19,297,830)	PURCHASED POWER CAPACITY COST CLAUSE REVENUES	(85,845,057)	(33,114,731)
ENERGY CONSERVATION COST RECOVERY INVESTMENT	(13,621,661)	ENERGY CONSERVATION COST RECOVERY CLAUSE REVENUES	(14,028,273)	(5,411,406)
ACCUMULATED DEPRECIATION	(7,535,228)	FUEL EXPENSE	(470,385,524)	181,443,501
CWIP	3,002	PURCHASED POWER CAPACITY COST EXPENSE	(88,361,374)	34,085,400
TRANSMISSION PURSUANT TO STIP. & SETT. INVESTMENT	(177,080,183)	CONSERVATION EXPENSES - DEPRECIATION AND O & M	(11,859,838)	4,574,932
FAS 143 NET PLANT	(85,837,740)	CONSERVATION EXPENSES - OTHER TAXES	(324,874)	125,320
INTEREST BEARING CWIP	(80,099,801)	ENVIRONMENTAL COST RECOVERY EXPENSE	(79,799,312)	30,782,585
PHFU - NORTH ESCAMBIA	(13,042,899)	FRANCHISE FEE REVENUES	(42,635,816)	(16,446,766)
		FRANCHISE FEE	(41,461,201)	15,993,658
		GROSS RECEIPTS TAX REVENUES	(31,943,826)	(12,322,331)
		GROSS RECEIPTS TAX EXPENSE	(31,569,484)	12,177,929
		MARKETING SUPPORT ACTIVITIES	(142,344)	54,909
WORKING CAPITAL:		WHOLESALE EXPENSES	(369,304)	142,459
ECRC WORKING CAPITAL	(6,332,643)	INSTITUTIONAL ADVERTISING EXPENSE	(286,786)	110,628
CONSERVATION/AEM INVENTORY	(1,369,430)	ECONOMIC DEVELOPMENT EXPENSE	(52,250)	20,156
CAPITALIZED DEF. EARNINGS ON TRANSMISSION PURSUANT TO STIP. & SETT.	(7,284,292)	MGMT FINANCIAL PLANNING SERVICES	(14,058)	5,423
FUNDED PROPERTY INSURANCE RESERVE	(2)	DIRECTORS' & OFFICERS' INSURANCE	(44,625)	17,214
LOANS TO EMPLOYEES AND RETIREES	(50,438)	INDUSTRY ASSOCIATION DUES	(1,305)	504
INTEREST & DIVIDENDS RECEIVABLE	(18,102)	TALLAHASSEE LIAISON EXPENSE	(485,947)	187,454
NORTH ESCAMBIA SITE	(4,552,326)	GRT/FPSC FEES ON CLAUSE REV ADJ & FRAN FEES	(1,466,971)	565,884
UNAMORTIZED RATE CASE EXPENSE	(1,170,870)	COMP SALES/TRANS REV/G/L SALE GAS/PROV RT REFRN. ESC REV	(2,262,355)	(872,704)
FUEL RELATED DEFERRED DEBITS	(2,892,438)	GAIN/LOSS ON DISPOSITION OF PROPERTY	(21,642)	8,348
UNREALIZED LOSS ON FWD CONTRACT	(13,707)	INTEREST SYNCHRONIZATION	7,946,837	7,946,837
ACCUM. PROV. FOR RATE REFUNDS	0			
FAS 143 WORKING CAPITAL	100,067,310			
FAS 158 REGULATORY ASSETS	(152,607,415)			
FAS 158 REGULATORY LIABILITIES	152,607,415			
PPA REGULATORY ASSETS	(159,412,715)			
PPA REGULATORY LIABILITIES	159,412,715			
FAS 133 REGULATORY ASSETS	(85,398,011)			
FAS 133 REGULATORY LIABILITIES	85,398,011			

