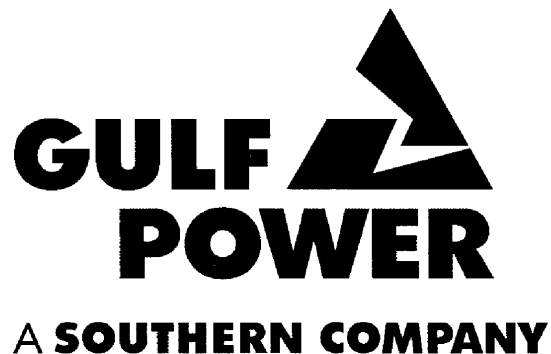


BEFORE THE  
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 060154-E1

TESTIMONY AND EXHIBIT  
OF  
JAY KIM

In Support of Storm-Recovery Financing



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1 GULF POWER COMPANY  
2 Before the Florida Public Service Commission  
3 Prepared Direct Testimony and Exhibit of  
4 Jay Kim  
5 Docket No. 060154-E1  
6 In Support of Storm-Recovery Financing  
7 Date of Filing: February 22, 2006

8 I. INTRODUCTION

9 Q. Please state your name, position and business address.

10 A. My name is Jay Kim. I am a Managing Director in the Asset Securitization  
11 Group at Barclays Capital Inc. ("Barclays"), the investment banking  
12 division of Barclays Bank PLC. My business address is 200 Park  
13 Avenue, New York, New York 10166.

14 Q. Briefly describe the role of Barclays in the proposed transaction.

15 A. Barclays was selected by Gulf Power Company ("Gulf Power") to be its  
16 financial advisor for the proposed issuance of storm-recovery bonds. As  
17 financial advisor to Gulf Power, Barclays will assist Gulf Power in  
18 obtaining a financing order permitting the issuance of storm-recovery  
19 bonds, providing expert testimony, developing a storm-recovery bond  
20 structure and obtaining triple-A ratings for the bonds. Barclays' role as  
21 financial advisor does not include a role as an underwriter in the storm-  
22 recovery bond transaction, however, Barclays, acting as financial advisor  
23 to Gulf Power, is not precluded from participating in the underwriting as a  
24 bookrunner or as a member of the underwriting syndicate. Barclays' role  
25 as a financial advisor is described in more detail in Subsection III-F of this  
testimony.

1 Q. Please describe your present responsibilities at Barclays.

2 A. I am responsible for the origination and structuring of asset backed  
3 securities ("ABS") transactions and asset backed commercial paper  
4 ("ABCP") warehouse transactions for Barclays in the utility, automobile,  
5 equipment and mortgage ABS sectors.

6  
7 Q. Please describe your educational and professional background.

8 A. I have a Bachelor of Science degree in Civil Engineering from Bucknell  
9 University. From 1992 through 1997, I was employed by several  
10 professional engineering consulting firms. Since 1997, I have been  
11 employed by several securities firms, primarily in a banking role in the  
12 asset-backed and mortgage-backed securities business. In 1997, I was  
13 employed by Brown Brothers Harriman as a Quantitative Analyst working  
14 in the International Equities Group. From the end of 1997 to 2000, I was  
15 employed by Barclays originating ABS and ABCP transactions. From  
16 2000 to 2001, I was employed by Salomon Smith Barney where I was  
17 responsible for ABS origination in the automobile and credit card sectors.  
18 Since 2001, I have been employed by Barclays managing various  
19 securitization assignments including rate reduction bond transactions for  
20 the states of New Jersey and California.

21  
22 Q. Please describe the scope and purpose of your testimony.

23 A. The purpose of my testimony is to provide the Florida Public Service  
24 Commission ("Commission") with the following:

25     ▪ An overview of the securitization process and ABS market;

- 1           ▪ A description of the structure of Gulf Power's proposed storm-recovery  
2           bond offering;
- 3           ▪ An explanation of the timing and process of issuing storm-recovery  
4           bonds;
- 5           ▪ A demonstration of how the issuance of storm-recovery bonds will  
6           significantly mitigate rate impacts to customers in comparison to the  
7           traditional methods of recovering costs from customers and alternative  
8           financing methods available to Gulf Power;
- 9           ▪ A summary of the role and responsibilities of key transaction parties;
- 10          ▪ A discussion of important rating agency criteria for obtaining triple-A  
11          ratings on the storm-recovery bonds; and
- 12          ▪ An analysis of certain upfront and ongoing storm-recovery bond  
13          issuance costs.
- 14

15 Q.    Are you sponsoring an exhibit or schedules?

16 A.    Yes. I am sponsoring an exhibit, Exhibit No. [\_\_\_] (JK-1), consisting of the  
17       following schedules which are attached to my testimony:

- 18       ▪ Schedule 1: Worldwide ABS Issuance in 2005 by Collateral Type
- 19       ▪ Schedule 2: Investor Overview by Type, Location and Tenor
- 20       ▪ Schedule 3: Rate Reduction Bond Transactions to Date
- 21       ▪ Schedule 4: Rate Reduction Bond Transactions Payment Frequency
- 22       ▪ Schedule 5: Diagram of Proposed Gulf Power Securitization Structure
- 23       ▪ Schedule 6: Pro-Forma Bond Structure and Assumptions
- 24       ▪ Schedule 7: Bond Cash Flows
- 25       ▪ Schedule 8: Servicing Compensation Comparison

- 1       ■ Schedule 9: Estimated Upfront and Ongoing Bonds Issuance Fees
- 2       ■ Schedule 10: Form of Indenture
- 3       ■ Schedule 11: Form of Sale Agreement
- 4       ■ Schedule 12: Form of Servicing Agreement
- 5       ■ Schedule 13: Form of Administration Agreement
- 6       ■ Schedule 14: Form of LLC Agreement
- 7       ■ Schedule 15: Form of Master Definitions
- 8       ■ Schedule 16: Summary of Material Provisions of the Financing
- 9             Documents

10

11       II. OVERVIEW OF THE SECURITIZATION PROCESS AND ASSET

12                     BACKED SECURITIES MARKET

- 13    Q.    Please provide an overview of the securitization process.
- 14    A.    Securitization is a financing mechanism for a specified asset or pool of
- 15           assets through the issuance of ABS, which are secured by and payable
- 16           solely from the ongoing cashflows generated by the specific and
- 17           identifiable asset or pool of assets (the Storm Bond Repayment Charge,
- 18           as defined below). In general, the original owner of the assets (Gulf
- 19           Power) sells the asset, to one or more special purpose entities (each an
- 20           “SPE”), which are isolated from the bankruptcy risk of the original owners
- 21           in what constitutes a legal true-sale for bankruptcy purposes. The SPE
- 22           then issues ABS, its sole material liability, collateralized by these assets to
- 23           ABS investors. Cash flows generated by the assets (the payments made
- 24           by the Gulf Power customer base) are the primary sources of principal and
- 25           interest payments on the ABS. One of the primary benefits of

1 securitization financing is that it affords owners of securitizable assets the  
2 ability to reduce the cost of financing by obtaining "AAA" credit ratings on  
3 the ABS. The ABS is typically credit enhanced to achieve the higher  
4 credit rating.

5 Credit enhancement is structured into ABS transactions to enhance  
6 the credit protection provided to investors against losses/defaults,  
7 payment delays/delinquencies, or in the case of storm-recovery bonds  
8 variances in actual consumption versus that forecasted. The various  
9 types of credit enhancement found in ABS transactions include:  
10 subordinated securities, cash deposits, overcollateralization (inclusion of  
11 assets greater than the total balance of notes issued), surety policies from  
12 financial guarantor monoline insurance companies, letters of credit  
13 ("LOCs"), derivatives and, in the case of storm-recovery bonds, a true-up  
14 mechanism. Most ABS, including storm-recovery bonds, incorporate  
15 additional protection for investors against defaults and delinquencies by  
16 having a "legal" final maturity, date which all principal is due, longer than  
17 the "expected" final maturity, date which all principal is expected to be  
18 repaid.

19 The proposed nomenclature for the ABS to be issued under the  
20 conditions of this application is storm-recovery bonds secured by "Storm-  
21 Recovery Property." Storm-Recovery Property includes the irrevocable  
22 right to bill and collect non-bypassable charges ("Storm Bond Repayment  
23 Charges") necessary to pay principal and interest and other costs,  
24 including upfront and ongoing expenses such as: trustee fees, legal fees,  
25 servicing fees, credit enhancement expenses, administration fees and

1 other operating expenses. The Storm-Recovery Property and other  
2 collateral, including credit enhancement, are transferred to the SPE via a  
3 legal true-sale, securing the storm-recovery bonds.  
4

5 Q. Please provide an overview of the ABS Markets.

6 A. The first ABS transaction in the U.S. was issued in 1985 as a public lease-  
7 backed bond offering by Sperry Lease Finance Corporation. Since 1985,  
8 ABS has included transactions backed by various types of consumer and  
9 commercial credits including credit card receivables, automobile loans and  
10 leases, wholesale automobile loans, home equity loans and lines of credit,  
11 equipment leases, manufactured housing contracts, boat, truck and  
12 recreational vehicle loans, student loans, aircraft leases, trade  
13 receivables, franchise fees and royalties and for the first time during the  
14 second quarter of 1995, rate reduction bonds, and has exhibited dramatic  
15 growth.

16 From a little over \$1 billion of issuance in 1985, the U.S. ABS  
17 market has grown to \$763.7 billion of U.S. public term ABS in 2005, as  
18 well as an additional \$87.2 billion in US Rule 144A and private issuance.  
19 In addition, there was about \$940.3 billion in outstanding ABCP as of  
20 February 8, 2006. Following the developments of the ABS market in the  
21 U.S., other countries and jurisdictions have instituted laws to allow for  
22 securitization to allow institutions more efficient financing options in order  
23 to ultimately reduce the cost to consumers. In 2005, \$263.2 billion of ABS  
24 was issued internationally, including \$206.7 billion in Europe and \$22.8  
25 billion in Asia.<sup>1</sup>

---

<sup>1</sup> Data from January 13, 2006 Asset-Backed Alert



1                    See Schedule 1 for the breakdown by asset class of ABS issued in  
2                    2005 both in the U.S. and internationally.

3  
4    Q.    Please provide more detail on the relationship between the SPE and the  
5           sponsor company in securitization.

6    A.    Typically, the operating company also referred to as the “sponsor” of the  
7           transaction (Gulf Power), the original owner of the assets, establishes the  
8           SPE or “Issuer” as its sole owner then sells the assets to the Issuer in  
9           exchange for the proceeds from the sale of the ABS and for the equity  
10          interest in the SPE, also known as the “residual interest.”

11                After the assets are sold, typically the original owner will continue to  
12                “service” the assets in the same manner as it had prior to the sale. The  
13                principal servicing activities are calculating, billing and collecting customer  
14                payments, pursuing delinquencies, providing customer service and  
15                tracking and depositing payments to a trustee on behalf of the SPE.  
16                These activities are performed pursuant to a servicing agreement between  
17                the original owner, the SPE and the trustee. A trustee is appointed under  
18                the bond indenture to act as a fiduciary representative of the bondholders.  
19                The cash flows are deposited by the servicer to the trustee in accordance  
20                with the servicing agreement. The trustee then distributes payments to  
21                bondholders pursuant to a trust agreement. Gulf Power, as the initial  
22                servicer, will be required to remit the Storm Bond Repayment Charge on a  
23                monthly basis, as defined below, that it has collected to the indenture  
24                trustee under the servicing agreement. Details of the terms and  
25                conditions of the proposed servicing and administration agreement are

1 provided in Schedules 12 and 13.

