



Robert L. McGee, Jr.  
Regulatory & Pricing Manager

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July 14, 2017

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 May, 2017. 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.".

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

**May 2017**

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

Report Summary, Including Scherer 3\*

May, 2017

	(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	187,873,012	(72,953,502)	114,919,510	0	114,919,510
Average Rate Base	3,640,935,094	(1,324,873,897)	2,316,061,197	0	2,316,061,197
Average Rate of Return	5.16%		4.96%		4.96%
<b>II. Year End Rate of Return (Jurisdictional)</b>					
	(a)	(b)			
Net Operating Income	187,963,683	(73,614,569)	114,349,114	0	114,349,114
Year End Rate Base	3,642,665,679	(1,303,162,304)	2,339,503,375	0	2,339,503,375
Year End Rate of Return	5.16%		4.89%		4.89%
(a) Includes AFUDC Earnings (b) Includes Reversal of AFUDC Earnings					
<b>III. Required Rates of Return Average Capital Structure (FPSC Adjusted Basis)</b>					
Low	5.10%				
Midpoint	5.49%				
High	5.87%				
<b>IV. Financial Integrity Indicators</b>					
A. Tie With AFUDC	5.28 x (System per Books Basis)				
B. Tie Without AFUDC	5.28 x (System per Books Basis)				
C. AFUDC To Net Income	0.02% (System per Books Basis)				
D. Internally Generated Funds	-6.09% (System per Books Basis)				
E. LTD To Total Investor Funds	39.73% (FPSC Adjusted Basis)				
F. STD To Total Investor Funds	4.28% (FPSC Adjusted Basis)				
G. Return on Common Equity	8.89% (FPSC Adjusted Basis)				
H. Return on Common Equity	8.89% (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

7-12-17

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GULF POWER COMPANY  
AVERAGE RATE OF RETURN  
RATE BASE, INCLUDING SCHERER 3\*  
May, 2017

	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>	5,090,286,613	1,643,620,346	3,446,666,267	14,754,000	65,018,561	0	3,526,438,828	245,233,896	3,771,672,724
<b>JURISDICTIONAL PER BOOKS</b>	4,832,529,952	1,581,715,370	3,250,814,582	14,322,374	62,204,430	0	3,327,341,386	313,593,708	3,640,935,094
<b>FPSC ADJUSTMENTS:</b>									
ENVIRONMENTAL RECOVERY CLAUSE	(1,496,326,833)	(250,115,636)	(1,246,211,197)		(8,911,986)		(1,255,123,183)	(20,605,537)	(1,275,728,720)
INT BEARING CWIP					(745,872)		(745,872)	0	(745,872)
ENERGY CONSERVATION CLAUSE	(14,589,445)	7,928,448	(22,517,893)				(22,517,893)	(704,218)	(23,222,111)
LOANS TO EMPLOYEES / RETIREES								(39,836)	(39,836)
INTEREST AND DIVIDENDS RECEIVABLE								0	0
FUNDED PROP RES, N. ESCAMBIA & OTHER INV.				(12,661,331)			(12,661,331)	(4,508,493)	(17,169,824)
FUEL RELATED DEFERRED DEBITS								(5,128,123)	(5,128,123)
FLAME RESISTANT CLOTHING								0	0
ACCRUED PROVISION FOR REFUND								0	0
UNAMORTIZED RATE CASE EXPENSES								(2,839,412)	(2,839,412)
SALE OF RAILCARS								0	0
<b>TOTAL FPSC ADJUSTMENTS</b>	(1,510,916,278)	(242,187,188)	(1,268,729,090)	(12,661,331)	(9,657,858)	0	(1,291,048,279)	(33,825,618)	(1,324,873,897)
<b>FPSC ADJUSTED</b>	3,321,613,674	1,339,528,182	1,982,085,492	1,661,043	52,546,572	0	2,036,293,107	279,768,090	2,316,061,197
<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>	3,321,613,674	1,339,528,182	1,982,085,492	1,661,043	52,546,572	0	2,036,293,107	279,768,090	2,316,061,197

\*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\*  
May, 2017

	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	1,500,314,263	594,249,360	347,776,351	145,524,394	118,705,246	38,079,219	56,854,236	(462,472)	0	1,298,726,334	201,587,928 (a)
JURISDICTIONAL PER BOOKS	1,358,184,780	488,384,453	339,229,427	140,186,650	115,530,198	37,280,184	50,144,603	(394,539)	0	1,170,340,956	187,843,825 (a)
LESS FPSC ADJUSTMENTS:	(404,412,250)	(404,117,835)				(113,571)				(404,231,406)	(180,844)
RETAIL FUEL REVENUES & EXPENSES	(84,261,087)	(84,246,618)				(5,582)				(84,252,200)	(8,887)
PURCHASED POWER CAPACITY REVENUES & EXPENSES	(11,545,344)		(8,925,524)	(404,517)	(331,572)	(726,649)				(10,388,261)	(1,157,083)
ENERGY CONSERVATION COST REVENUES & EXPENSES	(203,089,744)		(36,563,896)	(52,227,201)	(7,514,332)	(41,132,049)				(137,497,478)	(65,592,266)
ENVIRONMENTAL COST RECOVERY CLAUSE	(42,521,423)				(42,233,383)	(111,111)				(42,344,494)	(176,929)
FRANCHISE FEE REVENUE & EXPENSE	(31,415,111)				(31,010,334)	(156,143)				(31,166,477)	(248,633)
GROSS RECEIPTS TAX REVENUE & ADJUSTMENT			(95,420)			36,808				(58,612)	58,612
MARKETING SUPPORT ACTIVITIES			(262,355)			101,203				(161,152)	161,152
WHOLESALE EXPENSES			(114,489)			44,164				(70,325)	70,325
INSTITUTIONAL ADVERTISING EXPENSE			(57,332)			22,116				(35,216)	35,216
ECONOMIC DEVELOPMENT EXPENSE			(14,941)			5,763				(9,178)	9,178
MGMT FINANCIAL PLANNING EXPENSE			(37,398)			14,426				(22,972)	22,972
DIRECTORS' & OFFICERS' INSURANCE			(1,445)			557				(888)	888
INDUSTRY ASSOCIATION DUES			(458,382)			184,508				(293,803)	293,803
TALLAHASSEE LIAISON EXPENSES					(21,929)	184,508				(881,668)	881,668
GRT: FPSC FEES ON CLAUSES & FEES					(1,435,388)	553,701				0	0
(GAIN)/LOSS ON DISPOSITION OF PROPERTY						7,093,508				7,093,508	(7,093,508)
INTEREST SYNCRONIZATION						(34,248,351)				(704,320,844)	(72,924,315)
TOTAL FPSC ADJUSTMENTS	(777,244,959)	(488,384,453)	(46,529,183)	(52,631,718)	(82,546,939)	(34,248,351)	0	0	0	(704,320,844)	(72,924,315)
FPSC ADJUSTED	580,939,822	0	292,700,244	87,554,932	32,983,259	3,031,813	50,144,603	(394,539)	0	466,020,312	114,919,510
PRO FORMA REVENUE ADJUSTMENTS	0	0	0	0	0	0	0	0	0	0	0
TOTAL PRO FORMA ADJUSTMENTS	580,939,822	0	292,700,244	87,554,932	32,983,259	3,031,813	50,144,603	(394,539)	0	466,020,312	114,919,510
(a) THE ADDITION OF EARNINGS FROM AFUDC WOULD INCREASE THE SYSTEM NOI BY				29,881	AND THE JURISDICTIONAL NOI BY	29,187					
CURRENT MONTH - SYSTEM PER BOOKS	115,779,669	42,156,815	29,931,819	8,406,446	9,193,917	3,688,222	4,831,142	(32,825)	0	98,157,535	17,622,134
CURRENT MONTH - JURISDICTIONAL PER BOOKS	109,900,757	39,096,719	28,036,410	8,013,850	9,111,148	3,945,758	4,425,138	(27,267)	0	92,601,756	17,299,001

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 rededicated to serving Gulf Power's native load customers to the extent it is not committed to oil-system sales.