GULF POWER COMPANY  
 YEAR END RATE OF RETURN  
 RATE BASE  
 August, 2016

	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
SYSTEM PER BOOKS	5,050,100,828	1,591,546,896	3,458,553,932	14,754,000	55,591,233	0	3,528,899,166	152,051,224	3,690,950,390
JURISDICTIONAL PER BOOKS	4,514,355,190	1,430,368,323	3,083,986,867	14,322,375	51,277,088	0	3,149,586,330	238,849,023	3,388,435,353
FPSC ADJUSTMENTS:									
ENVIRONMENTAL RECOVERY CLAUSE INT BEARING CWIP	(1,348,160,369)	(213,620,984)	(1,134,539,385)		(18,646,886)		(1,153,186,271)	(6,147,920)	(1,159,334,191)
ENERGY CONSERVATION CLAUSE	(14,120,139)	8,121,831	(22,241,970)				(22,241,970)	(1,369,430)	(23,611,400)
TRANSMISSION INVESTMENT PURSUANT TO STIP. & SETT.	(176,436,198)		(176,436,198)				(176,436,198)	0	(176,436,198)
CAPITALIZED DEF. EARNINGS ON TRANSM PURSUANT TO STIP & SETT.							(11,650,640)	(11,650,640)	(11,650,640)
LOANS TO EMPLOYEES AND RETIREES							(48,328)	(48,328)	(48,328)
INTEREST AND DIVIDENDS RECEIVABLE							(17,345)	(17,345)	(17,345)
FUNDED PROP RES. N. ESCAMBIA SITE, & OTHER INV.				(12,661,331)			(12,661,331)	(4,360,729)	(17,022,060)
FUEL RELATED DEFERRED DEBITS							(2,892,438)	(2,892,438)	(2,892,438)
ACCRUED PROVISION FOR REFUND							0	0	0
UNAMORTIZED RATE CASE EXPENSES							(1,121,852)	(1,121,852)	(1,121,852)
TOTAL FPSC ADJUSTMENTS	(1,538,716,706)	(205,499,153)	(1,333,217,553)	(12,661,331)	(18,646,886)	0	(1,364,525,770)	(27,608,682)	(1,392,134,452)
FPSC ADJUSTED	2,975,638,484	1,224,869,170	1,750,769,314	1,661,044	32,630,202	0	1,785,060,560	211,240,341	1,996,300,901
PRO FORMA REVENUE AND ANNUALIZATION ADJUSTMENTS	0	0	0	0	0	0	0	0	0
TOTAL PRO FORMA ADJUSTMENTS	0	0	0	0	0	0	0	0	0
PRO FORMA ADJUSTED	2,975,638,484	1,224,869,170	1,750,769,314	1,661,044	32,630,202	0	1,785,060,560	211,240,341	1,996,300,901

GULF POWER COMPANY  
YEAR END RATE OF RETURN  
INCOME STATEMENT  
August, 2016

	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	1,446,739,289	558,728,238	313,736,743	165,664,697	119,270,870	27,551,967	63,189,377	(574,948)	0	1,247,566,943	199,172,345
JURISDICTIONAL PER BOOKS	1,303,711,959	474,785,356	296,342,908	153,995,132	117,298,531	26,406,712	55,458,214	(316,001)	0	1,123,970,853	179,741,106
LESS FPSC ADJUSTMENTS:	(389,333,975)	(389,011,680)				(124,325)				(389,136,005)	(197,969)
RETAIL FUEL REVENUES & EXPENSES	(85,657,543)	(85,773,676)				44,798				(85,728,878)	71,335
PURCHASED POWER CAPACITY REVENUES & EXPENSES	(14,028,273)		(11,477,914)	(381,924)	(324,874)	(711,154)				(12,895,866)	(1,132,407)
ENERGY CONSERVATION COST REVENUES & EXPENSES	(167,727,870)		(25,728,335)	(47,046,537)	(4,760,507)	(34,791,753)				(112,327,132)	(55,400,738)
ENVIRONMENTAL COST RECOVERY CLAUSE	(42,635,816)				(41,461,201)	(453,108)				(41,914,309)	(721,507)
FRANCHISE FEE REVENUE & EXPENSE	(31,943,826)				(31,569,484)	(144,402)				(31,713,866)	(229,939)
GROSS RECEIPTS TAX, REVENUE & ADJUSTMENT						54,909				(87,435)	87,435
MARKETING SUPPORT ACTIVITIES			(142,344)								
WHOLESALE EXPENSES			(358,919)			138,453				(220,466)	220,466
INSTITUTIONAL ADVERTISING EXPENSE			(281,245)			108,490				(172,755)	172,755
ECONOMIC DEVELOPMENT EXPENSE			(52,250)			20,156				(32,094)	32,094
MGMT FINANCIAL PLANNING SERVICES			(13,755)			5,306				(8,449)	8,449
DIRECTORS & OFFICERS' INSURANCE			(43,661)			16,842				(26,819)	26,819
INDUSTRY ASSOCIATION DUES			(1,280)			494				(786)	786
TALLAHASSEE LIAISON EXPENSES			(454,192)		(21,252)	183,403				(292,041)	292,041
GRT, FPSC FEES ON CLAUSES & FEES					(1,466,971)	565,884				(901,087)	901,087
(GAIN)/LOSS ON DISPOSITION OF PROPERTY						8,198			(21,251)	(13,053)	13,053
INTEREST SYNCHRONIZATION						8,784,522				8,784,522	(8,784,522)
TOTAL FPSC ADJUSTMENTS	(731,327,302)	(474,785,356)	(38,553,894)	(47,428,461)	(79,604,289)	(26,293,286)	0	0	(21,251)	(666,686,538)	(64,640,764)
FPSC ADJUSTED	572,384,657	0	257,789,014	106,566,671	37,694,242	113,426	55,458,214	(316,001)	(21,251)	457,284,315	115,100,342
PRO FORMA REVENUE ANNUALIZATION	0	0	0	0	0	0	0	0	0	0	0
TOTAL PRO FORMA ADJUSTMENTS	572,384,657	0	257,789,014	106,566,671	37,694,242	113,426	55,458,214	(316,001)	(21,251)	457,284,315	115,100,342
PRO FORMA ADJUSTED	572,384,657	0	257,789,014	106,566,671	37,694,242	113,426	55,458,214	(316,001)	(21,251)	457,284,315	115,100,342