2 The SPE will maintain a priority lien and perfected security interest  
3 over the assets of the sponsor. Even though Gulf Power will be collecting  
4 cash from underlying obligors as servicer on behalf of the SPE, separate  
5 books, records, and accounts will be maintained to reflect that this cash is  
6 the property of the SPE, in order to ensure the legal isolation of the assets  
7 of the SPE from the sponsor and any of its creditors, even in the event of  
8 a bankruptcy of the sponsor

9  
10 Q. Please describe the typical investor in securitizations.

11 A. Typical ABS investors include institutional fixed income investors such as  
12 investment companies, money managers, government sponsored entities  
13 ("GSEs"), money market funds, domestic and international banks, central  
14 banks, structured investment vehicles, insurance companies, pension  
15 funds, securities lenders and corporate cash managers. Storm-recovery  
16 bonds will appeal to the typical ABS investors, as well as provide  
17 diversification due to the structural components of these transactions,  
18 which eliminate prepayment risk and minimize extension risk, unlike other  
19 traditional ABS. The stable prepayment characteristics, the legislative  
20 governance of storm-recovery bonds through the true-up mechanism and  
21 the state pledge will result in storm-recovery bonds, like previously issued  
22 rate reduction bonds, appealing to corporate utility bond investors, buyers  
23 of product issued by the federal U.S. agencies such as Fannie Mae,  
24 Freddie Mac and Ginnie Mae, and ABS backed by student loans from  
25 sponsors such as Sallie Mae. Public ABS transactions have ranged from

1 approximately \$100 million to \$6 billion. See Schedule 2 for an investor  
2 overview by type, location and tenor that have been active in participating  
3 in previous rate reduction bonds.

4  
5 Q. Please summarize the rate reduction bond offering completed to date.

6 A. To date, publicly issued rate reduction bonds have exceeded \$36 billion.  
7 Storm-recovery bonds will be considered a subset of rate reduction bonds.  
8 A table providing a summary of all rate reduction bond transactions is  
9 included in Schedule 3.

10  
11 Q. Please provide the main differences between ABS and corporate bonds.

12 A. Due to the inherent nature of ABS transactions being backed by a  
13 specified pool of assets versus corporate bonds which are backed by the  
14 full faith and creditworthiness of the institution offering the security, ABS  
15 and corporate bonds differ substantially in their legal form, credit profile,  
16 payment profile, and other investment characteristics including secondary  
17 market liquidity and their respective new issue markets.

18 The core underlying foundation of ABS is the isolation of the  
19 specified asset or pool of assets into a bankruptcy remote SPE in order to  
20 legally remove the assets from the control of the sponsor and its creditors,  
21 even in the event of a bankruptcy of the sponsor. This provides the ABS  
22 investor with enhanced security as it looks solely to the assets, as well as  
23 any credit enhancement, for the payment of principal and interest.

24 Conversely, corporate bonds typically rely solely upon the institution, or  
25 are secured by assets which are not legally isolated into a bankruptcy

1 remote SPE (such as in the case of First Mortgage Bonds) causing the  
2 investor to be exposed to, and rely heavily, if not exclusively, on the  
3 creditworthiness of the institution for payment of principal and interest on  
4 their security. Based upon these structural differences, ABS are able to  
5 achieve "AAA" ratings from the rating agencies irrespective of the rating of  
6 their sponsor. In order for the rating agencies to cause this separation of  
7 the ratings of the sponsor and the ultimate ABS issued, they require a  
8 legal true-sale and non-consolidation opinion, indicating that the assets  
9 have been transferred to the Issuer in such a way as to make them  
10 inaccessible to the sponsor or its creditors, even in the event of the  
11 bankruptcy of the sponsor.

12 Tax counsel relies on specific tax law or the Internal Revenue  
13 Service ("IRS") due to the complexity in ABS structures. Revenue  
14 Procedure 2005-62 issued by the IRS provides the basis for rate reduction  
15 bond transactions with which tax counsel provides their opinion of the tax  
16 treatment of the transaction from the Issuer/sponsors perspective.

17 The Securities and Exchange Commission ("SEC") has developed  
18 specific rules, such as Regulation AB, applicable to ABS as distinct from  
19 corporate bonds. Regulation AB, which took effect on January 1, 2006,  
20 looks to provide a new template for Issuers to follow in terms of their  
21 disclosure documents (S-3 shelf registration) in order to improve  
22 transparency for the investor such as providing performance information  
23 for previous ABS transactions issued by the sponsor.

24 As discussed above, the credit profile of ABS and corporate bonds  
25 are different in several respects. Since ABS transactions are structured to

1 marginalize the risk of a credit event of the sponsor and look to the assets  
2 of the SPE as the sole source of payment of principal and interest, ABS  
3 are often assigned credit ratings above that of the sponsor. Furthermore,  
4 ABS are less likely to be exposed to the event risk caused by a change in  
5 the credit profile of its sponsor, as the creditworthiness of the security is  
6 linked to the cashflow structure of the ABS and the performance of the  
7 underlying collateral pool. Some ABS transactions use credit  
8 enhancement providers such as monoline financial guarantors in order to  
9 provide the bondholder with incremental credit protection. For these  
10 transactions, the bondholder's credit risk is more closely tied to the  
11 performance of the monoline financial guarantor; however, in the case  
12 where the credit enhancement providers credit profile changes, the ABS is  
13 still secured by the underlying collateral.

14 In order to further differentiate the credit profile of an ABS  
15 transaction from the sponsor, contractual agreements are entered into  
16 with third parties such as a servicer (to manage the cash collection  
17 process of the storm-recovery charge) and a trustee (for independent  
18 entity-level governance and reporting) outlining performance obligations.  
19 Any breach of these agreements typically causes an event of default  
20 under the related contract, and may result in the replacement of the  
21 defaulting service provider; however this typically would not cause an  
22 event of default of the ABS transaction. As a result, ratings of ABS exhibit  
23 much less volatility than the ratings of corporate bonds. No rate reduction  
24 bond to date has ever been downgraded.

25 In terms of their payment profile, unlike corporate bonds which tend

1 to pay interest semi-annually or annually, ABS are typically structured to  
2 pay interest and principal monthly or quarterly. Semi-annual payment  
3 cycles are occasionally seen in ABS, with the greatest occurrences seen  
4 in rate reduction bonds, as 13 of the 36 transactions have utilized this  
5 payment profile (see Schedule 4). Most ABS are amortizing securities,  
6 whereby principal is retired in a series of payments over time rather than a  
7 single principal payment on the specified maturity date, otherwise known  
8 as a "bullet" payment, which is market practice for corporate bonds. The  
9 secondary markets will trade ABS based on the average life of the security  
10 (calculated by determining the weighted average of the cashflows through  
11 to payment in full) rather than the stated maturity date like for corporate  
12 bonds. A common feature of most ABS is the uncertainty surrounding the  
13 exact schedule of principal repayment that will occur, reflecting uncertainty  
14 about the repayment characteristics and credit performance of the  
15 underlying assets; therefore, secondary market valuation of ABS includes  
16 not only the credit profile of the ultimate repayment of principal, but also  
17 the timing of repayment of principal.

18 As such, securities which amortize over the life of the transaction  
19 ("payment window") typically price at a premium (i.e. a higher spread) to a  
20 security with a like credit, liquidity and maturity profile that pays in a single  
21 "bullet" payment, like the typical security in the corporate and government  
22 bond market, due to the reinvestment risk the investor assumes for the  
23 cashflows received over the amortization of the security.

24 For example, an investor purchasing a 5-year \$1,000 corporate  
25 bond paying a 6% coupon with a bullet maturity can expect to receive 6%

1 interest per annum, typically paid semi-annually, on the \$1,000 for each of  
2 the 5 years. In contrast, an investor owning a \$1,000 ABS which  
3 amortizes with a 6% coupon can expect to receive 6% interest per annum,  
4 typically paid monthly, but only on the monthly amortizing balance or the  
5 balance remaining after each monthly payment. If ABS principal  
6 amortized linearly in equal principal payments over the 5-year period, the  
7 ABS investor would expect to receive 6% on \$1,000 of the 2.75-year  
8 weighted average life of the bond, rather than the full 5-year period of the  
9 corporate bond. Furthermore, the ABS investor's total return over the 5-  
10 year period for the original \$1,000 investment will be determined by the  
11 reinvestment opportunities and rate each month for the principal received  
12 over the 5-year period. The greater the number of payment dates, the  
13 more the reinvestment risk, thus the minimization of payment windows is  
14 an important consideration when structuring ABS transactions.

15 ABS and corporate bonds are similar in the way in which they are  
16 offered to the public in both the new issue and secondary markets due to  
17 a similar investor base and governance. Most institutional investors,  
18 including the broker dealers, manage portfolios of both ABS and corporate  
19 bonds, although fixed income professionals (i.e. traders, research  
20 analysts, portfolio managers) often specialize in either ABS or corporate  
21 bonds. A major difference between ABS and corporate bonds is that ABS  
22 is marketed primarily to the institutional fixed income market whereas the  
23 corporate bond market extends to retail investors. As a result, new issue  
24 corporate bond transactions will typically have broader participation with  
25 lower average order sizes when compared to ABS. Furthermore, some

1 institutional investors do not purchase ABS due to the more time-intensive  
2 credit process typically involved. Beyond the number of investors involved  
3 in a transaction resulting in enhanced administration, the syndicate  
4 process for new issue transactions is essentially identical (see further  
5 details of the syndicate process below).

6 ABS transactions to date have not been TRACE-eligible<sup>2</sup> due to the  
7 SEC specifically providing guidance that ABS, along with Collateralized  
8 Mortgage Obligations, money market instruments, and debt issued by the  
9 GSEs (such as Fannie Mae and Freddie Mac) do not qualify to be  
10 TRACE-eligible. Corporate bonds are TRACE-eligible securities, and thus  
11 secondary market trading information is disseminated publicly. For  
12 example, for TRACE-eligible securities secondary market trading activity  
13 is recorded by data services provided by Bloomberg or Reuters. In the  
14 secondary ABS market, information is typically disseminated from broker  
15 dealers that are active in the ABS market and the type and form of the  
16 information, including pricing, is not standard or required to be provided.

17  
18 Q. Please describe the ABS new issue marketing and distribution process.

19 A. Market conditions such as the general level of interest rates and  
20 expectations for future interest rates, the existing and anticipated supply of  
21 other debt securities, and the existing and anticipated demand for other

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<sup>2</sup> Under TRACE, the NASD currently disseminates transaction information on (i) investment grade corporate bonds rated "A3" or higher by Moody's Investors Service, and "A-" or higher by Standard & Poor's, with initial issuance size of \$100 million or greater, (ii) investment grade corporate bonds rated "Baa/BBB" with initial issuance of \$1 billion or greater, (iii) an additional 120 bonds designated by the NASD that are rated "Baa/BBB" at the time of designation and with initial issuance of less than \$1 billion, and (iv) 50 high-yield securities. Resales of securities under Rule 144A of the Securities Act of 1933 are subject to reporting, but not dissemination because of the restrictions on resale contained in Rule 144A. Moreover, certain bonds, including bonds classified as "asset-backed", are excluded from TRACE-eligibility and transactions in such bonds are not currently reported to the NASD.



1 debt securities may impact the price and interest rate of a new issue  
2 distribution.