GULF POWER COMPANY  
AVERAGE RATE OF RETURN  
SYSTEM ADJUSTMENTS, INCLUDING SCHERER 3\*  
May, 2017

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	(1,540,498,536)	FUEL & IIC FUEL REVENUES AND ECONOMY PROFITS	(510,494,072)	(196,923,089)
ACCUMULATED DEPRECIATION	257,499,072	ENVIRONMENTAL COST RECOVERY CLAUSE REVENUES	(208,880,388)	(80,575,610)
CWIP	(9,175,069)	PURCHASED POWER CAPACITY COST CLAUSE REVENUES	(84,376,325)	(32,548,167)
ENERGY CONSERVATION COST RECOVERY INVESTMENT	(14,589,445)	ENERGY CONSERVATION COST RECOVERY CLAUSE REVENUES	(11,545,344)	(4,453,616)
ACCUMULATED DEPRECIATION	(7,928,448)	FUEL EXPENSE	(507,499,821)	195,768,056
CWIP	0	PURCHASED POWER CAPACITY COST EXPENSE	(86,736,234)	33,458,502
FAS 143 NET PLANT	(57,760,198)	CONSERVATION EXPENSES - DEPRECIATION AND O & M	(9,330,041)	3,599,063
INTEREST BEARING CWIP	(763,612)	CONSERVATION EXPENSES - OTHER TAXES	(331,572)	127,904
PHFU - NORTH ESCAMBIA	(13,042,899)	ENVIRONMENTAL COST RECOVERY EXPENSE	(99,083,299)	38,221,383
		FRANCHISE FEE REVENUES	(42,521,423)	(16,402,639)
		FRANCHISE FEE	(42,233,383)	16,291,528
		GROSS RECEIPTS TAX REVENUES	(31,415,111)	(12,118,379)
WORKING CAPITAL:		GROSS RECEIPTS TAX EXPENSE	(31,010,334)	11,962,236
ECRC WORKING CAPITAL	(21,213,815)	MARKETING SUPPORT ACTIVITIES	(95,420)	36,808
CONSERVATION/AEM INVENTORY	(704,218)	WHOLESALE EXPENSES	(270,351)	104,288
FUNDED PROPERTY INSURANCE RESERVE	0	INSTITUTIONAL ADVERTISING EXPENSE	(116,745)	45,034
LOANS TO EMPLOYEES AND RETIREES	(41,575)	ECONOMIC DEVELOPMENT EXPENSE	(57,332)	22,116
INTEREST & DIVIDENDS RECEIVABLE	0	MGMT FINANCIAL PLANNING SERVICES	(15,271)	5,891
NORTH ESCAMBIA SITE	(4,705,485)	DIRECTORS' & OFFICERS' INSURANCE	(38,224)	14,745
UNAMORTIZED RATE CASE EXPENSE	(2,963,476)	INDUSTRY ASSOCIATION DUES	(1,473)	568
FUEL RELATED DEFERRED DEBITS	(5,128,123)	TALLAHASSEE LIAISON EXPENSE	(488,878)	188,585
UNREALIZED LOSS ON FWD CONTRACT	(207,316)	GRT/FPSC FEES ON CLAUSE REV ADJ & FRAN FEES	(1,435,389)	553,701
ACCUM. PROV. FOR RATE REFUNDS	0	COMP SALES/TRANS REV/G/L SALE GAS/PROV RT REFN. ESC REV	(96,856)	(37,362)
FAS 143 WORKING CAPITAL	69,669,979	GAIN/LOSS ON DISPOSITION OF PROPERTY	0	0
FAS 158 REGULATORY ASSETS	(158,169,361)	INTEREST SYNCHRONIZATION	7,231,620	7,231,620
FAS 158 REGULATORY LIABILITIES	158,169,361			
PPA REGULATORY ASSETS	(142,921,745)			
PPA REGULATORY LIABILITIES	142,921,745			
FAS 133 REGULATORY ASSETS	(44,174,757)			
FAS 133 REGULATORY LIABILITIES	44,174,757			

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GULF POWER COMPANY  
YEAR END RATE OF RETURN  
RATE BASE, INCLUDING SCHERER 3\*  
May, 2017

	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	5,124,966,890	1,700,116,725	3,424,850,166	14,754,000	66,249,650	0	3,505,853,817	245,233,896	3,751,087,713
JURISDICTIONAL PER BOOKS	4,888,830,664	1,637,539,468	3,251,291,196	14,322,375	63,609,025	0	3,329,222,596	313,443,083	3,642,665,679
<u>FPSC ADJUSTMENTS:</u>									
ENVIRONMENTAL RECOVERY CLAUSE	(1,507,065,891)	(282,387,165)	(1,224,678,726)		(6,531,308)		(1,231,210,034)	(20,605,537)	(1,251,815,571)
INT BEARING CWIP					(2,128,951)		(2,128,951)	0	(2,128,951)
ENERGY CONSERVATION CLAUSE	(15,405,448)	7,930,921	(23,336,369)				(23,336,369)	(704,218)	(24,040,587)
LOANS TO EMPLOYEES AND RETIREES								(39,836)	(39,836)
INTEREST AND DIVIDENDS RECEIVABLE								0	0
FUNDED PROP RES. N. ESCAMBIA SITE, & OTHER INV.				(12,661,331)			(12,661,331)	(4,508,493)	(17,169,824)
FUEL RELATED DEFERRED DEBITS								(5,128,123)	(5,128,123)
ACCRUED PROVISION FOR REFUND								0	0
UNAMORTIZED RATE CASE EXPENSES								(2,839,412)	(2,839,412)
<b>TOTAL FPSC ADJUSTMENTS</b>	<b>(1,522,471,339)</b>	<b>(274,456,244)</b>	<b>(1,248,015,095)</b>	<b>(12,661,331)</b>	<b>(8,660,259)</b>	<b>0</b>	<b>(1,269,336,685)</b>	<b>(33,825,619)</b>	<b>(1,303,162,304)</b>
<b>FPSC ADJUSTED</b>	<b>3,366,359,325</b>	<b>1,363,083,224</b>	<b>2,003,276,101</b>	<b>1,661,044</b>	<b>54,948,766</b>	<b>0</b>	<b>2,059,885,911</b>	<b>279,617,464</b>	<b>2,339,503,375</b>
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
<b>PRO FORMA ADJUSTED</b>	<b>3,366,359,325</b>	<b>1,363,083,224</b>	<b>2,003,276,101</b>	<b>1,661,044</b>	<b>54,948,766</b>	<b>0</b>	<b>2,059,885,911</b>	<b>279,617,464</b>	<b>2,339,503,375</b>