(a) THE ADDITION OF EARNINGS FROM AFUDC WOULD INCREASE THE SYSTEM NOI BY 3,896,925 AND THE JURISDICTIONAL NOI BY 3,896,255

GULF POWER COMPANY  
YEAR END RATE OF RETURN  
SYSTEM ADJUSTMENTS  
August, 2016

SCHEDULE 3  
PAGE 3 OF 3

<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	(1,388,601,838)	FUEL & IIC FUEL REVENUES AND ECONOMY PROFITS	(474,407,924)	(183,002,857)
ACCUMULATED DEPRECIATION	220,029,084	ENVIRONMENTAL COST RECOVERY CLAUSE REVENUES	(172,946,230)	(66,714,008)
CWIP	(19,206,246)	PURCHASED POWER CAPACITY COST CLAUSE REVENUES	(85,845,057)	(33,114,731)
ENERGY CONSERVATION COST RECOVERY INVESTMENT	(14,120,139)	ENERGY CONSERVATION COST RECOVERY CLAUSE REVENUES	(14,028,273)	(5,411,406)
ACCUMULATED DEPRECIATION	(8,121,831)	FUEL EXPENSE	(470,365,524)	181,443,501
CWIP	0	PURCHASED POWER CAPACITY COST EXPENSE	(88,361,374)	34,085,400
TRANSMISSION PURSUANT TO STIP. & SETT. INVESTMENT	(176,436,198)	CONSERVATION EXPENSES - DEPRECIATION AND O & M	(11,859,838)	4,574,932
FAS 143 NET PLANT	(48,737,816)	CONSERVATION EXPENSES - OTHER TAXES	(324,874)	125,320
INTEREST BEARING CWIP	0	ENVIRONMENTAL COST RECOVERY EXPENSE	(79,799,312)	30,782,585
PHFU - NORTH ESCAMBIA	(13,042,899)	FRANCHISE FEE REVENUES	(42,635,816)	(18,446,786)
		FRANCHISE FEE	(41,461,201)	15,993,658
WORKING CAPITAL:		GROSS RECEIPTS TAX REVENUES	(31,943,826)	(12,322,331)
ECRC WORKING CAPITAL	(6,332,643)	GROSS RECEIPTS TAX EXPENSE	(31,569,484)	12,177,929
CONSERVATION/AEM INVENTORY	(1,369,430)	MARKETING SUPPORT ACTIVITIES	(142,344)	54,909
CAPITALIZED DEF. EARNINGS ON TRANSMISSION PURSUANT TO STIP. & SETT.	(7,284,292)	WHOLESALE EXPENSES	(369,304)	142,459
FUNDED PROPERTY INSURANCE RESERVE	(2)	INSTITUTIONAL ADVERTISING EXPENSE	(286,786)	110,828
LOANS TO EMPLOYEES AND RETIREES	(50,438)	ECONOMIC DEVELOPMENT EXPENSE	(52,250)	20,156
INTEREST & DIVIDENDS RECEIVABLE	(18,102)	MGMT FINANCIAL PLANNING SERVICES	(14,058)	5,423
NORTH ESCAMBIA SITE	(4,552,326)	DIRECTORS' & OFFICERS' INSURANCE	(44,625)	17,214
UNAMORTIZED RATE CASE EXPENSE	(1,170,870)	INDUSTRY ASSOCIATION DUES	(1,305)	504
FUEL RELATED DEFERRED DEBITS	(2,892,438)	TALLAHASSEE LIAISON EXPENSE	(485,947)	187,454
UNREALIZED LOSS ON FWD CONTRACT	(13,707)	GRT/FPSC FEES ON CLAUSE REV ADJ & FRAN FEES	(1,466,971)	565,884
ACCUM. PROV. FOR RATE REFUNDS	0	COMP SALES/TRANS REV/G/L SALE GAS/PROV RT REF.N. ESC REV	(2,262,355)	(872,704)
FAS 143 WORKING CAPITAL	100,067,310	GAIN/LOSS ON DISPOSITION OF PROPERTY	(21,642)	8,348
FAS 158 REGULATORY ASSETS	(152,607,415)	INTEREST SYNCHRONIZATION	9,214,201	9,214,201
FAS 158 REGULATORY LIABILITIES	152,607,415			
PPA REGULATORY ASSETS	(159,412,715)			
PPA REGULATORY LIABILITIES	159,412,715			
FAS 133 REGULATORY ASSETS	(85,398,011)			
FAS 133 REGULATORY LIABILITIES	85,398,011			