3 New issues of ABS and corporate bonds are typically distributed  
4 through a syndicate of underwriters ("syndicate"), of which one or a small  
5 number will be designated as "bookrunner." The bookrunner will act as  
6 the liaison between the Issuer/sponsor and the various participants, and  
7 manage the entire syndicate process including transaction information  
8 flow. A bookrunner maintains and updates the investor purchase orders  
9 and is responsible for the final allocation of bonds to investors. A  
10 bookrunner's responsibilities include, among others:

- 11 ■ Provide marketing and timing strategies;
- 12 ■ Coordination of marketing to investors;
- 13 ■ Dissemination of information required for the syndicate group to market  
14 the transaction;
- 15 ■ Announcement of the transaction;
- 16 ■ Determine the guidance, launch and pricing levels based on investor  
17 feedback gathered by the syndicate group;
- 18 ■ Bond allocation;
- 19 ■ Pricing the transaction; and
- 20 ■ Transaction settlement, funding and closing.

21 During the marketing process each underwriter of the syndicate will  
22 be responsible for soliciting investor interest. Prior to the initial marketing  
23 process, each underwriter will conduct internal meetings and conference  
24 calls with members of its sales force to inform them of the specific terms of  
25 the offering. The sales force, in various geographic locations, will typically

1 be given an internal memorandum known as a "sales memo" which  
2 summarizes the key points of the transaction. In accordance with Federal  
3 securities law, the sales memo is not for distribution to investors but  
4 instead is only for the sales force as a transaction reference when  
5 discussing the offering with potential investors. A sales memo will  
6 typically include: a description of the originator, credit worthiness of the  
7 originator, transaction structure (e.g., tranche size, rating, average life, first  
8 interest date and expected maturity of each class), credit enhancement  
9 structure, strengths of the transaction structure, managed portfolio  
10 performance and performance compared to competitors.

11 Following these initial meetings, representatives of each  
12 underwriter (including members of its sales force and individuals  
13 responsible for structuring the ABS) will contact potential investors through  
14 an official announcement which will include term sheets which summarize  
15 the transaction terms and conditions and a preliminary prospectus (red  
16 herring). This distribution of transaction information is generally done by  
17 e-mail as this medium has become the most efficient means for the sales  
18 force to distribute information to a broad universe of institutional investors.  
19 Please note that as of December 1, 2005 based upon the Securities  
20 Offering Reform, for ABS transactions, a preliminary prospectus must be  
21 provided to investors, via e-mail or in physical form, prior to the  
22 underwriters accepting any orders from investors.

23 Once investors have been made aware of the offering, the  
24 underwriters (joined by representatives of the Issuer/sponsor or its  
25 affiliates) may conduct individual or group meetings with potential

1 investors. These meetings can be conducted through a live "road show"  
2 presentation, live conference call or a live, in-person presentation. Road  
3 shows have historically involved live presentations to investors in various  
4 cities, but most such presentations are now accomplished electronically  
5 through one of several internet services or Bloomberg. The bookrunner  
6 (joined by representatives of the Issuer/sponsor or its affiliates) will  
7 typically host a live investor conference call where they will describe the  
8 highlights of the securities and answer questions from potential investors.  
9 In addition, these electronic slideshows are typically recorded so that  
10 investors can view them on their own time. The purpose of these  
11 elements of the marketing process is to increase investor awareness of  
12 the offering, so as to potentially increase the size and number of investor  
13 orders for the marketed securities.

14 At the time of announcement or soon after, the Issuer/sponsor and  
15 the bookrunner(s) will agree on initial price thoughts known as "whisper  
16 talk" or "price guidance" which the sales force will use to gauge interest  
17 when speaking with potential investors. When provided these initial  
18 pricing indications, investors will generally give indications of interest for  
19 one or more tranches of the securities. This is an evolving process as the  
20 bookrunner will establish broad parameters for the pricing of the securities  
21 and, later, may refine price indication based upon market conditions and  
22 investor feedback. Such pricing indications are generally expressed as a  
23 range of spread differentials to a benchmark, which will typically be a

1 specific U.S. Treasury issue or a specific point on the interest rate swap  
2 curve<sup>3</sup>.

3           Once the Issuer/sponsor and syndicate have received sufficient  
4 indications of interest, the underwriters will formally “launch” the  
5 transaction with official price talk. At this time, investors who have placed  
6 indications of interest in the book are asked to state whether they wish to  
7 place firm orders at the price talk. Dependent upon the volume of orders  
8 for each tranche, the Issuer/sponsor and bookrunner(s) will decide  
9 whether to fill the orders and if so, which orders to fill, or alternatively, to  
10 revise the price talk and ask for re-confirmation. When this process is  
11 complete and orders are confirmed, a conference call will be scheduled at  
12 a specific time to “price” the transaction. On the conference call, the exact  
13 value of the benchmark that will be used for each tranche will be  
14 determined, spreads, average lives and maturities are confirmed and  
15 yields, coupons and par amounts are calculated.

16  
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<sup>3</sup> The swap curve is a series of fixed rates that money center banks are willing to exchange for the London Interbank Offered Rate (“LIBOR”) in interest rate swaps by maturity. LIBOR is the rate of interest rate at which banks borrow money from other banks in the London Interbank market. LIBOR is the benchmark rate typically used for floating rate securities and the fixed rate into which it can be converted in a liquid market through interest rate swaps of a given maturity is known as the “swap rate” for that maturity.

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III. TRANSACTION STRUCTURE

A. OVERVIEW OF TRANSACTION

Q. Please describe the structure of the proposed Gulf Power storm-recovery bond securitization transaction.

A. Gulf Power will create a SPE, which will be a Delaware limited liability company or a Delaware statutory business trust and will be a bankruptcy remote, wholly-owned subsidiary of Gulf Power. Should the Commission authorize the creation of Storm-Recovery Property in a Financing Order (the right to impose, collect and receive Storm Bond Repayment Charges, to true-up the rates per kWh and the rights and interests under the financing order) Gulf Power will sell this Storm-Recovery Property assets to the SPE. The SPE will finance its purchase of the Storm-Recovery Property by selling storm-recovery bonds in an amount approved by the Commission in the financing order. The storm-recovery bonds will be secured by the Storm-Recovery Property and amortized by the Storm Bond Repayment Charges collected by the SPE. The transaction will be structured to achieve the highest rating from each of the three major bond rating agencies, Fitch Ratings ("Fitch"), Moody's Investor Services ("Moody's") and Standard and Poor's Rating Agency ("S&P"). The criteria of the rating agencies are discussed in Subsection IV-A below. The SPE will serve as the Issuer of the storm-recovery bonds. A diagram of the structure of the proposed securitization transaction is provided in Schedule 5.

1 Q. Why will the SPE be incorporated in Delaware?

2 A. Delaware has an established legal framework that gives the rating  
3 agencies and investors comfort that in the event of bankruptcy of the  
4 sponsor, Gulf Power, the legal separation of all the assets owned by the  
5 SPE will be upheld and legally protected. The use of an SPE established  
6 under Delaware law is a widely accepted market practice.

7  
8 Q. Please describe the reason for using an SPE rather than issuing the  
9 storm-recovery bonds directly from Gulf Power.

10 A. A critical component of the transaction is that the Storm-Recovery  
11 Property and all other related assets be legally isolated and bankruptcy  
12 remote from the sponsor, Gulf Power, so that the securities issued by the  
13 SPE can receive credit ratings that are higher than and outside of the  
14 bankruptcy estate of the sponsor.

15  
16 Q. Please describe the essential characteristics of the SPE to ensure the  
17 highest possible credit rating.

18 A. The SPE should be structured as a bankruptcy remote entity with the main  
19 purpose of acquiring the Storm-Recovery Property, issuing storm-recovery  
20 bonds, pledging its assets to a trustee under an indenture, entering into  
21 related contracts and performing limited activities related to these basic  
22 purposes. The SPE will be managed by a committee of managers, similar  
23 to a board of directors, and at least one of the managers should be  
24 independent from Gulf Power. Without consent of the independent  
25 directors or managers, the SPE should not be permitted to:

- 1 1. Amend provisions of its organizational documents ensuring bankruptcy
- 2 remoteness of the SPE;
- 3 2. Institute bankruptcy or insolvency proceedings against it;
- 4 3. Dissolve or liquidate the SPE; or
- 5 4. Consolidate or merge the SPE.

6 Details of these and other restrictions, as well as terms and  
7 conditions of the proposed SPE agreement are provided as Schedule 14.  
8 Other restrictions to ensure the bankruptcy remote nature of the SPE that  
9 the rating agencies may require should also be included in the SPE's  
10 organizational documents.

11

12 Q. Please describe the sale of the Storm-Recovery Property between Gulf  
13 Power and the SPE.

14 A. Gulf Power will sell or cause to be sold Gulf Power's rights under the  
15 financing order to the SPE, inclusive of all assets defined in the financing  
16 order. The SPE will obtain ownership of the Storm-Recovery Property,  
17 including any risks and benefits associated with the property. This  
18 transfer will be structured as a legal true-sale and will insulate the Storm-  
19 Recovery Property from the bankruptcy and credit risks of Gulf Power.

20

21 Q. How will the principal be repaid in the securitization?

22 A. Since the Storm Bond Repayment Charges will be collected periodically  
23 on the utility customer's bill, providing the SPE a steady stream of  
24 cashflows, amortization of principal over time rather than for payment in  
25 full at maturity is how principal will be repaid on the storm-recovery bonds.

1 If the cash collections received from the assets were not used to pay  
2 principal over the life of the security, but rather pooled in order to make  
3 one full payment at the expected maturity of the bonds, the SPE, and thus  
4 the rate payers, would be exposed to a higher interest cost due to the  
5 larger principal balance of the bonds (due to the bonds not amortizing).

6 The amortization profile of the bonds results in incremental  
7 complexity during the marketing process, as not all investors are seeking  
8 investments with the same average life, as some investors prefer, or are  
9 only able to buy, shorter duration securities and others longer duration. In  
10 order to create an offering that appeals to the preferences of as many  
11 investors as possible, the bonds are typically split among several tranches  
12 (time-tranched), each with a different expected maturity. In this case,  
13 under market conditions as of February 16, 2006, we would recommend  
14 tranches with initial principal amounts, first scheduled principal payment  
15 dates, expected maturities, legal final maturities and average lives as  
16 shown in Schedule 6. On any given payment date, interest is paid on all  
17 of the bond tranches, but principal is paid to amortize only the tranche that  
18 is "next in line" to be retired. Thus, for example, in Schedule 6, the  
19 Tranche A-1 notes have an expected principal repayment window from  
20 3/15/07 to 3/15/09 and an average life of 1.50-years (from 9/1/06), the  
21 Tranche A-2 notes have an expected principal repayment window from  
22 3/15/09 to 3/15/12 and an average life of 4.00-years, and the Tranche A-3  
23 notes have an expected principal repayment window from 3/15/12 to  
24 9/15/14 and an average life of 6.87-years. This time-tranching technique  
25 allows for the creation of an offering that, in aggregate, may appeal to a



1 broader range of investors, enabling both shorter-term and longer-term  
2 investors to participate in the same securitization transaction. While it is  
3 desirable to create more tranches with different characteristics in order to  
4 appeal to a broader range of investors, it is necessary to maintain a  
5 minimum size for each tranche in order to ensure sufficient liquidity.

6  
7 Q. Will there be a trustee in this securitization?

8 A. Yes. Securitizations typically engage one or more trustees who manage  
9 the assets in the SPE on behalf of investors. The assets of the SPE are  
10 typically pledged to the trustee, who perfects a first-priority security  
11 interest in them. In the event the sponsor or servicer defaults on its  
12 servicing obligations, the trustee is empowered to enter into a new  
13 servicing contract with a replacement servicer. Additional duties of the  
14 trustee in this securitization are discussed in Subsection F below.