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GULF POWER COMPANY  
YEAR END RATE OF RETURN  
INCOME STATEMENT, INCLUDING SCHERER 3\*  
May, 2017

	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	1,500,314,263	584,249,360	347,776,351	145,524,394	116,705,246	38,079,219	56,854,236	(462,472)	0	1,298,726,334	201,587,928 (a)
JURISDICTIONAL PER BOOKS	1,358,184,780	488,364,453	339,229,427	140,186,650	115,530,198	37,288,156	50,045,940	(394,539)	0	1,170,250,285	187,934,496 (a)
LESS FPSC ADJUSTMENTS:											
RETAIL FUEL REVENUES & EXPENSES	(404,412,250)	(404,117,895)				(113,571)				(404,231,406)	(180,844)
PURCHASED POWER CAPACITY REVENUES & EXPENSES	(84,261,087)	(84,246,618)				(5,582)				(84,252,200)	(8,887)
ENERGY CONSERVATION COST REVENUES & EXPENSES	(11,545,344)		(8,925,524)	(404,517)	(331,572)	(726,648)				(10,388,261)	(1,157,083)
ENVIRONMENTAL COST RECOVERY CLAUSE	(203,089,744)		(36,563,896)	(52,227,201)	(7,514,332)	(41,192,049)				(137,497,478)	(65,592,266)
FRANCHISE FEE REVENUE & EXPENSE	(42,921,423)				(42,233,383)	(111,111)				(42,344,494)	(178,929)
GROSS RECEIPTS TAX REVENUE & ADJUSTMENT	(31,415,111)				(31,010,394)	(156,143)				(31,166,477)	(248,633)
MARKETING SUPPORT ACTIVITIES			(95,420)			36,808				(58,612)	58,612
WHOLESALE EXPENSES		(262,355)				101,203				(161,152)	161,152
INSTITUTIONAL ADVERTISING EXPENSE		(114,489)				44,164				(70,325)	70,325
ECONOMIC DEVELOPMENT EXPENSE		(57,332)				22,116				(35,216)	35,216
MGMT FINANCIAL PLANNING SERVICES		(14,941)				5,763				(9,178)	9,178
DIRECTORS' & OFFICERS' INSURANCE		(37,398)				14,426				(22,972)	22,972
INDUSTRY ASSOCIATION DUES		(1,445)				557				(888)	888
TALLAHASSEE LIAISON EXPENSES		(456,382)			(21,929)	184,508				(293,803)	293,803
GRT, FPSC FEES ON CLAUSES & FEES					(1,435,389)	553,701				(881,688)	881,688
(GAIN) / LOSS ON DISPOSITION OF PROPERTY										0	0
INTEREST SYNCHRONIZATION						7,754,575				7,754,575	(7,754,575)
TOTAL FPSC ADJUSTMENTS	(777,244,959)	(488,364,453)	(46,529,183)	(52,631,718)	(82,546,939)	(33,587,284)	0	0	0	(703,659,577)	(73,585,382)
FPSC ADJUSTED	580,939,822	0	292,700,244	87,554,932	32,983,259	3,700,872	50,045,940	(394,539)	0	466,590,708	114,349,114
PRO FORMA REVENUE ANNUALIZATION											
TOTAL PRO FORMA ADJUSTMENTS	0	0	0	0	0	0	0	0	0	0	0
PRO FORMA ADJUSTED	580,939,822	0	292,700,244	87,554,932	32,983,259	3,700,872	50,045,940	(394,539)	0	466,590,708	114,349,114
(a) THE ADDITION OF EARNINGS FROM AFUDC WOULD INCREASE THE SYSTEM NOI BY				29,881	AND THE JURISDICTIONAL NOI BY	29,187					

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GULF POWER COMPANY  
YEAR END RATE OF RETURN  
SYSTEM ADJUSTMENTS, INCLUDING SCHERER 3\*  
May, 2017

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	(1,550,154,155)	FUEL & IIC FUEL REVENUES AND ECONOMY PROFITS	(510,494,072)	(196,923,089)
ACCUMULATED DEPRECIATION	290,460,848	ENVIRONMENTAL COST RECOVERY CLAUSE REVENUES	(208,880,388)	(80,575,610)
CWIP	(6,718,043)	PURCHASED POWER CAPACITY COST CLAUSE REVENUES	(84,375,325)	(32,548,167)
ENERGY CONSERVATION COST RECOVERY INVESTMENT	(15,405,448)	ENERGY CONSERVATION COST RECOVERY CLAUSE REVENUES	(11,545,344)	(4,453,818)
ACCUMULATED DEPRECIATION	(7,930,921)	FUEL EXPENSE	(507,499,821)	195,768,056
CWIP	0	PURCHASED POWER CAPACITY COST EXPENSE	(86,736,234)	33,458,502
FAS 143 NET PLANT	(47,165,435)	CONSERVATION EXPENSES - DEPRECIATION AND O & M	(9,330,041)	3,599,063
INTEREST BEARING CWIP	(2,179,587)	CONSERVATION EXPENSES - OTHER TAXES	(331,572)	127,904
PHFU - NORTH ESCAMBIA	(13,042,899)	ENVIRONMENTAL COST RECOVERY EXPENSE	(99,083,299)	38,221,383
		FRANCHISE FEE REVENUES	(42,521,423)	(16,402,639)
		FRANCHISE FEE	(42,233,383)	16,291,528
		GROSS RECEIPTS TAX REVENUES	(31,415,111)	(12,118,379)
WORKING CAPITAL:		GROSS RECEIPTS TAX EXPENSE	(31,010,334)	11,962,236
ECRC WORKING CAPITAL	(21,213,815)	MARKETING SUPPORT ACTIVITIES	(95,420)	36,808
CONSERVATION/AEM INVENTORY	(704,218)	WHOLESALE EXPENSES	(270,351)	104,288
FUNDED PROPERTY INSURANCE RESERVE	0	INSTITUTIONAL ADVERTISING EXPENSE	(116,745)	45,034
LOANS TO EMPLOYEES AND RETIREES	(41,575)	ECONOMIC DEVELOPMENT EXPENSE	(57,332)	22,116
INTEREST & DIVIDENDS RECEIVABLE	0	MGMT FINANCIAL PLANNING SERVICES	(15,271)	5,891
NORTH ESCAMBIA SITE	(4,705,485)	DIRECTORS' & OFFICERS' INSURANCE	(38,224)	14,745
UNAMORTIZED RATE CASE EXPENSE	(2,963,476)	INDUSTRY ASSOCIATION DUES	(1,473)	568
FUEL RELATED DEFERRED DEBITS	(5,128,123)	TALLAHASSEE LIAISON EXPENSE	(488,878)	188,585
UNREALIZED LOSS ON FWD CONTRACT	(207,316)	GRT/FPSC FEES ON CLAUSE REV ADJ & FRAN FEES	(1,435,389)	553,701
ACCUM. PROV. FOR RATE REFUNDS	0	COMP SALES/TRANS REV/G/L SALE GAS/PROV RT REFV. ESC REV	(96,856)	(37,362)
FAS 143 WORKING CAPITAL	69,669,979	GAIN/LOSS ON DISPOSITION OF PROPERTY	0	0
FAS 158 REGULATORY ASSETS	(158,169,361)	INTEREST SYNCHRONIZATION	7,877,228	7,877,228
FAS 158 REGULATORY LIABILITIES	158,169,361			
PPA REGULATORY ASSETS	(142,921,745)			
PPA REGULATORY LIABILITIES	142,921,745			
FAS 133 REGULATORY ASSETS	(44,174,757)			
FAS 133 REGULATORY LIABILITIES	44,174,757			