GULF POWER COMPANY  
CAPITAL STRUCTURE  
FPSC ADJUSTED BASIS  
August, 2016

AVERAGE	SYSTEM PER BOOKS			ADJUSTMENTS			ADJUSTED RETAIL			LOW POINT			MIDPOINT			HIGH POINT		
	PER BOOKS	RETAIL PER BOOKS	PRO RATA	SPECIFIC	ADJUSTED RETAIL	RATIO (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)		
LONG TERM DEBT	1,250,607,009	1,133,368,857	(469,169,419)	0	664,199,438	33.38	4.46	1.49	4.46	1.49	4.46	1.49	4.46	1.49	4.46	1.49		
SHORT TERM DEBT	104,020,205	91,434,470	(37,850,217)	0	53,584,253	2.69	0.49	0.01	0.49	0.01	0.49	0.01	0.49	0.01	0.49	0.01		
PREFERENCE STOCK	146,504,249	132,768,947	(54,961,039)	0	77,807,908	3.91	6.14	0.24	6.14	0.24	6.14	0.24	6.14	0.24	6.14	0.24		
CUSTOMER DEPOSITS	36,048,661	36,069,308	(14,931,252)	0	21,138,056	1.06	2.36	0.03	2.36	0.03	2.36	0.03	2.36	0.03	2.36	0.03		
COMMON EQUITY	1,349,112,441	1,231,238,517	(509,683,547)	0	721,554,970	36.26	9.25	3.35	10.25	3.72	11.25	3.72	11.25	4.08	11.25	4.08		
DEFERRED INCOME TAXES	889,570,276	820,588,070	(339,690,671)	0	480,897,399	24.17												
FASB 109 DEFERRED TAXES	(54,988,455)	(50,724,346)	20,997,852	0	(29,726,494)	(1.49)												
TAX CREDITS - ZERO COST	0	0	0	0	0	0.00												
TAX CREDITS - WEIGHTED COST	2,008,419	507,546	(210,104)	0	297,442	0.01	6.91	0.00	7.40	0.00	7.90	0.00	7.90	0.00	7.90	0.00		
TOTAL	3,722,882,805	3,395,251,369	(1,405,498,397)	0	1,989,752,972	100.00	5.12	5.49	5.12	5.49	5.12	5.49	5.12	5.85	5.12	5.85		

YEAR-END	SYSTEM PER BOOKS			ADJUSTMENTS			ADJUSTED RETAIL			LOW POINT			MIDPOINT			HIGH POINT		
	PER BOOKS	RETAIL PER BOOKS	PRO RATA	SPECIFIC	ADJUSTED RETAIL	RATIO (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)	COST RATE (%)	WEIGHTED COST (%)		
LONG TERM DEBT	1,157,329,836	1,044,142,571	(428,984,677)	0	615,157,894	30.81	4.36	1.34	4.36	1.34	4.36	1.34	4.36	1.34	4.36	1.34		
SHORT TERM DEBT	149,984,748	132,483,837	(54,430,820)	0	78,053,017	3.91	0.11	0.00	0.11	0.00	0.11	0.00	0.11	0.00	0.11	0.00		
PREFERENCE STOCK	146,504,320	132,176,145	(54,304,405)	0	77,871,740	3.90	6.14	0.24	6.14	0.24	6.14	0.24	6.14	0.24	6.14	0.24		
CUSTOMER DEPOSITS	36,260,715	36,154,010	(14,853,830)	0	21,300,180	1.07	2.38	0.03	2.38	0.03	2.38	0.03	2.38	0.03	2.38	0.03		
COMMON EQUITY	1,369,210,602	1,258,791,107	(517,168,653)	0	741,612,454	37.15	9.25	3.44	10.25	3.81	11.25	3.81	11.25	4.18	11.25	4.18		
DEFERRED INCOME TAXES	906,595,968	834,347,438	(342,790,607)	0	491,556,831	24.63												
FASB 109 DEFERRED TAXES	(54,348,223)	(50,017,099)	20,549,463	0	(29,467,636)	(1.48)												
TAX CREDITS - ZERO COST	0	0	0	0	0	0.00												
TAX CREDITS - WEIGHTED COST	1,740,482	367,344	(150,923)	0	216,421	0.01	6.98	0.00	7.50	0.00	8.02	0.00	8.02	0.00	8.02	0.00		
TOTAL	3,713,278,448	3,388,435,353	(1,392,134,452)	0	1,996,300,901	100.00	5.05	5.42	5.05	5.42	5.05	5.42	5.05	5.79	5.05	5.79		