15  
16 B. STORM-RECOVERY BONDS

17 Q. Are storm-recovery bonds a recognized form of securitization?

18 A. Storm-recovery bonds fall under the classification of rate reduction bonds,  
19 which are a well-recognized form of securitization in the ABS marketplace.  
20 Most rate reduction bonds to date have been issued for the purpose of  
21 recovering stranded cost while reducing the overall cost to ratepayers.  
22 From the perspective of a bondholder, however, the type of cost being  
23 recovered from the proceeds of any rate reduction bond is largely  
24 irrelevant because there is no material difference in credit or structure  
25 between one type of rate reduction bond versus another. Schedule 3 is a

1 list of prior rate reduction bond transactions. In the last ten years, there  
2 have been at least 35 issuances of rate reduction bonds from 11 states  
3 totalling more than \$36 billion in proceeds. In all cases, these rate  
4 reduction bonds were explicitly authorized by statute and regulatory  
5 action, which enabled the creation of a clear, irrevocable property right,  
6 true sale of the property to a SPE, and perfection of a first-priority security  
7 interest in the property by a trustee.

8

9 Q. How are rate reduction bonds priced and where do they price versus other  
10 ABS?

11 A. Investors are generally quoted an interest rate credit spread over the  
12 interest rate swap curve, otherwise known as "swap curve" with a term  
13 equal to the weighted average life (average life is a measure of the  
14 average amount of time it takes to repay the initial principal amount of a  
15 bond in full) of the ABS. The interest rate is a function of the market  
16 conditions at the time the bonds are sold and is influenced not only by  
17 general market conditions but by such factors as the number and quality  
18 of competitive bond offerings coming to market at the same time,  
19 perceived credit risk, types of interest (fixed-rate or floating-rate), and  
20 perceived liquidity. The process by which this rate is determined is  
21 described in detail in my discussion of the new-issue distribution process  
22 in Section II, above.

23 Since rate reduction bonds are considered a safe investment they  
24 typically price at very tight spreads versus other ABS. A study published  
25 by Nomura Securities Research in January 2005, looked at credit events

1 (upgrades/downgrades) across various assets in ABS including credit  
2 cards, student loans, mortgages, commercial mortgage backed securities  
3 and the only bonds that had no credit events were rate reduction bonds.  
4 The integrity of the rate reduction bond structure has been proven by the  
5 fact that all three rating agencies maintained their triple-A ratings on rate  
6 reduction bonds sponsored by Pacific Gas & Electric Company in  
7 California and Montana Power Company, a subsidiary of Northwestern  
8 Energy, in Montana in spite of challenges to the underlying legislation,  
9 highly volatile electricity markets, and the eventual bankruptcy of the  
10 sponsor. However, due to the more limited liquidity of rate reduction  
11 bonds versus other asset classes (see Schedule 1) and the fact that they  
12 amortize versus pay in a single payment, other ABS, such as ABS backed  
13 by credit cards have often priced at the same spreads versus the swap  
14 curve for a like maturity bond or at a tighter spread.

15  
16 Q. How were the estimates of the interest rates for the bonds to be sold in  
17 this transaction determined?

18 A. In late 1998, the Russian Crisis which resulted in investors directing more  
19 of their assets towards credit insensitive investments, and in particular the  
20 US Treasury, resulting in significant intra-day volatility in the Treasury  
21 market. Due to this volatility, pricing ABS transactions, which unlike  
22 corporate bonds are often marketed over more than one day due to their  
23 complexity, off Treasuries became increasingly difficult, as credit spreads  
24 needed to be adjusted day-to-day due to movements in the Treasury  
25 market. As a result, a move was made to price in relation to the swap

1 curve at this time (e.g. X basis points above a point on the swap curve that  
2 corresponds to the average life of the bonds) and has continued as the  
3 convention for the ABS market. Barclays' ABS trading desk quotes  
4 current markets for rate reduction bonds using this pricing convention.  
5 The interest rate for each of the bonds in the structure in Schedule 6 was  
6 estimated by adding the Barclays-quoted rate reduction bond spread for  
7 the related average life to the swap rate at the corresponding point on the  
8 swap curve as of close of business February 16, 2006. These interest  
9 rate estimates relate to then-current market conditions and I have made  
10 no estimate for any other possible market conditions.

11

12 Q. How will the storm-recovery bonds be structured in this transaction?

13 A. The storm-recovery bonds will be issued in multiple tranches (or classes),  
14 with average lives that range from 1.50- to 6.87-years (approximately).  
15 The scheduled maturity of the bonds will match the intended recovery  
16 period at 8-years from the date of issuance, although the legal final  
17 maturity will be 10-years. The legal maturity of each tranche is two years  
18 later than its scheduled maturity because of the inherent volatility of  
19 electric utility revenues such as declines in energy consumption or  
20 increases in customer delinquencies or charge-offs. During the two year  
21 period after the scheduled maturity date, the Storm Bond Repayment  
22 Charge is imposed to make up for any shortfall that caused the bond to  
23 not be retired by its scheduled maturity. Although two years may not be  
24 necessary to collect any shortfall, it is recommended to ensure the bonds  
25 meet the rating agencies triple-A stress tests.

1           Schedule 6 shows a list of the tranches which Barclays would  
2 recommend under market conditions as of February 16, 2006, by first  
3 scheduled principal payment date, scheduled maturity, legal final maturity,  
4 initial principal amount, average life and estimated coupon for these  
5 storm-recovery bond structures.

6           As shown in Schedule 6, the indicative structure has three tranches  
7 of bonds with average lives of 1.50-, 4.00- and 6.87-years, respectively.  
8 The bond coupon is 5.124% and the all-in cost of funds is 5.824%  
9 (includes ongoing financing costs of \$355,800 per annum as illustrated in  
10 Schedule 9). As discussed in further detail below, the proposed bond  
11 structure reflects level average retail rates for Gulf Power's customer base  
12 of an estimated 0.168 cents per kWh, based upon an estimated Storm  
13 Bond Repayment Charge of 0.129 cents per kWh and an estimated Storm  
14 Bond Tax Charge of 0.039 cents per kWh. Based upon the first payment  
15 period, the estimated impact on a residential customer using 1,000 kWh is  
16 a Storm Bond Repayment Charge of \$1.48 and a Storm Bond Tax Charge  
17 of \$0.45 for a total Storm-Recovery Charge of \$1.93. The proposed bond  
18 structure may be altered to accommodate changing market conditions if it  
19 is determined at the time the storm-recovery bonds are priced that  
20 changes would mitigate rate impacts to customers.

21  
22 Q.   How was the storm-recovery bond structure determined?

23 A.   Barclays developed a storm-recovery bond structure based on Gulf  
24 Power's sales forecasts for the period from September 1, 2006 to the  
25 scheduled maturity. The structure provides for level average retail rates

1 per megawatt hour over the period. The level rate in each case will  
2 produce revenues (based on the sales forecast) which will have two  
3 components: a Storm Bond Repayment Charge, sufficient to retire the  
4 storm-recovery bonds with interest over the indicated timeframe, and a  
5 Storm Bond Tax Charge, sufficient to pay the related taxes at an assumed  
6 rate of 38.575% (Storm Bond Tax Charge, together with the Storm Bond  
7 Repayment Charge, collectively, Storm-Recovery Charges).

8 The proposed bond structure reflects level average retail rates, the  
9 retail sales forecasts that were provided, and our best efforts to optimize  
10 the competing goals of minimizing the amortization window of each  
11 tranche (to reduce the reinvestment risk associated with each tranche in  
12 order to benefit pricing), maximizing the tranche size (to promote liquidity  
13 in the secondary market), and targeting average lives that would appeal to  
14 the broadest investor community in the current market. The proposed  
15 bond structure is expected to result in lower overall costs or to avoid or  
16 significantly mitigate rate impacts to customers, as compared with  
17 alternative methods of financing or recovering storm-recovery costs and  
18 storm-recovery reserve consistent with the given recovery period and load  
19 forecast.

20  
21 Q. Why do you recommend an 8-year recovery period?

22 A. An 8-year recovery period will result in a Storm-Recovery Charge of  
23 approximately \$1.93 for Gulf Power's residential customers using 1,000  
24 kWh, a \$0.64 reduction in the amount of the Ivan Deficit Cost Recovery

1 Surcharge of \$2.57, as outlined in further detail in the testimony of  
2 Ms. Ritenour.

3 By keeping the recovery period shorter and to an 8-year recovery  
4 period the weighted average life of the storm-recovery bonds will be  
5 shorter, thus reducing the cost of the financing. The 8-year recovery  
6 period will result in a weighted average life of the storm-recovery bonds of  
7 approximately 4.64-years which is an efficient duration within the ABS  
8 market due to the majority of issuance across asset classes having a  
9 weighted average life of 5 years or less.

10  
11 Q. Please describe the cost savings received by the ratepayers by issuing  
12 storm-recovery bonds versus financing at an overall cost of capital.

13 A. By issuing storm-recovery bonds versus financing on balance sheet at  
14 Gulf Power's weighted average cost of capital, Gulf Power will save  
15 ratepayers \$27.3 million. Issuing storm-recovery bonds will allow the  
16 company to avoid issuance of equity (and equity like products such as  
17 preferred stock) that would be used to finance the Storm-Recovery  
18 Property from over 47.0% common equity and 9.4% preferred stock to  
19 0.50%, and since the cost of debt has a lower cost than equity (Gulf  
20 Power's cost of equity is 12.00% on an after tax basis as per  
21 Ms. Ritenour's testimony), the revenue requirement rate is reduced  
22 substantially. As illustrated on Schedule 5 of Ms. Ritenour's exhibit, Gulf  
23 Power's revenue requirement rate if financing the Storm-Recovery  
24 Property on balance sheet through a mix of debt and equity over the  
25 8-year time horizon will be approximately 12.6823%, versus the all-in debt

1 costs of the storm-recovery bonds currently estimated to be approximately  
2 5.824%, for a net savings of approximately 6.8583%.

3

4 Q. Will the storm-recovery bonds pay fixed rates or floating rates?

5 A. The majority of rate reduction bonds have been issued as fixed-rate bonds  
6 with floating rate issuance accounting for only 5.27%<sup>4</sup> of total rate  
7 reduction bonds issued. Fixed rate bonds have been the preferred form of  
8 issuance for rate reduction bonds as it eliminates interest rate volatility  
9 and allows the costs and benefits to be evaluated in advance in order to  
10 maintain roughly level rates (subject to variances in actual sales from  
11 forecast). It is possible, however, to issue (or effectively issue) floating-  
12 rate notes if the floating interest rate is then converted to a fixed rate  
13 through use of an interest rate swap.

14 Rating agencies typically require interest rate swaps in such  
15 floating rate ABS transactions in order to eliminate volatility in the level of  
16 transition charges caused by a floating rate of interest. It is important that  
17 any swap counterparty who enters into a swap agreement with the SPE  
18 structure a swap package that will maintain a credit rating that, in the view  
19 of the rating agencies, is commensurate with the credit rating of the  
20 proposed storm-recovery bonds because investors will depend on the  
21 swap counterparty to meet the floating interest rate obligations of the SPE.  
22 The role of the swap in the overall securitization transaction is depicted in  
23 Schedule 5.

24

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<sup>4</sup> From Barclays Database comprised of 37 transactions from 1995 to 2005.



1           A swap transaction would be necessary to protect the SPE and  
2 Gulf Power customers against interest rate fluctuations that could cause  
3 floating rates to exceed the fixed rates used to calculate the Storm Bond  
4 Repayment Charge. The swap can occur either by (i) execution of an  
5 interest rate swap between the SPE and highly-rated swap counterparty or  
6 (ii) execution of an interest rate swap agreement between an investor  
7 (who is seeking the floating rate payment) and a swap counterparty. The  
8 method described in clause (ii) would not result in any additional risk to  
9 Gulf Power customers, as the agreement runs between the investor and  
10 the swap counterparty and is arranged outside of the transaction (with no  
11 obligations related to the interest rate swap affecting the SPE).