\*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  
 May, 2017

AVERAGE	SYSTEM PER BOOKS			RETAIL PER BOOKS			ADJUSTMENTS			LOW POINT			MIDPOINT			HIGH POINT		
	PER BOOKS	RETAIL	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	1,136,021,145	1,094,215,782	(398,166,375)	0	696,049,407	30.05	4.23	1.27	4.23	1.27	4.23	1.27	4.23	4.23	1.27	4.23		
SHORT TERM DEBT	127,777,488	117,961,640	(42,924,220)	0	75,037,420	3.24	0.29	0.01	0.29	0.01	0.29	0.01	0.29	0.29	0.01	0.29		
PREFERENCE STOCK	146,504,320	141,113,561	(51,348,807)	0	89,764,754	3.88	6.14	0.24	6.14	0.24	6.14	0.24	6.14	6.14	0.24	6.14		
CUSTOMER DEPOSITS	35,606,602	35,491,121	(12,914,611)	0	22,576,510	0.97	2.31	0.02	2.31	0.02	2.31	0.02	2.31	2.31	0.02	2.31		
COMMON EQUITY	1,436,555,391	1,400,542,005	(509,633,239)	0	890,908,766	38.47	9.25	3.56	10.25	3.94	11.25	4.33	11.25	11.25	4.33	11.25		
DEFERRED INCOME TAXES	932,887,288	902,427,355	(328,377,852)	0	574,049,503	24.79												
FASB 109 DEFERRED TAXES	(53,825,190)	(52,079,897)	18,950,619	0	(33,128,278)	(1.43)												
TAX CREDITS - ZERO COST	0	0	0	0	0	0.00												
TAX CREDITS - WEIGHTED COST	1,623,922	1,262,527	(459,412)	0	803,115	0.03	7.00	0.00	7.53	0.00	8.06	0.00	8.06	8.06	0.00	8.06		
TOTAL	3,762,950,966	3,640,935,094	(1,324,873,897)	0	2,316,061,197	100.00 %		5.10 %		5.49 %		5.87 %		5.87 %		5.87 %		

YEAR-END	SYSTEM PER BOOKS			RETAIL PER BOOKS			ADJUSTMENTS			LOW POINT			MIDPOINT			HIGH POINT		
	PER BOOKS	RETAIL	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	1,359,330,370	1,226,774,698	(438,878,196)	0	787,896,502	33.68	3.55	1.20	3.55	1.20	3.55	1.20	3.55	3.55	1.20	3.55		
SHORT TERM DEBT	0	0	0	0	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
PREFERENCE STOCK	146,504,320	132,726,541	(47,482,871)	0	85,243,670	3.64	6.14	0.22	6.14	0.22	6.14	0.22	6.14	6.14	0.22	6.14		
CUSTOMER DEPOSITS	35,277,049	32,926,183	(11,779,330)	0	21,146,853	0.90	2.20	0.02	2.20	0.02	2.20	0.02	2.20	2.20	0.02	2.20		
COMMON EQUITY	1,541,854,743	1,423,531,588	(509,287,901)	0	914,263,687	39.08	9.25	3.61	10.25	4.01	11.25	4.40	11.25	11.25	4.40	11.25		
DEFERRED INCOME TAXES	962,689,801	873,396,385	(312,457,235)	0	560,939,150	23.98												
FASB 109 DEFERRED TAXES	(52,603,007)	(47,723,864)	17,073,195	0	(30,650,669)	(1.31)												
TAX CREDITS - ZERO COST	0	0	0	0	0	0.00												
TAX CREDITS - WEIGHTED COST	1,405,873	1,034,148	(369,966)	0	664,182	0.03	6.59	0.00	7.10	0.00	7.61	0.00	7.61	7.61	0.00	7.61		
TOTAL	3,994,459,148	3,642,665,679	(1,303,162,304)	0	2,339,503,375	100.00 %		5.06 %		5.45 %		5.84 %		5.84 %		5.84 %		

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GULF POWER COMPANY  
Financial Integrity Indicators, Including Scherer 3\*  
May, 2017

## A. Times Interest Earned with AFUDC

Earnings Before Interest	180,014,024
AFUDC - Debt	8,831
Income Taxes	<u>85,697,687</u>
Total	265,720,542
Interest Charges (Before Deducting AFUDC - Debt)	<u>50,347,183</u>
T.I.E. With AFUDC	<u>5.28 x</u>

## B. Times Interest Earned without AFUDC

Earnings Before Interest	180,014,024
AFUDC - Other	(21,050)
Income Taxes	<u>85,697,687</u>
Total	265,690,661
Interest Charges (Before Deducting AFUDC - Debt)	<u>50,347,183</u>
T.I.E. Without AFUDC	<u>5.28 x</u>

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

AFUDC - Debt	8,831
X (1 - Income Tax Rate)	0.61425
Subtotal	5,424
AFUDC - Other	<u>21,050</u>
Total	<u>26,474</u>
Net Income Available for Common Stockholders	<u>120,673,171</u>
Percent AFUDC to Available Net Income	<u>0.02%</u>

## D. Percent Internally Generated Funds

Net Income	129,675,671
Preference Dividends	(9,002,500)
Common Dividends	(122,534,000)
AFUDC (Debt & Other)	(29,881)
Depreciation & Amortization	154,957,096
Deferred Income Taxes	56,854,236
Investment Tax Credits	0
Other	<u>(223,633,906)</u>
Total	<u>(13,713,283)</u>
Construction Expenditures (Excluding AFUDC Other & Debt)	<u>225,119,015</u>
Percent Internally Generated Funds	<u>-6.09%</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	696,049,407
Short Term Debt	75,037,420
Preference Stock	89,764,754
Common Equity	<u>890,908,766</u>
Total	<u>1,751,760,347</u>
% Long Term Debt To Total	<u>39.73%</u>
% Short Term Debt To Total	<u>4.28%</u>

G. FPSC Adjusted Average Jurisdictional Return  
On Common Equity

	G. FPSC ADJ.	H. PROFORMA
FPSC Adjusted Average Earned Rate of Return	4.96%	4.96%
Less: Reconciled Average Retail Weighted Cost Rates For:		
Long Term Debt	(1.27)	(1.27)
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)	<u>(0.00)</u>	<u>(0.00)</u>
Subtotal	<u>(1.54)</u>	<u>(1.54)</u>
Total	3.42	3.42
Divided by Common Equity Ratio	<u>38.47</u>	<u>38.47</u>
Jurisdictional Return on Common Equity	<u>8.89%</u>	<u>8.89%</u>