GULF POWER COMPANY  
Financial Integrity Indicators  
August, 2016

## A. Times Interest Earned with AFUDC

Earnings Before Interest	202,831,027
AFUDC - Debt	1,231,779
Income Taxes	92,741,874
	<hr/>
Total	296,804,680
Interest Charges (Before Deducting AFUDC - Debt)	57,127,295
	<hr/>
T.I.E. With AFUDC	5.20 x

## B. Times Interest Earned without AFUDC

Earnings Before Interest	202,831,027
AFUDC - Other	(2,757,147)
Income Taxes	92,741,874
	<hr/>
Total	292,815,755
Interest Charges (Before Deducting AFUDC - Debt)	57,127,295
	<hr/>
T.I.E. Without AFUDC	5.13 x

## C. Percent AFUDC To Net Income Available for Common Stockholders

AFUDC - Debt	1,231,779
X (1 - Income Tax Rate)	0.61425
	<hr/>
Subtotal	756,620
AFUDC - Other	2,757,147
	<hr/>
Total	3,513,767
	<hr/>
Net Income Available for Common Stockholders	137,933,010
	<hr/>
Percent AFUDC to Available Net Income	2.55%

## D. Percent Internally Generated Funds

Net Income	146,935,511
Preference Dividends	(9,002,500)
Common Dividends	(122,591,000)
AFUDC (Debt & Other)	(3,988,925)
Depreciation & Amortization	174,707,348
Deferred Income Taxes	63,166,199
Investment Tax Credits	0
Other	52,601,689
	<hr/>
Total	301,828,321
	<hr/>
Construction Expenditures (Excluding AFUDC Other & Debt)	146,992,718
	<hr/>
Percent Internally Generated Funds	205.34%

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	664,199,438
Short Term Debt	53,584,253
Preference Stock	77,807,908
Common Equity	721,554,970
	<hr/>
Total	1,517,146,569
	<hr/>
% Long Term Debt To Total	43.78%
	<hr/>
% Short Term Debt To Total	3.53%

G. FPSC Adjusted Average Jurisdictional Return  
On Common Equity

	G. FPSC ADJ.	H. PROFORMA
FPSC Adjusted Average Earned Rate of Return	5.84%	5.84%
Less: Reconciled Average Retail Weighted Cost Rates For:		
Long Term Debt	(1.49)	(1.49)
Short Term Debt	(0.01)	(0.01)
Preference Stock	(0.24)	(0.24)
Customer Deposits	(0.03)	(0.03)
Tax Credits - Weighted Cost (Common Equity at Midpoint)	(0.00)	(0.00)
	<hr/>	<hr/>
Subtotal	(1.77)	(1.77)
	<hr/>	<hr/>
Total	4.07	4.07
Divided by Common Equity Ratio	36.26	36.26
	<hr/>	<hr/>
Jurisdictional Return on Common Equity	11.24%	11.24%

GULF POWER COMPANY  
Storm Accrual - Twelve Month to Date  
August, 2016

Supplemental 1

<u>Month</u>	<u>Year</u>	<u>\$</u>
September	2015	291,666
October	2015	291,667
November	2015	291,667
December	2015	291,666
January	2016	291,667
February	2016	291,666
March	2016	291,667
April	2016	291,667
May	2016	291,667
June	2016	291,667
July	2016	291,666
<b>August</b>	<b>2016</b>	<b>291,667</b>
<b>12 - M-T-D</b>		<b><u>3,500,000</u></b>