12           Three rate reduction bond transactions have included floating-rate  
13 tranches using interest-rate swaps within the transaction, as noted on  
14 Schedule 3. Under such a swap, for each interest payment on a floating-  
15 rate tranche, the SPE would be required to pay a fixed rate to the swap  
16 counterparty, and the swap counterparty, in turn, would pay the storm-  
17 recovery bond's floating rate on the actual bond balance to the SPE,  
18 which would then use those revenues to pay the floating interest rates to  
19 the bondholders.

20  
21 Q.   Are there any other risks that the SPE and ultimately the customers are  
22 exposed to if the security is issued as a floating rate with an interest rate  
23 swap?

24 A.   Yes, the SPE is exposed to the following two incremental risks associated  
25 with the swap, counterparty default and termination payments.

1                   In any transaction in which triple-A rated securities are issued, each  
2 of the rating agencies imposes minimum ratings requirements on any  
3 swap counterparty. While the details differ by rating agency, these  
4 minimums are generally "AA-" or equivalent long-term ratings and/or  
5 "F1/A-1/P-1" short-term ratings (from Fitch, Moody's and S&P). If the  
6 swap counterparty falls below its minimum ratings requirements at any  
7 time, it is required, at its own expense, to either replace itself or post  
8 collateral (or a guaranty or LOC) to secure its obligations. These  
9 requirements are in place in order to de-link the ratings of the bonds from  
10 the rating of the swap provider, and to provide sufficient, enforceable  
11 collateral posted for the benefit of the SPE to find and compensate a  
12 replacement swap counterparty upon swap provider default such that  
13 there would not be an event of default of the bonds.

14                   In the event a swap terminates for any reason, regardless of which  
15 party was affected by the event that caused the termination, a termination  
16 payment is owed. The floating rate payer will owe a termination payment  
17 to the fixed payer if interest rates have risen since the interest rate swap  
18 was entered into, and similarly, if interest rates have fallen, the fixed rate  
19 payer will owe a termination payment to the floating rate payer.  
20 Termination payments can be offset by finding another counterparty that is  
21 willing to pay cash for the right to enter into the interest rate swap at the  
22 original fixed rate; however replacement counterparty is not a certainty.

23                   Previous rate reduction bond transactions have limited potential  
24 swap termination payments excluding termination payments in all  
25 circumstances including any termination event, swap event of default,

1 swap counterparty downgrade event or any other reason other than if  
2 there is an acceleration of the bonds, all but eliminating this potential risk  
3 due to the inability to prepay the securities, except under a liquidation.  
4

5 C. CREDIT ENHANCEMENT

6 Q. Is credit enhancement necessary to achieve triple-A ratings for storm-  
7 recovery bonds?

8 A. Credit enhancement will be required for the storm-recovery bonds to  
9 protect bondholders against losses or delays in scheduled payments, due  
10 to the fact that collections will vary from that forecasted due to a variety of  
11 factors. Pursuant to Section 366.8260, the required true-up and the state  
12 pledge, the SPE structure, and the waterfall (as discussed in Subsection E  
13 below) are the primary forms of credit enhancement provided by this  
14 proposed storm-recovery bond financing in order to achieve the requisite  
15 triple-A ratings. Since cashflows can vary prior to the true-up mechanism  
16 correcting for an over-forecasting (as well as under-forecasting, yet this is  
17 not a credit concern), the credit enhancement provided by the capital and  
18 reserve subaccounts are designed to smooth out this short term variability  
19 in collections.

20 Various additional types of credit enhancement, including  
21 subordinate securities, derivatives, insurance, financial guaranty, and  
22 LOCs, can be used in order to raise the rating or reduce interest costs;  
23 however, due to the credit enhancement already provided by Section  
24 366.8260 and the proposed transaction structure, the rating agencies  
25 typically do not require any additional form of credit enhancement.

1           Additionally, I am unaware of any additional credit protection, such as in  
2           the forms outlined above, that will benefit the overall cost-of-funds by more  
3           than the cost of the incremental credit enhancement.

4

5

D.    ACCOUNTS

6    Q.    Please describe the different kinds of accounts that will be created for the  
7           transaction.

8    A.    An indenture between the SPE and a corporate trustee which describes  
9           the terms and conditions of the proposed agreement, attached as  
10           Schedule 10, will provide for the creation of a single collection account for  
11           each series of storm-recovery bonds and for the division of the collection  
12           account into at least three subaccounts:

- 13           1. general subaccount,
- 14           2. capital subaccount, and
- 15           3. reserve subaccount.

16

17    Q.    Please describe the general subaccount.

18    A.    All Storm Bond Repayment Charge remittances by the servicer will be  
19           deposited initially into the general subaccount. These funds will be  
20           distributed to bondholders and other parties based on an established  
21           priority of payments as described in Subsection E below.

22

23    Q.    Please describe the capital subaccount.

24    A.    The capital subaccount provides credit protection against any  
25           undercollection resulting from the deviation of the forecasted consumption

1 during periods between true-ups (which will then correct for these  
2 undercollections by increasing the Storm Bond Repayment Charge) as the  
3 SPE can draw on funds within the capital subaccount to supplement the  
4 collections in order to ensure the timely payment of principal and interest.  
5 Any withdrawals from the capital subaccount to pay interest or principal  
6 due to bondholders will be repaid through future remittances of Storm  
7 Bond Repayment Charges as adjusted through the true-up mechanism,  
8 which will be calculated to ensure replenishment of the capital subaccount  
9 to its initial level.

10 The capital subaccount also plays an important role in allowing the  
11 securities issued by the SPE to receive a debt-for-tax opinion from tax  
12 counsel, a more attractive investment from an investor's perspective due  
13 to the elimination of any potential withholding tax from an offshore  
14 investor's perspective, and enhanced liquidity.

15 The capital subaccount will be funded by Gulf Power on or prior to  
16 the closing of the transaction through a capital contribution in an amount  
17 equal to at least 0.5% of the initial principal balance of the storm-recovery  
18 bonds issued. If an additional series of storm-recovery bonds is issued  
19 under another indenture, an additional capital contribution will be made to  
20 a similar capital subaccount established under the new indenture. As  
21 noted previously, this level of capital contribution will need to be sufficient  
22 to (i) achieve triple-A ratings and (ii) facilitate receipt of an opinion of  
23 counsel to the effect that the storm-recovery bonds will be treated as debt  
24 of Gulf Power and that the sale of Storm-Recovery Property to the SPE

1 will not be treated as a taxable event, in accordance with the recently  
2 issued Revenue Procedure.

3 Since the capital subaccount represents the equity/residual interest  
4 of Gulf Power in the SPE, to the extent minimum required balances are  
5 maintained and scheduled interest, principal, and other amounts are paid  
6 on a timely basis, Gulf Power is entitled to the investment income earned  
7 by this subaccount during the term of the bonds. Upon payment in full of  
8 any series of the bonds, the amount held in the capital subaccount in  
9 excess of the required capital level may be released to the SPE and  
10 ultimately returned to Gulf Power.

11

12 Q. Please describe the reserve subaccount.

13 A. Any amounts remaining after payments of interest, scheduled principal,  
14 fees and expenses of the Issuer and required deposits into the capital  
15 subaccount will be deposited into the reserve subaccount and will be held  
16 for the benefit of investors. The reserve subaccount may be drawn to pay  
17 interest, principal, and certain expenses if amounts in the general  
18 subaccount are insufficient and will be taken into account when calculating  
19 and applied to reduce future Storm Bond Repayment Charges. Any  
20 amounts in the reserve subaccount at the time the bonds have been paid  
21 off will be paid by the SPE to Gulf Power and ultimately applied to the  
22 storm-recovery reserve as described in Ms. Ritenour's testimony.

23 Application of these funds is discussed further in the testimony of  
24 Ms. Ritenour of Gulf Power.

25

1 Q. How will the amounts in these subaccounts be invested?

2 A. Amounts on deposit in each of the subaccounts will be invested by the  
3 trustee in "eligible investments," as defined in the indenture (which  
4 definition is included in Master Definitions attached as Schedule 15),  
5 typically including highly-rated securities such as U.S. Government  
6 securities, certain bank deposits, banker's acceptances, and security  
7 repurchase obligations from institutions with long-term ratings of at least  
8 "AA/Aa3/AA" (from Fitch, Moody's, and S&P, respectively), or short-term  
9 ratings of at least "P-1/A-1+/F1+", respectively, the commercial paper of  
10 similarly-rated commercial or financial entities, and investments in  
11 "Aaa/AAA/AAA"-rated money market funds.

12 Earnings on the subaccounts will be applied to make payments in  
13 the order defined by the payment waterfall as discussed below. To the  
14 extent not required to make payments of bond interest or principal, to  
15 replenish drawings on the capital subaccount at its required level, or to  
16 fund Issuer expenses, the earnings on the general subaccount and the  
17 reserve subaccount will be transferred to the reserve subaccount and  
18 used to reduce future Storm Bond Repayment Charges, while the  
19 earnings on the Capital Subaccount, since this represents their equity  
20 interest in the SPE, will be transferred to Gulf Power.

21

22 E. PAYMENT WATERFALL

23 Q. What is a "payment waterfall"?

24 A. As discussed previously in Section II outlining the legal form of ABS  
25 transactions, securitization cashflows come almost exclusively from a

1 single-source, the underlying assets, as well as the credit enhancement  
2 provided. In order for investors and the rating agencies to analyze the  
3 SPE's ability to pay interest and principal from the collections or "available  
4 funds", a bond structure payment priority for the available funds must be  
5 developed for application on each payment date. This payment priority is  
6 often referred to as a "payment waterfall." The payment waterfall is further  
7 described in the indenture.

8

9 Q. Please explain the payment waterfall for amounts in the general  
10 subaccount.

11 A. On each payment date (so long as no event of default has occurred), the  
12 trustee will allocate or pay all amounts on deposit in the general  
13 subaccount of the collection account in the following priority:

- 14 1. Payment of the trustee's fees, expenses and any outstanding  
15 indemnity amounts relating to that series (up to a maximum);
- 16 2. Payment of a pro rata portion of the administration fee, which will be a  
17 fixed amount specified in the administration agreement between the  
18 SPE and Gulf Power, and a pro rata portion of the fees of the SPE's  
19 independent manager, which will be in an amount specified in an  
20 agreement between the SPE and the SPE's independent manager;

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- 1           3. Payment of the servicing fee (further detail provided below in Section F)  
2           plus any unpaid servicing fees from prior payment dates;<sup>5</sup>
- 3           4. Payment of all of the SPE's other ordinary periodic operating expenses  
4           relating to that series (or the pro rata portion of such operating costs, if  
5           not directly attributable to the series), such as accounting and audit  
6           fees, rating agency fees, legal fees and certain reimbursable costs of  
7           the servicer under the applicable servicing agreement (up to a  
8           maximum amount);<sup>6</sup>
- 9           5. Payment of the interest then due on the storm-recovery bonds (and pro  
10          rata among bonds if there is deficiency), and payment of amounts, if  
11          any, specified in the prospectus supplement that are payable in  
12          respect of interest to the swap counterparty under any interest rate  
13          swap agreement;<sup>7</sup>
- 14          6. Payment of the (i) principal then required to be paid on the storm-  
15          recovery bonds at final maturity or upon redemption or acceleration, (ii)  
16          payment of the principal then scheduled to be paid on that series of  
17          storm-recovery bonds (and pro rata among bonds if there is  
18          deficiency) and (iii) any swap termination payments that result from (a)

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<sup>5</sup> Trustee, administrative and servicing fee payments are senior in the waterfall to ensure that, even if collections of Storm Bond Repayment Charges were to be lower than forecast, sufficient funds would be available to pay for the provision of services and thus ensure the ongoing protection of bondholder interests. While it is necessary to provide for recovery of all indemnity amounts owed to the trustee, the rating agencies insist that only a specified portion (usually set at a specified dollar amount) have priority over principal and interest payments. As a result, the waterfall provides for payment of indemnities in priority 1 of the waterfall (up to a specified maximum), with any remaining indemnity amounts relegated to priority 8.