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GULF POWER COMPANY  
Storm Accrual - Twelve Month to Date  
May, 2017

Supplemental 1

<u>Month</u>	<u>Year</u>	<u>\$</u>
June	2016	291,667
July	2016	291,667
August	2016	291,667
September	2016	291,667
October	2016	291,667
November	2016	291,667
December	2016	291,663
January	2017	291,667
February	2017	291,667
March	2017	291,667
April	2017	0
<b>May</b>	<b>2017</b>	<b>0</b>
<b>12 - M-T-D</b>		<b><u><u>2,916,666</u></u></b>

**May 2017**

Earnings Surveillance  
Report  
(Rate of Return)



**GULF POWER COMPANY**  
Earnings Surveillance Report Summary  
May, 2017

	(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	194,638,422	(72,902,742)	121,735,680	0	121,735,680
Average Rate Base	3,561,429,187	(1,324,873,897)	2,236,555,290	0	2,236,555,290
Average Rate of Return	5.47%		5.44%		5.44%
<b>II. Year End Rate of Return</b> (Jurisdictional)					
	(a)	(b)			
Net Operating Income	194,751,859	(73,494,676)	121,257,183	0	121,257,183
Year End Rate Base	3,575,646,166	(1,303,162,304)	2,272,483,862	0	2,272,483,862
Year End Rate of Return	5.45%		5.34%		5.34%

(a) Includes AFUDC Earnings

(b) Includes Reversal of AFUDC Earnings

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

Low	5.09%
Midpoint	5.48%
High	5.86%

**IV. Financial Integrity Indicators**

A. Tie With AFUDC	5.28 x (System per Books Basis)
B. Tie Without AFUDC	5.28 x (System per Books Basis)
C. AFUDC To Net Income	0.02% (System per Books Basis)
D. Internally Generated Funds	-6.09% (System per Books Basis)
E. LTD To Total Investor Funds	39.72% (FPSC Adjusted Basis)
F. STD To Total Investor Funds	4.29% (FPSC Adjusted Basis)
G. Return on Common Equity	10.15% (FPSC Adjusted Basis)
H. Return on Common Equity	10.15% (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  
7-12-17

GULF POWER COMPANY  
AVERAGE RATE OF RETURN  
RATE BASE  
May, 2017

	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>	5,090,286,813	1,643,620,346	3,446,666,267	14,754,000	65,018,561	0	3,526,438,828	245,233,896	3,771,672,724
<b>JURISDICTIONAL PER BOOKS</b>	4,679,917,081	1,493,988,305	3,185,928,776	14,322,374	58,527,510	0	3,258,778,660	302,650,527	3,561,429,187
<b>FPSC ADJUSTMENTS:</b>									
ENVIRONMENTAL RECOVERY CLAUSE	(1,496,326,833)	(250,115,636)	(1,246,211,197)		(8,911,966)		(1,255,123,183)	(20,605,537)	(1,275,728,720)
INT BEARING CWIP					(745,872)		(745,872)	0	(745,872)
ENERGY CONSERVATION CLAUSE	(14,589,445)	7,928,448	(22,517,893)				(22,517,893)	(704,218)	(23,222,111)
LOANS TO EMPLOYEES / RETIREES								(39,836)	(39,836)
INTEREST AND DIVIDENDS RECEIVABLE								0	0
FUNDED PROP RES, N. ESCAMBIA & OTHER INV.				(12,661,331)			(12,661,331)	(4,508,493)	(17,169,824)
FUEL RELATED DEFERRED DEBITS								(5,128,123)	(5,128,123)
FLAME RESISTANT CLOTHING								0	0
ACCURED PROVISION FOR REFUND								0	0
UNAMORTIZED RATE CASE EXPENSES								(2,839,412)	(2,839,412)
SALE OF RALCARS								0	0
<b>TOTAL FPSC ADJUSTMENTS</b>	(1,510,916,278)	(242,187,188)	(1,268,729,090)	(12,661,331)	(9,657,858)	0	(1,291,048,279)	(33,825,618)	(1,324,873,897)
<b>FPSC ADJUSTED</b>	3,169,000,803	1,251,801,117	1,917,199,686	1,661,043	48,869,652	0	1,967,730,381	268,824,909	2,236,555,290
<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>	3,169,000,803	1,251,801,117	1,917,199,686	1,661,043	48,869,652	0	1,967,730,381	268,824,909	2,236,555,290

GULF POWER COMPANY  
AVERAGE RATE OF RETURN  
INCOME STATEMENT  
May, 2017

	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	1,500,314,263	594,249,360	347,776,351	145,524,394	116,705,246	38,079,219	56,854,236	(462,472)	0	1,296,726,334	201,587,928 (a)
JURISDICTIONAL PER BOOKS	1,358,184,760	488,364,453	331,381,747	138,749,163	114,928,039	36,845,375	55,512,397	(205,628)	0	1,163,575,546	194,609,235 (e)
LESS FPSC ADJUSTMENTS:	(404,412,250)	(404,117,835)				(113,571)				(404,231,406)	(180,844)
RETAIL FUEL REVENUES & EXPENSES	(84,261,097)	(84,246,618)				(5,582)				(84,252,200)	(6,887)
PURCHASED POWER CAPACITY REVENUES & EXPENSES	(11,545,344)		(8,925,524)	(404,517)	(331,572)	(726,849)				(10,388,261)	(1,157,063)
ENERGY CONSERVATION COST REVENUES & EXPENSES	(203,069,744)		(36,563,896)	(52,227,201)	(7,514,332)	(41,192,049)				(137,497,478)	(65,592,266)
ENVIRONMENTAL COST RECOVERY CLAUSE	(42,521,423)				(42,233,363)	(111,111)				(42,344,494)	(176,929)
FRANCHISE FEE REVENUE & EXPENSE	(31,415,111)				(31,010,334)	(156,143)				(31,166,477)	(248,633)
GROSS RECEIPTS TAX REVENUE & ADJUSTMENT			(95,420)			36,806				(58,612)	56,612
MARKETING SUPPORT ACTIVITIES			(262,355)			101,203				(161,152)	161,152
WHOLESALE EXPENSES			(114,489)			44,164				(70,325)	70,325
INSTITUTIONAL ADVERTISING EXPENSE			(57,332)			22,116				(35,216)	35,216
ECONOMIC DEVELOPMENT EXPENSE			(14,941)			5,763				(9,178)	9,178
MGMT FINANCIAL PLANNING SERVICES			(37,398)			14,426				(22,972)	22,972
DIRECTORS' & OFFICERS' INSURANCE			(1,445)			557				(888)	868
INDUSTRY ASSOCIATION DUES			(456,382)			184,508				(293,803)	293,803
TALLAHASSEE LIAISON EXPENSES					(21,929)	553,701				(681,688)	881,688
GPT, FPSC FEES ON CLAUSES & FEES					(1,435,989)	7,042,748				7,042,748	0
(GAIN)/LOSS ON DISPOSITION OF PROPERTY											(7,042,748)
INTEREST SYNCHRONIZATION											
TOTAL FPSC ADJUSTMENTS	(777,244,959)	(488,364,453)	(46,521,183)	(52,631,718)	(62,546,939)	(34,299,111)	0	0	0	(704,371,404)	(72,873,555)
FPSC ADJUSTED	580,939,822	0	284,852,564	84,117,445	32,381,100	2,546,264	55,512,397	(205,628)	0	459,204,142	121,735,680
PRO FORMA REVENUE ANNUALIZATION ADJUSTMENTS	0	0	0	0	0	0	0	0	0	0	0
TOTAL PRO FORMA ADJUSTMENTS	580,939,822	0	284,852,564	84,117,445	32,381,100	2,546,264	55,512,397	(205,628)	0	459,204,142	121,735,680
PRO FORMA ADJUSTED	115,779,669	42,158,815	29,931,819	8,406,446	9,193,917	3,669,222	4,831,142	(32,825)	0	96,157,535	17,622,134
(e) THE ADDITION OF EARNINGS FROM AFUDC WOULD INCREASE THE SYSTEM NOI BY				29,881	AND THE JURISDICTIONAL NOI BY	29,187					
CURRENT MONTH, SYSTEM PER BOOKS	109,900,757	39,096,719	27,040,034	7,738,148	9,099,855	3,962,506	4,923,371	(11,527)	0	91,849,106	18,051,651
CURRENT MONTH, JURISDICTIONAL PER BOOKS											

TOTALS MAY NOT ADD DUE TO ROUNDING.



GULF POWER COMPANY  
AVERAGE RATE OF RETURN  
SYSTEM ADJUSTMENTS  
May, 2017

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	(1,540,498,536)	FUEL & IIC FUEL REVENUES AND ECONOMY PROFITS	(510,494,072)	(196,923,089)
ACCUMULATED DEPRECIATION	257,499,072	ENVIRONMENTAL COST RECOVERY CLAUSE REVENUES	(208,880,388)	(80,575,610)
CWIP	(9,175,069)	PURCHASED POWER CAPACITY COST CLAUSE REVENUES	(84,376,325)	(32,548,167)
ENERGY CONSERVATION COST RECOVERY INVESTMENT	(14,589,445)	ENERGY CONSERVATION COST RECOVERY CLAUSE REVENUES	(11,545,344)	(4,453,616)
ACCUMULATED DEPRECIATION	(7,928,448)	FUEL EXPENSE	(507,499,821)	195,768,056
CWIP	0	PURCHASED POWER CAPACITY COST EXPENSE	(86,736,234)	33,458,502
FAS 143 NET PLANT	(57,760,198)	CONSERVATION EXPENSES - DEPRECIATION AND O & M	(9,330,041)	3,599,063
INTEREST BEARING CWIP	(763,612)	CONSERVATION EXPENSES - OTHER TAXES	(331,572)	127,904
PHFU - NORTH ESCAMBIA	(13,042,899)	ENVIRONMENTAL COST RECOVERY EXPENSE	(99,083,299)	38,221,383
WORKING CAPITAL:		FRANCHISE FEE REVENUES	(42,521,423)	(16,402,639)
ECRC WORKING CAPITAL	(21,213,815)	FRANCHISE FEE	(42,233,383)	16,291,528
CONSERVATION/AEM INVENTORY	(704,218)	GROSS RECEIPTS TAX REVENUES	(31,415,111)	(12,118,379)
FUNDED PROPERTY INSURANCE RESERVE	0	GROSS RECEIPTS TAX EXPENSE	(31,010,334)	11,962,236
LOANS TO EMPLOYEES AND RETIREES	(41,575)	MARKETING SUPPORT ACTIVITIES	(95,420)	36,808
INTEREST & DIVIDENDS RECEIVABLE	0	WHOLESALE EXPENSES	(270,351)	104,288
NORTH ESCAMBIA SITE	(4,705,485)	INSTITUTIONAL ADVERTISING EXPENSE	(116,745)	45,034
UNAMORTIZED RATE CASE EXPENSE	(2,963,476)	ECONOMIC DEVELOPMENT EXPENSE	(57,332)	22,116
FUEL RELATED DEFERRED DEBITS	(5,128,123)	MGMT FINANCIAL PLANNING SERVICES	(15,271)	5,891
UNREALIZED LOSS ON FWD CONTRACT	(207,316)	DIRECTORS' & OFFICERS' INSURANCE	(38,224)	14,745
ACCUM. PROV. FOR RATE REFUNDS	0	INDUSTRY ASSOCIATION DUES	(1,473)	568
FAS 143 WORKING CAPITAL	69,669,979	TALLAHASSEE LIAISON EXPENSE	(488,878)	188,585
FAS 158 REGULATORY ASSETS	(158,169,361)	GRT/FPSC FEES ON CLAUSE REV ADJ & FRAN FEES	(1,435,389)	553,701
FAS 158 REGULATORY LIABILITIES	158,169,361	COMP SALES/TRANS REV/G/L SALE GAS/PROV RT REFR. ESC REV	(96,856)	(37,362)
PPA REGULATORY ASSETS	(142,921,745)	GAIN/LOSS ON DISPOSITION OF PROPERTY	0	0
PPA REGULATORY LIABILITIES	142,921,745	INTEREST SYNCHRONIZATION	7,231,820	7,231,820
FAS 133 REGULATORY ASSETS	(44,174,757)			
FAS 133 REGULATORY LIABILITIES	44,174,757			

GULF POWER COMPANY  
YEAR END RATE OF RETURN  
RATE BASE  
May, 2017

	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	5,124,966,890	1,700,116,725	3,424,850,166	14,754,000	66,249,650	0	3,505,853,817	245,233,896	3,751,087,713
JURISDICTIONAL PER BOOKS	4,746,709,386	1,546,415,627	3,200,293,759	14,322,375	60,217,996	0	3,274,834,130	300,812,036	3,575,646,166
<u>FPSC ADJUSTMENTS:</u>									
ENVIRONMENTAL RECOVERY CLAUSE INT BEARING CWIP	(1,507,065,891)	(282,387,165)	(1,224,678,726)		(6,531,308)		(1,231,210,034)	(20,605,537)	(1,251,815,571)
ENERGY CONSERVATION CLAUSE	(15,405,448)	7,930,921	(23,336,369)		(2,128,951)		(23,336,369)	(704,218)	(24,040,587)
LOANS TO EMPLOYEES AND RETIREES INTEREST AND DIVIDENDS RECEIVABLE								(39,836)	(39,836)
FUNDED PROP RES. N. ESCAMBIA SITE, & OTHER INV.				(12,661,331)			(12,661,331)	(4,508,493)	(17,169,824)
FUEL RELATED DEFERRED DEBITS								(5,128,123)	(5,128,123)
ACCRUED PROVISION FOR REFUND								0	0
UNAMORTIZED RATE CASE EXPENSES								(2,839,412)	(2,839,412)
TOTAL FPSC ADJUSTMENTS	(1,522,471,339)	(274,456,244)	(1,248,015,095)	(12,661,331)	(8,660,259)	0	(1,269,336,885)	(33,825,619)	(1,303,162,304)
FPSC ADJUSTED	3,224,238,047	1,271,959,383	1,952,278,664	1,661,044	51,557,737	0	2,005,497,445	266,986,417	2,272,483,862
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	3,224,238,047	1,271,959,383	1,952,278,664	1,661,044	51,557,737	0	2,005,497,445	266,986,417	2,272,483,862