<sup>6</sup> Like priorities 1, 2 and 3 these fees are also senior to principal and interest because their payment is necessary to ensure continued operation and bankruptcy remoteness even in stressed scenarios.

<sup>7</sup> It is customary in the asset-backed and rate reduction bond markets that interest be due immediately after expenses, since rating agencies typically require confidence in the issuer's ability to make timely payments of interest even in stressed scenarios.

- 1 the SPE failure to pay within applicable grace period as a result of  
2 insufficient collection of Storm Bond Repayment Charges, (b) breach  
3 of the swap agreement by the SPE or the trustee where the swap  
4 counterparty is not the defaulting party or the solely affected party, (c)  
5 SPE bankruptcy (under the related interest rate swap agreement), (d)  
6 SPE merger without assumption (under the related interest rate swap  
7 agreement), (e) failure or termination of the security interest under the  
8 indenture, or (f) termination of the interest rate swap agreement due to  
9 (i) a tax event, (ii) illegality, (iii) a tax event upon merger, (iv)  
10 acceleration of the rate reduction bonds (after an event of default) or  
11 (v) a change in applicable laws that makes the interest rate swap  
12 agreement unenforceable;<sup>8</sup>
- 13 7. Payment of a pro rata portion of any amounts payable to any other  
14 credit enhancement providers with respect to the storm-recovery  
15 bonds ;<sup>9</sup>
- 16 8. Payment of any of the SPE's remaining unpaid operating expenses  
17 and any remaining amounts owed pursuant to the basic documents,  
18 including all remaining indemnity amounts related to that series owed  
19 to the trustee;<sup>10</sup>
- 20 9. Replenishment of any amounts drawn from the capital subaccount;<sup>11</sup>

---

<sup>8</sup> It is customary for principal to be paid immediately following interest. Swap termination payments, which follow principal payments in the normal course, should not be subordinated to principal in the event of acceleration. Such subordination would be inconsistent with the objective of presenting the SPE as a triple-A credit risk, in order to minimize the fixed rate quoted on any interest rate swaps.

<sup>9</sup> None expected

<sup>10</sup> Operating expenses contemplated here are exceptional or unanticipated items. They are placed at this point in the waterfall so that rating agencies have comfort that the items that are prior to interest and principal payments can be reasonably anticipated.

<sup>11</sup> Since the capital subaccount is a credit enhancement to the transaction, this account is usually replenished near the bottom of the waterfall. Any shortfall in the required balance will be reflected in the next succeeding true-up calculation.

- 1           10. Payment of any swap termination payments (other than those  
2           described in clause 6 above) will be payable only after the bonds have  
3           been paid in full;<sup>12</sup>  
4           11. Release to the SPE of an amount equal to investment earnings on  
5           amounts in the capital subaccount, so long as no event of default has  
6           occurred and is continuing;  
7           12. Allocation of the remainder, if any, to the reserve subaccount; and  
8           13. Following repayment of all storm-recovery bonds, the balance is  
9           released to the Issuer.

10

11    Q.    What will happen if the funds in the general subaccount are insufficient to  
12           make these payments?

13    A.    If, on any payment date, funds on deposit in the general subaccount are  
14           insufficient to make the payments or transfers contemplated by priorities 1  
15           through 11, excluding priority 8, amounts on deposit in the capital and  
16           reserve subaccounts will be drawn to make the payments as follows:

- 17           1. From the reserve subaccount for shortfalls in payments contemplated  
18           by priorities 1 through 11, excluding priority 8; and  
19           2. From the capital subaccount for shortfalls in payments contemplated  
20           by priorities 1 through 6, 9 and 10.

21

22    Q.    Please explain what will cause an event of default.

23    A.    Under the terms of the indenture, an event of default will mean any one of  
24           the following:

---

<sup>12</sup> Termination payments by the SPE which are triggered by counterparty default are placed in a junior position.

- 1 1. Default for five business days or more on the payment of any interest  
2 due and payable;
- 3 2. Default in the payment of the principal for any class by the legal final  
4 maturity;
- 5 3. Default in the payment of the redemption price for any bond on the  
6 redemption date, if applicable;
- 7 4. Default in the observance or performance of any material covenant of  
8 the Issuer made in the indenture or if any representations or warranties  
9 made in the indenture prove to be incorrect in any material respect,  
10 and this default or misrepresentation or warranty shall continue for a  
11 period of 30 days after notice is given to the indenture trustee by the  
12 Issuer or to the Issuer and indenture trustee by the holders of at least  
13 25% of the series then outstanding;
- 14 5. Certain events of bankruptcy, insolvency, receivership, or liquidation of  
15 the Issuer; and
- 16 6. A breach by the State of Florida or any of its agencies (including the  
17 Commission) of the state's pledge (will not cause an acceleration of  
18 debt).

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F. ROLES OF TRANSACTION PARTIES

- Q. What services has Barclays, in its role as financial advisor, provided with respect to Gulf Power's petition for a financing order?
- A. Barclays, in its role as financial advisor, assisted Gulf Power by:
1. Evaluating the relative merits of alternative securitization structures;
  2. Preparing financial models to assess various structural alternatives,

- 1 Storm Bond Repayment Charges, and the economic impact thereof;
- 2 3. Analyzing the storm-recovery bond structure in the context of legal,
- 3 rating agency and market requirements;
- 4 4. Reviewing and assisting in the drafting of documents filed in
- 5 connection with the financing order petition; and
- 6 5. Providing this expert testimony during the financing order application
- 7 process.

8

9 Q. What services will Barclays provide following the issuance of a financing

10 order?

11 A. Barclays, in its role as the financial advisor, will assist Gulf Power by:

- 12 1. Developing the final transaction structure consistent with the financing
- 13 order;
- 14 2. Assisting in review and revision of transaction documentation;
- 15 3. Managing all aspects of the entire rating agency process, including:
- 16 A. Development of the cashflow model to calculate Storm-Recovery
- 17 Charges and the payments of the storm-recovery bonds and to run
- 18 rating agency stress tests,
- 19 B. On-site due diligence, if required,
- 20 C. Finalize any business issues on legal opinions, and
- 21 D. Development of appropriate credit enhancement structure in order
- 22 to achieve triple-A ratings.

23 If the bonds are to be sold via a negotiated underwriting, all of

24 these activities will be taken over by the lead underwriter when that party

25 is selected.

1 Q. What is the role of lead underwriter?

2 A. The lead underwriter, when chosen, will assume the responsibilities above  
3 in terms of finalizing bond structure, documentation and the rating agency  
4 process.

5 Furthermore, the lead underwriter will be in charge of the  
6 underwriting syndicate, and will perform a number of services in  
7 connection with the issuance of the storm-recovery bonds as described  
8 above in Section II under the discussion of the "New Issue Marketing  
9 Process", including:

- 10 1. Preparation of marketing materials, including term sheet, prospectus,  
11 roadshow materials and anything else pertinent;
- 12 2. Development of marketing plan with the rest of the underwriting  
13 syndicate, including investor conference calls, electronic and physical  
14 roadshows, and other marketing activities;
- 15 3. Negotiation of the Underwriting Agreement;
- 16 4. Evaluation of market conditions in conjunction with the rest of the  
17 underwriting syndicate with respect to:
  - 18 A. Timing of announcement;
  - 19 B. Bond structure (i.e. number of tranches, weighted average life  
20 targets, etc.); and
  - 21 C. Fixed versus floating rate offerings.
- 22 5. Organization of pre-marketing efforts and distribution of marketing  
23 materials including term sheets and prospectus;
- 24 6. Providing feedback from investors in order to develop price talk with  
25 the underwriting syndicate;

- 1 7. Transaction pricing including setting of benchmarks and Original Issue  
2 Discount ("OID");  
3 8. If necessary, assist the company in the pricing of any swap agreement  
4 entered into for a floating rate tranche;  
5 9. Assistance with the issuance advice letter; and  
6 10. Billing and delivery of bonds and transaction proceeds at closing.

7 To my knowledge, the lead underwriter for this transaction has not  
8 been selected.

9  
10 Q. What is the role of the underwriting syndicate?

11 A. The underwriting syndicate will be the initial purchasers of the bonds. The  
12 underwriting syndicate will be responsible for marketing the bonds and  
13 should be large enough to ensure broad distribution yet small enough to  
14 provide proper financial incentive to its members. The size of the  
15 proposed securitization transaction would likely involve one to two co-  
16 managers. Each syndicate member should be active in the rate reduction  
17 bond market.

18  
19 Q. What is the role of servicer?

20 A. Gulf Power, as initial servicer, will have responsibility for managing,  
21 servicing and administering, calculating, billing, and collecting the Storm  
22 Bond Repayment Charges and processing and remitting the collections to  
23 the trustee. In addition, the servicer will be required to prepare reports  
24 detailing the results of its servicing activities. The servicer will prepare,  
25 file, and process the periodic Storm Bond Repayment Charge true-up

1 adjustments required by Section 366.8260 and the financing order. The  
2 duties, rights, and obligations of the servicer are more fully described in  
3 the servicing agreement, a form of which is attached as Schedule 12  
4 setting out in substantial detail the terms and conditions of the proposed  
5 agreement.

6  
7 Q. How will the servicer be compensated?

8 A. The servicer will be paid a "servicing fee" from the Storm Bond  
9 Repayment Charges on each payment date of the storm-recovery bonds.  
10 The servicing fee will be an annualized amount equal to 0.15% of the  
11 initial principal amount of the storm-recovery bonds when Gulf Power is  
12 the servicer. The servicing fee must be an amount adequate to  
13 compensate for the services provided, such that this arrangement is  
14 treated as an arm's-length, non-recourse relationship between Gulf Power  
15 and the SPE.

16 Rating agencies expect that a successor servicer would require a  
17 substantially higher fee than Gulf Power, due to the need to develop the  
18 requisite systems, transfer the existing data and establish the necessary  
19 monthly billing processes. Therefore, the draft financing order authorizes  
20 successor servicing fees as high as 1.25% without additional Commission  
21 approval but would permit fees higher than 1.25%, if approved, in their  
22 sole right, by the Commission. The higher servicing fees for successor  
23 servicers is required to assure the rating agencies that a successor  
24 servicer can be obtained should one be required in order to achieve  
25 ratings in the highest rating category.



1           The servicing fee to be paid to Gulf Power is consistent with the  
2 servicing fee in numerous rate reduction bond transactions. Barclays has  
3 researched the servicing fees in all rate reduction bonds from December  
4 1997 to September 2005, which constitute 34 issues involving 24 utilities  
5 in California, Connecticut, Illinois, Massachusetts, Michigan, Montana,  
6 New Hampshire, New Jersey, Pennsylvania and Texas (see Schedule 8).  
7 In most cases, servicing fees paid to the sponsoring utility are either  
8 0.05%, 0.09%, 0.10%, or 0.125% of the initial principal amount of the  
9 notes. In ten cases, the utility receives 0.25% of the outstanding principal  
10 amount of notes. Due to the small size of the proposed storm-recovery  
11 bond financing in comparison to some of the previously issued rate  
12 reduction bonds, and due to a considerable portion of fixed costs  
13 associated with servicing a transaction, the servicing fee for this  
14 transaction will be consistent with other smaller issuances and at the  
15 higher end of the range defined above.