GUILF POWER COMPANY  
YEAR END RATE OF RETURN  
INCOME STATEMENT  
May, 2017

	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	1,500,314,263	594,249,360	347,776,351	145,524,394	116,705,246	38,079,219	56,854,236	(462,472)	0	1,298,726,334	201,587,928 (e)
JURISDICTIONAL PER BOOKS	1,358,184,780	488,364,453	331,381,747	136,749,163	114,928,039	36,855,373	55,388,962	(205,626)	0	1,163,482,109	194,722,672 (e)
LESS FPSC ADJUSTMENTS:	(404,412,250)	(404,117,835)				(113,571)				(404,231,406)	(180,844)
RETAIL FUEL REVENUES & EXPENSES	(84,261,087)	(84,246,618)				(5,582)				(84,252,200)	(8,867)
PURCHASED POWER CAPACITY REVENUES & EXPENSES	(11,545,344)		(8,925,524)	(404,517)	(331,572)	(726,649)				(10,388,261)	(1,157,083)
ENERGY CONSERVATION COST REVENUES & EXPENSES	(203,089,744)		(36,563,896)	(52,227,201)	(7,514,332)	(41,192,049)				(137,497,478)	(65,592,266)
ENVIRONMENTAL COST RECOVERY CLAUSE	(42,521,423)				(42,233,383)	(111,111)				(42,344,494)	(176,929)
FRANCHISE FEE REVENUE & EXPENSE	(31,415,111)				(31,010,334)	(156,149)				(31,166,477)	(248,633)
GROSS RECEIPTS TAX REVENUE & ADJUSTMENT			(95,420)			36,808				(58,612)	58,612
MARKETING SUPPORT ACTIVITIES			(262,355)			101,203				(161,152)	161,152
WHOLESALE EXPENSES			(114,469)			44,164				(70,325)	70,325
INSTITUTIONAL ADVERTISING EXPENSE			(57,332)			22,116				(35,216)	35,216
ECONOMIC DEVELOPMENT EXPENSE			(14,941)			5,763				(9,178)	9,178
MGMT FINANCIAL PLANNING SERVICES			(37,398)			14,426				(22,972)	22,972
DIRECTORS' & OFFICERS' INSURANCE			(1,445)			557				(888)	888
INDUSTRY ASSOCIATION DUES			(456,382)			184,508				(293,803)	293,803
TALLAHASSEE LIAISON EXPENSES					(21,929)					(881,688)	881,688
GRT, FPSC FEES ON CLAUSES & FEES					(1,435,389)	553,701				0	0
(GAIN) / LOSS ON DISPOSITION OF PROPERTY						7,634,682				7,634,682	(7,634,682)
INTEREST SYNCRONIZATION											
TOTAL FPSC ADJUSTMENTS	(777,244,959)	(488,364,453)	(46,529,183)	(52,631,718)	(82,546,939)	(33,707,177)	0	0	0	(703,779,470)	(73,465,489)
FPSC ADJUSTED	580,939,822	0	284,852,564	84,117,445	32,381,100	3,148,196	55,388,962	(205,628)	0	459,682,639	121,257,183
PRO FORMA REVENUE ANNUALIZATION											
TOTAL PRO FORMA ADJUSTMENTS	0	0	0	0	0	0	0	0	0	0	0
PRO FORMA ADJUSTED	580,939,822	0	284,852,564	84,117,445	32,381,100	3,148,196	55,388,962	(205,628)	0	459,682,639	121,257,183

(a) THE ADDITION OF EARNINGS FROM AFUDC WOULD INCREASE THE SYSTEM NOI BY 29,681 AND THE JURISDICTIONAL NOI BY 29,187

GULF POWER COMPANY  
YEAR END RATE OF RETURN  
SYSTEM ADJUSTMENTS  
May, 2017

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	(1,550,154,155)	FUEL & IIC FUEL REVENUES AND ECONOMY PROFITS	(510,494,072)	(196,923,089)
ACCUMULATED DEPRECIATION	290,460,848	ENVIRONMENTAL COST RECOVERY CLAUSE REVENUES	(208,890,388)	(80,575,610)
CWIP	(6,718,043)	PURCHASED POWER CAPACITY COST CLAUSE REVENUES	(84,376,325)	(32,548,187)
ENERGY CONSERVATION COST RECOVERY INVESTMENT	(15,405,448)	ENERGY CONSERVATION COST RECOVERY CLAUSE REVENUES	(11,545,344)	(4,453,616)
ACCUMULATED DEPRECIATION	(7,930,921)	FUEL EXPENSE	(507,499,821)	195,768,056
CWIP	0	PURCHASED POWER CAPACITY COST EXPENSE	(86,736,234)	33,458,502
FAS 143 NET PLANT	(47,165,435)	CONSERVATION EXPENSES - DEPRECIATION AND O & M	(9,330,041)	3,599,063
INTEREST BEARING CWIP	(2,179,587)	CONSERVATION EXPENSES - OTHER TAXES	(331,572)	127,904
PHFU - NORTH ESCAMBIA	(13,042,899)	ENVIRONMENTAL COST RECOVERY EXPENSE	(99,083,299)	38,221,383
		FRANCHISE FEE REVENUES	(42,521,423)	(16,402,639)
		FRANCHISE FEE	(42,233,383)	16,291,528
WORKING CAPITAL:		GROSS RECEIPTS TAX REVENUES	(31,415,111)	(12,118,379)
ECRC WORKING CAPITAL	(21,213,815)	GROSS RECEIPTS TAX EXPENSE	(31,010,334)	11,962,236
CONSERVATION/AEM INVENTORY	(704,218)	MARKETING SUPPORT ACTIVITIES	(95,420)	36,908
FUNDED PROPERTY INSURANCE RESERVE	0	WHOLESALE EXPENSES	(270,351)	104,288
LOANS TO EMPLOYEES AND RETIREES	(41,575)	INSTITUTIONAL ADVERTISING EXPENSE	(116,745)	45,034
INTEREST & DIVIDENDS RECEIVABLE	0	ECONOMIC DEVELOPMENT EXPENSE	(57,332)	22,116
NORTH ESCAMBIA SITE	(4,705,485)	MGMT FINANCIAL PLANNING SERVICES	(15,271)	5,891
UNAMORTIZED RATE CASE EXPENSE	(2,963,476)	DIRECTORS' & OFFICERS' INSURANCE	(38,224)	14,745
FUEL RELATED DEFERRED DEBITS	(5,128,123)	INDUSTRY ASSOCIATION DUES	(1,473)	568
UNREALIZED LOSS ON FWD CONTRACT	(207,316)	TALLAHASSEE LIAISON EXPENSE	(488,878)	188,585
ACCUM. PROV. FOR RATE REFUNDS	0	GRT/FPSC FEES ON CLAUSE REV ADJ & FRAN FEES	(1,435,389)	553,701
FAS 143 WORKING CAPITAL	69,669,979	COMP SALES\TRANS REV\GL SALE GAS\PROV RT REFV. ESC REV	(96,856)	(37,362)
FAS 158 REGULATORY ASSETS	(158,169,361)	GAIN/LOSS ON DISPOSITION OF PROPERTY	0	0
FAS 158 REGULATORY LIABILITIES	158,169,361	INTEREST SYNCHRONIZATION	7,877,228	7,877,228
PPA REGULATORY ASSETS	(142,921,745)			
PPA REGULATORY LIABILITIES	142,921,745			
FAS 133 REGULATORY ASSETS	(44,174,757)			
FAS 133 REGULATORY LIABILITIES	44,174,757			

GULF POWER COMPANY  
CAPITAL STRUCTURE  
FPSC ADJUSTED BASIS  
May, 2017

AVERAGE	SYSTEM			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	1,136,021,145	1,068,058,514	(397,324,437)	0	670,734,077	29.99	4.23	1.27	4.23	4.23	1.27	4.23	4.23	1.27	
SHORT TERM DEBT	127,777,488	115,460,126	(42,951,888)	0	72,508,238	3.24	0.29	0.01	0.29	0.29	0.01	0.29	0.29	0.01	
PREFERENCE STOCK	146,504,320	137,733,698	(51,237,796)	0	86,495,902	3.87	6.14	0.24	6.14	6.14	0.24	6.14	6.14	0.24	
CUSTOMER DEPOSITS	35,606,602	35,485,252	(13,200,735)	0	22,284,517	1.00	2.31	0.02	2.31	2.31	0.02	2.31	2.31	0.02	
COMMON EQUITY	1,436,555,391	1,367,977,985	(508,896,353)	0	859,081,632	38.41	9.25	3.55	10.25	10.25	3.94	11.25	11.25	4.32	
DEFERRED INCOME TAXES	932,687,288	887,621,927	(330,200,900)	0	557,421,027	24.92									
FASB 109 DEFERRED TAXES	(53,825,190)	(51,224,479)	19,055,827	0	(32,168,652)	(1.44)									
TAX CREDITS - ZERO COST	0	0	0	0	0	0.00									
TAX CREDITS - WEIGHTED COST	1,623,922	316,164	(117,615)	0	198,549	0.01	7.00	0.00	7.53	7.53	0.00	8.06	8.06	0.00	
TOTAL	3,762,950,966	3,561,429,187	(1,324,873,897)	0	2,236,555,290	100.00		5.09			5.48			5.86	

YEAR-END	SYSTEM			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	1,359,330,370	1,203,092,992	(438,473,317)	0	764,619,675	33.65	3.55	1.20	3.55	3.55	1.20	3.55	3.55	1.20	
SHORT TERM DEBT	0	0	0	0	0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
PREFERENCE STOCK	146,504,320	130,174,136	(47,442,621)	0	82,731,515	3.64	6.14	0.22	6.14	6.14	0.22	6.14	6.14	0.22	
CUSTOMER DEPOSITS	35,277,049	32,860,049	(11,976,011)	0	20,884,038	0.92	2.20	0.02	2.20	2.20	0.02	2.20	2.20	0.02	
COMMON EQUITY	1,541,854,743	1,396,156,301	(508,896,215)	0	887,320,086	39.05	9.25	3.61	10.25	10.25	4.00	11.25	11.25	4.39	
DEFERRED INCOME TAXES	962,889,801	860,151,051	(313,486,395)	0	546,664,656	24.04									
FASB 109 DEFERRED TAXES	(52,603,007)	(47,000,115)	17,129,429	0	(29,870,686)	(1.31)									
TAX CREDITS - ZERO COST	0	0	0	0	0	0.00									
TAX CREDITS - WEIGHTED COST	1,405,873	211,752	(77,174)	0	134,578	0.01	6.59	0.00	7.10	7.10	0.00	7.61	7.61	0.00	
TOTAL	3,994,459,148	3,575,646,166	(1,303,162,304)	0	2,272,483,862	100.00		5.05			5.44			5.83	

GULF POWER COMPANY  
Financial Integrity Indicators  
May, 2017

## A. Times Interest Earned with AFUDC

Earnings Before Interest	180,014,024
AFUDC - Debt	8,831
Income Taxes	<u>85,697,687</u>
Total	265,720,542
Interest Charges (Before Deducting AFUDC - Debt)	<u>50,347,183</u>
T.I.E. With AFUDC	<u>5.28 x</u>

## B. Times Interest Earned without AFUDC

Earnings Before Interest	180,014,024
AFUDC - Other	(21,050)
Income Taxes	<u>85,697,687</u>
Total	265,690,661
Interest Charges (Before Deducting AFUDC - Debt)	<u>50,347,183</u>
T.I.E. Without AFUDC	<u>5.28 x</u>

C. Percent AFUDC To Net Income Available  
for Common Stockholders

AFUDC - Debt	8,831
X (1 - Income Tax Rate)	0.61425
Subtotal	5,424
AFUDC - Other	<u>21,050</u>
Total	<u>26,474</u>
Net Income Available for Common Stockholders	<u>120,673,171</u>
Percent AFUDC to Available Net Income	<u>0.02%</u>

## D. Percent Internally Generated Funds

Net Income	129,675,671
Preference Dividends	(9,002,500)
Common Dividends	(122,534,000)
AFUDC (Debt & Other)	(29,881)
Depreciation & Amortization	154,957,096
Deferred Income Taxes	56,854,236
Investment Tax Credits	0
Other	<u>(223,633,906)</u>
Total	(13,713,283)
Construction Expenditures (Excluding AFUDC Other & Debt)	<u>225,119,015</u>
Percent Internally Generated Funds	<u>-6.09%</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	670,734,077
Short Term Debt	72,508,238
Preference Stock	86,495,902
Common Equity	<u>859,081,632</u>
Total	<u>1,688,819,849</u>
% Long Term Debt To Total	<u>39.72%</u>
% Short Term Debt To Total	<u>4.29%</u>

G. FPSC Adjusted Average Jurisdictional Return  
On Common Equity

	G. FPSC ADJ.	H. PROFORMA
FPSC Adjusted Average Earned Rate of Return	5.44%	5.44%
Less: Reconciled Average Retail Weighted Cost Rates For:		
Long Term Debt	(1.27)	(1.27)
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)	<u>(0.00)</u>	<u>(0.00)</u>
Subtotal	<u>(1.54)</u>	<u>(1.54)</u>
Total	3.90	3.90
Divided by Common Equity Ratio	<u>38.41</u>	<u>38.41</u>
Jurisdictional Return on Common Equity	<u>10.15%</u>	<u>10.15%</u>

GULF POWER COMPANY  
Storm Accrual - Twelve Month to Date  
May, 2017

Supplemental 1

<u>Month</u>	<u>Year</u>	<u>\$</u>
June	2016	291,667
July	2016	291,667
August	2016	291,667
September	2016	291,667
October	2016	291,667
November	2016	291,667
December	2016	291,663
January	2017	291,667
February	2017	291,667
March	2017	291,667
April	2017	0
<b>May</b>	<b>2017</b>	<b>0</b>
<b>12 - M-T-D</b>		<b><u>2,916,666</u></b>