16  
17 Q.   What are the eligibility criteria for a third-party successor servicer and how  
18 will such a successor servicer be compensated?

19 A.   Following the occurrence of a servicer termination event under the  
20 servicing agreement, the trustee, either at its own discretion or as it may  
21 be directed by holders of a majority of the outstanding principal balance of  
22 the bonds, subject to rating agency approval will select a third-party  
23 successor servicer. Note that this is only upon a servicer termination  
24 event, and that Gulf Power may not resign voluntarily.

25           Typically, trustees and rating agencies are primarily concerned with

1 performance-related criteria, and secondarily with financial strength. A  
2 third-party successor servicer must be able to perform the calculation,  
3 billing, collection, filing, and other duties that the servicer is required to  
4 provide under the servicing agreement, must enter into a servicing  
5 agreement substantially similar to the servicing agreement with the  
6 servicer being replaced, at fees not to exceed a specified maximum, and  
7 must agree not to resign. Appointment of a successor servicer (including  
8 a servicer that is an alternate energy supplier in the event of a  
9 fundamental regulatory change in Florida) must result in rating agency  
10 confirmation of the current ratings (no reduction or withdrawal) of each  
11 tranche of storm-recovery bonds for which the replacement would act as  
12 servicer. In all rate reduction bond transactions from December 1997 to  
13 September 2005, the maximum successor servicing fees are set at 1.25%  
14 to 1.5% of the outstanding principal amount, except with respect to Texas  
15 Issuers, where they are set at 0.6% of the initial principal amount (see  
16 Schedule 8).

17  
18 Q. What is the role of the trustee?

19 A. The trustee performs duties as a fiduciary of the bondholders. The trustee  
20 receives and processes Storm Bond Repayment Charges from the  
21 servicer, calculates the amounts due to bondholders on each payment  
22 date, allocates collections in accordance with the payment waterfall for the  
23 transaction, invests amounts on deposit in each subaccount in eligible  
24 investments, and provides periodic reports that detail account activity and  
25 balances to various parties. The duties, rights, and obligations of the

1 trustee are more fully described in the indenture. The trustee is selected  
2 by the sponsor based on experience, qualifications and fee structure.

3

4 G. CERTAIN UPFRONT BOND ISSUANCE COSTS

5 Q. Please describe and provide an estimate of the upfront bond issuance  
6 costs for underwriting fees.

7 A. Underwriting fees are charged on a tranche-by-tranche basis, and typically  
8 vary with the average life of the tranche (higher for longer tranches and  
9 lower for shorter ones). By taking a weighted average of the underwriting  
10 fees based upon weighted average lives of each tranche in our database  
11 of rate reduction bond transactions, underwriting fees range from  
12 approximately 0.25% on 1-year average-life tranches to 0.625% on 13-  
13 year average-life tranches. By applying these fees to the indicative  
14 structure as outlined in Schedule 6, Barclays estimates that the total  
15 underwriting fee for this transaction will be 0.50% of the face amount of  
16 the issued storm-recovery bonds (see Schedule 9).

17 Please note that this estimate is the same as the estimate provided  
18 by Florida Power & Light in their petition for the issuance of a storm-  
19 recovery Financing Order (Docket No. 060033-EI filed on January 13,  
20 2006)

21

22 Q. Please describe and provide an estimate of the upfront bond issuance  
23 costs for rating agency fees.

24 A. Rating agency fees are typically charged as a percentage of the principal  
25 amount issued with a minimum charge or floor. Due to the small size of

1 Gulf Power's storm-recovery bond transaction, the rating agency fee for all  
2 three rating agencies will be at their minimum rate. Based upon  
3 preliminary conversations with Fitch, Moody's and S&P, it is believed that  
4 the minimum fee will be \$75,000, \$100,000 and \$100,000 respectively, for  
5 a total of \$275,000 for the estimated upfront rating agency fee (see  
6 Schedule 9).

7  
8 Q. Please describe and provide an estimate of the upfront bond issuance  
9 costs for the Commission's financial advisor's fee.

10 A. The Commission's financial advisor's fee is assumed to be Gulf Power's  
11 pro-rata allocation of the \$1 million fee estimated in Florida Power and  
12 Light's petition for the issuance of a storm-recovery financing order  
13 (Docket No. 060033-EI filed on January 13, 2006).

14  
15 Q. Please describe and provide an estimate of the upfront bond issuance  
16 costs for Original Issue Discount ("OID").

17 A. OID is the difference between the total par amount of the securities issued  
18 and the actual price paid by investors. OID arises because (a) the swap  
19 curve is typically quoted to four decimal places while bond coupons are  
20 typically stated to two decimal places and (b) many initial offerings settle  
21 without accrued interest on a mid-month date, which results in a first  
22 period which is of a different length, either longer or shorter, than the  
23 typical payment profile. As such, for tranches with a fixed rate of interest it  
24 is not possible to price at exactly 100%. For tranches with a floating

1 interest rate (a) and (b) above do not apply, and thus typically price at par,  
2 or 100%.

3 For planning purposes, it is assumed that the bonds will be issued  
4 without OID, however as described above and as per the norm in rate  
5 reduction bonds and ABS, a certain level of OID will exist for any fixed rate  
6 tranche dependent upon market conditions at the point of pricing. The  
7 amount of OID is generally less than 0.5% and well within the range that is  
8 classified as de minimis by the IRS (meaning small enough that the  
9 investor does not have to set up an accrual schedule for inclusion of the  
10 discount into income). For example, the initial prices to the public of the  
11 2005 transition bond offering by Public Service Electric & Gas were  
12 99.98600%, 99.98049%, 99.96503% and 99.95365% on the four tranches  
13 of bonds.

14 Investors tend to prefer a lower coupon with a discount over a  
15 higher coupon with a premium, so the convention is to round the coupon  
16 down at pricing to produce a slight discount. Assuming that there will be  
17 no early redemption of the bonds, the yield to investors and the cost of the  
18 funds to the Issuer/sponsor are not affected by these adjustments.

19

20 Q. Please describe and provide an estimate of the upfront SEC registration  
21 fee.

22 A. The SEC fee is equal to \$107 per \$1 million of principal amount issued  
23 (see Schedule 9).

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IV. RATING AGENCY PROCESS

A. RATING AGENCY CRITERIA

Q. What are the principal criteria for achieving triple-A ratings for the storm-recovery bonds?

A. The transaction will be structured in order to receive a rating in the highest rating category from each of the three major rating agencies: "AAA" by Fitch, "Aaa" by Moody's and "AAA" by S&P, collectively "triple-A ratings." To achieve these ratings, the transaction must exhibit certain characteristics:

1. The transfer of the Storm-Recovery Property must constitute a "true sale" from Gulf Power to the SPE with a first-priority perfected security interest in the transferred bondable Storm-Recovery Property granted in favor of the trustee.
2. The SPE must be a bankruptcy-remote entity.
3. The financing order authorizing the issuance of the storm-recovery bonds must:
  - A. Be irrevocable;
  - B. Authorize the imposition, collection and adjustment from time to time, of a non-bypassable Storm-Recovery Charge; and
  - C. Approve a satisfactory true-up mechanism to adjust Storm-Recovery Charges. The true-up mechanism must be mandatory and provide for adjustment at least once every six months and as frequently as quarterly if requested by the rating agencies.
4. The statute authorizing the financing order must contain a "state

1           pledge” to the effect that no action will be taken or permitted by the  
2           state or the Commission that would impair the value of the Storm-  
3           Recovery Property or impair or diminish the rights to impose, collect or  
4           adjust Storm Bond Repayment Charges.

5           5. It is expected that the transaction will require credit enhancement in  
6           the form of the capital and reserve subaccounts and that the capital  
7           subaccount will be required to be funded in an amount equal to 0.5%  
8           of the initial principal amount of the storm-recovery bonds, consistent  
9           with prior rate reduction bonds and the requirements for favorable  
10          federal tax treatment, based upon Revenue Procedure 2005-62. The  
11          final size of the capital account will be confirmed by the rating agencies  
12          based upon their cash flow analysis, as described below.

13          6. The expected final maturity of the bonds will need to be shorter than  
14          the legal final maturity of the bonds (a period expected to be two years)  
15          in order to protect the bondholders against any possible variance in the  
16          collection of sufficient monies to pay principal and interest.

17          7. There should be cross-collateralization among rate classes allowing  
18          collection shortfalls to be allocated among all classes through the true-  
19          up mechanism.

20          8. The rating agencies will need to be satisfied that the servicer is  
21          qualified to perform its billing, collection, and related responsibilities  
22          and that it is of sufficient financial substance and stability that it can be  
23          expected to perform such services for the life of the bonds. The rating  
24          agencies will also require that a qualified successor servicer can and  
25          will be appointed following certain servicer defaults.

1 9. In order to protect against potential servicing transfer problems in the  
2 unlikely event that a servicing transfer is required, the rating agencies  
3 will want to ensure that the successor servicing fee is sufficient to  
4 cover the costs of finding a replacement servicer willing to perform the  
5 duties.

6 The proposed bond structure and the draft financing order  
7 appropriately satisfy the rating agency requirements 1 through 9 above.

8

9 B. RATING AGENCY CASH FLOW ANALYSIS

10 Q. What is the process for and what will be the focus of the rating agency  
11 cashflow analysis?

12 A. In order to receive the requisite triple-A ratings, Gulf Power and the SPE  
13 will need to demonstrate that the proposed transaction satisfies each  
14 rating agency's cash flow analysis required for a triple-A credit rating. This  
15 is accomplished by providing the agencies with the following information:

- 16 1. Proposed Bond Structure based upon the Storm-Recovery Charge;
- 17 2. Current "base case" sales forecast through the expected maturity date  
18 of the storm-recovery bonds, historical data (preferably up to ten  
19 years), and analysis of Gulf Power's projected forecasting versus  
20 actual results;
- 21 3. Historical and projected data regarding Gulf Power's customer base;
- 22 4. Proposed replacement servicing fee; and
- 23 5. Historical delinquency and charge-off data (typically up to ten years).

24 This information will be used by the agencies to determine the "base  
25 case", as well as their assumptions for stress case scenarios. Since



1 storm-recovery bonds are to be rated in the highest rating category, the  
2 rating agencies have developed methodologies to vary the cash collection  
3 rate through stresses and will typically combine each of these stress  
4 assumptions (key assumptions listed below) in order to evaluate the  
5 requisite credit enhancement required to ensure the timely payment of  
6 interest and principal such that the transaction structure can withstand  
7 such stresses without resulting in an event of default. Identified rating  
8 agency risk factors from previous transactions include economic  
9 recession, demographic shifts, extreme weather conditions, increased use  
10 of self-generated energy sources, loss of significant industrial customers,  
11 and errors in forecasting.

12 While approaches differ among the rating agencies and differ  
13 based upon each transaction (such as an incremental stress for self-  
14 generation depending upon the legislature within a respective state), the  
15 core components of the rating agency stress assumptions include, but are  
16 not limited to, the following:

- 17 1. Forecast Variance - Statistical analysis of the sponsor's historical  
18 forecast experience, which the agencies use to develop a stressed  
19 variance as either a multiple of the highest forecast variance over the  
20 10-year period or by determining a statistically significant variance  
21 based upon a certain confidence level. This variance is then applied  
22 year over year, either cumulatively or with periodic increases. Stress  
23 assumptions may also include oscillating the forecast variance from  
24 undercollection to overcollection from year to year.
- 25 2. Net Write-offs - Similar approach to the forecast variance in terms of

1 using either the multiple approach to the highest net write-off or using a  
2 statistical analysis of net write-offs to a specific confidence level based  
3 upon the historical data provided.

4 3. Delinquencies – Using the historical data, the rating agencies typically  
5 stress the portfolio by increasing the delinquencies in order to delay  
6 the timing of collections by one or two months.

7 4. Replacement Servicing Fee - Since the transaction is rated in the  
8 highest rating category, the rating agencies typically assume that the  
9 first day after the issuance of the storm-recovery bonds, the servicer is  
10 replaced by a successor servicer. As such, the rating agencies  
11 typically assume that the successor servicing fee is in place for the life  
12 of the transaction.

13

14 Q. How will the rating agencies respond to a customer's ability to avoid  
15 paying the Storm-Recovery Charge by disconnecting from Gulf Power?

16 A. An individual's ability to self-generate and/or disconnect or discontinue  
17 receiving services from the utility has been a concern of rating agencies  
18 when rating previous rate reduction bond transactions due to this causing  
19 the potential for decreasing obligor base. As a part of deregulation  
20 legislation, most states limited the customer's ability to avoid these  
21 charges by moving off the grid, yet states such as Illinois, Michigan and  
22 Pennsylvania did not implement any limitations. During the rating process  
23 of rate reduction bond transactions from these states, the rating agencies  
24 factored into their cash flow stresses an assumed level of self-generation.  
25 I believe that due to the limitations of self-generation based upon currently

1 available technology its incidence will likely be small and that during their  
2 analysis the rating agencies will employ a similar approach in assuming a  
3 certain level of self-generation as described above for Gulf Power. Due to  
4 the true-up mechanism and the cross-collateralization, previous  
5 transactions from states with this incremental risk have not required  
6 further credit enhancement, as the rest of the customers compensate for  
7 any shortfall resultant from self-generation under the rating agency stress  
8 tests.

9  
10 V. PRE-ISSUANCE PROCESS

11 Q. How will Gulf Power facilitate the Commission staff's ("Staff") review of the  
12 structuring, marketing and pricing of the bonds to ensure compliance with  
13 the financing order?

14 A. At least thirty days prior to the proposed date for the launch of the storm-  
15 recovery bonds, Gulf Power will submit to the Staff revised forms of the  
16 transaction documents, together with any registration statement,  
17 prospectus supplement and term sheet to be used in connection with the  
18 offering of the storm-recovery bonds and forms of any legal opinions to be  
19 issued in connection with the transaction if requested by Staff. Such  
20 documents and opinions shall be subject to such additions, deletions, and  
21 modifications as may be necessary to reflect the pricing, structure, and  
22 similar terms of the issuance of the storm-recovery bonds and such other  
23 final terms as may reasonably be left to negotiation prior to the issuance,  
24 including such final terms as may reasonably be required by the rating  
25 agencies.

1                    At least five business days prior to the proposed launch date, Gulf  
2 Power will submit to Staff (i) a draft issuance advice letter, reflecting the  
3 preliminary bond structuring information for the proposed issuance,  
4 including expected and final maturities, over-collateralization levels, and  
5 any other credit enhancements; and reflecting revised estimates of the  
6 upfront bond issuance costs proposed to be financed from proceeds of the  
7 bonds and estimates of debt service and other ongoing costs (including,  
8 the taxes recoverable through the Storm Bond Tax Charge) for the first  
9 collection period and (ii) the projected initial Storm Bond Repayment  
10 Charges and Storm Bond Tax Charges for each customer rate class  
11 resulting from the preliminary bond structuring information, as well as the  
12 draft tariff sheets implementing the Storm-Recovery Charges.

13                    If Staff determines based on review of the preliminary bond  
14 structuring information that the launch of the sale of the bonds would not  
15 be in compliance with the financing order, then by 5:00 p.m. EST on the  
16 business day that is two business days prior to the proposed launch date  
17 specified in the filing accompanying the preliminary bond structuring  
18 information, Staff will provide Gulf Power actual notice in writing and set  
19 forth the reasons for such disapproval, in which case Gulf Power will be  
20 permitted to revise the proposed launch date, if necessary, and/or to file  
21 amended preliminary bond structuring information.

22

23                    VI. CONCLUSION

- 24    Q.    Please summarize your testimony.  
25    A.    In summary, the elements of the financing order discussed above will

1 enable the securitization as proposed by Gulf Power to achieve the  
2 highest possible credit ratings on the storm-recovery bonds, which will  
3 allow for the lowest possible cost for its consumers. The following  
4 elements should be included in the financing order and drafted specifically  
5 in the way as to provide for the most efficient possible issuance of storm-  
6 recovery bonds in the ABS market:

- 7     ▪ Imposition and collection of non-bypassable Storm Bond Repayment  
8       Charges;
- 9     ▪ Issuance of storm-recovery bonds utilizing a specific financing entity;
- 10    ▪ Monthly remittance of Storm Bond Repayment Charges;
- 11    ▪ Establishment of an effective true-up mechanism (described below) for  
12       the Storm Bond Repayment Charges; and
- 13    ▪ Authority to utilize the net proceeds of the storm-recovery bonds to  
14       fund the Storm-Recovery Costs, including the replenishment of the  
15       storm-recovery reserve.

16           To satisfy these requirements, the financing order must establish  
17    an irrevocable property right, Storm-Recovery Property, (which includes  
18    the accounts of the SPE held by a trustee, investment earnings on  
19    accounts held by the trustee and any additional capital of the SPE) that  
20    can be transferred to a SPE as collateral for the storm-recovery bond  
21    financing and ensure that the ability to pledge these assets as security for  
22    bondholders be valid, enforceable and perfected. This is important for  
23    both rating agencies and investors to ensure the highest ratings category  
24    and lowest cost of funds for the storm-recovery bonds.

25           The financing order should permit Gulf Power to collect the Storm

1 Bond Repayment Charges as frequently as daily whereas the payments  
2 on the storm-recovery bond should be permitted to be distributed less  
3 frequently as quarterly or semi-annually. The mismatch in payments is  
4 necessary for counsel and IRS to provide the necessary opinions and tax  
5 characterizations for the transaction.

6 The Storm Bond Repayment Charge must be set by a formula,  
7 such that the Storm Bond Repayment Charges recover the following:

- 8 ▪ Scheduled interest and principal payments on the storm-recovery  
9 bonds;
- 10 ▪ SPE administration costs;
- 11 ▪ Storm-recovery bond servicing costs;
- 12 ▪ Amounts required to maintain the capital subaccount balance;
- 13 ▪ Ongoing expenses of other credit enhancement including any ongoing  
14 hedging costs; and
- 15 ▪ Any tax obligations of Gulf Power resulting from the Storm Bond  
16 Repayment Charge.

17 The Storm Bond Repayment Charge must stay in effect until all  
18 amounts stated above are completely satisfied.

19 In the event that Storm-Recovery Charges are not adequate to  
20 satisfy the amounts stated above, the financing order must provide a  
21 mechanism to allow for periodic adjustments to the Storm-Recovery  
22 Charge when requested by the servicer (the "true-up"). The true-up will  
23 allow for sufficient collections to satisfy the requirements for all ongoing  
24 debt service and other payment requirements stated above. The financing  
25 order should allow for the servicer to file for periodic adjustments quarterly

1 if required by the rating agencies based upon a predetermined formula.

2 The financing order should allow for non-scheduled adjustments to  
3 the Storm-Recovery Charge to the extent the servicer determines that the  
4 Storm-Recovery Charge is inadequate to meet the requirements for all  
5 ongoing debt service and other payment requirements stated above.

6 These non-scheduled adjustments would be subject to the Commission's  
7 review and will become effective on an interim basis 30 days after filing,  
8 and final 60 days after filing, in each case, absent a determination by the  
9 Commission of manifest error. Manifest error means an arithmetic error  
10 evident on the face of the filing.

11 The financing order must include key terms, such as the timing of  
12 interest and principal collections, to allow for the optimization of Storm  
13 Bond Repayment Charges which can be optimized for the desired ratings  
14 on the bonds. Gulf Power will recommend an amortization schedule of the  
15 Storm Repayment Bond Charge cashflows. In addition, the financing  
16 order will need to ensure that the legal final maturity of the Storm Bond  
17 Repayment Charge cashflows, and thus the storm-recovery bond, fall after  
18 the scheduled repayment of the storm-recovery bond. This will allow the  
19 true-up mechanism in the transaction the ability to provide the full return of  
20 principal and interest payments to investors in the event of a reduction in  
21 collections at the end of the transaction.

22

23 Q. Does this conclude your testimony?

24 A. Yes.

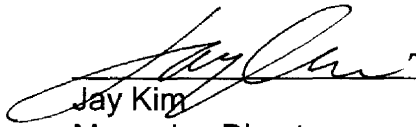
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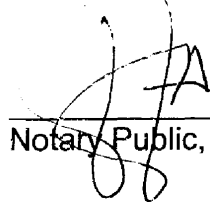
STATE OF NEW YORK )  
                                  )  
COUNTY OF NEW YORK )

Docket No. \_\_\_\_\_

Before me the undersigned authority, personally appeared Jay Kim, who being first duly sworn, deposes, and says that he is a Managing Director in the Asset Securitization Group of Barclays Capital Inc., a Connecticut corporation, that the foregoing testimony is true and correct to the best of his knowledge, information, and belief. He is personally known to me.

  
\_\_\_\_\_  
Jay Kim  
Managing Director

Sworn to and subscribed before me this 17<sup>th</sup> day of  
February, 2006.

  
\_\_\_\_\_  
Notary Public, State of New York  
ADVANCED SIGNATURE SYSTEMS  
No. 02AD612715  
Qualified in New York County  
My Commission Expires July 08, 2008



Florida Public Service Commission  
Docket No. \_\_\_\_\_  
**GULF POWER COMPANY**  
Witness: Jay Kim  
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Schedule 1, Page 1 of 1

Worldwide ABS Issuance in 2005 by Collateral Type				
Asset Type	Issuance (\$Mil.)	(%)	No. of Deals	% of Deals
Home Equity	315,285.7	28.30%	349	23.77%
Non-U.S. Residential Loans	194,230.8	17.43%	196	13.35%
Subprime Home Loans	185,155.5	16.62%	221	15.05%
Credit Cards	81,991.5	7.36%	128	8.72%
Auto Loans (Prime)	66,517.3	5.97%	55	3.75%
Student Loans	63,080.3	5.66%	53	3.61%
Home-Equity Lines of Credit	44,002.6	3.95%	36	2.45%
Auto Loans (Sub-Prime)	30,955.5	2.78%	44	3.00%
Small-Business Loans (Non-US)	21,395.4	1.92%	21	1.43%
Equipment Leases	14,852.7	1.33%	22	1.50%
Auto Leases	14,835.1	1.33%	15	1.02%
Floorplan Loans	12,925.7	1.16%	12	0.82%
Net Interest Margin	8,568.4	0.77%	187	12.74%
Small-Business Loans	7,406.4	0.66%	15	1.02%
Equipment Loans	5,137.1	0.46%	6	0.41%
Aircraft-Lease Receivables	4,262.3	0.38%	5	0.34%
Natural Resources	3,953.3	0.35%	5	0.34%
Consumer Loans, Unsecured	3,722.7	0.33%	7	0.48%
Utility Receivables	3,624.5	0.33%	5	0.34%
Other	32,178.8	2.89%	86	5.86%
<b>Total</b>	<b>1,114,081.7</b>	<b>100.00%</b>	<b>1468</b>	<b>100.00%</b>

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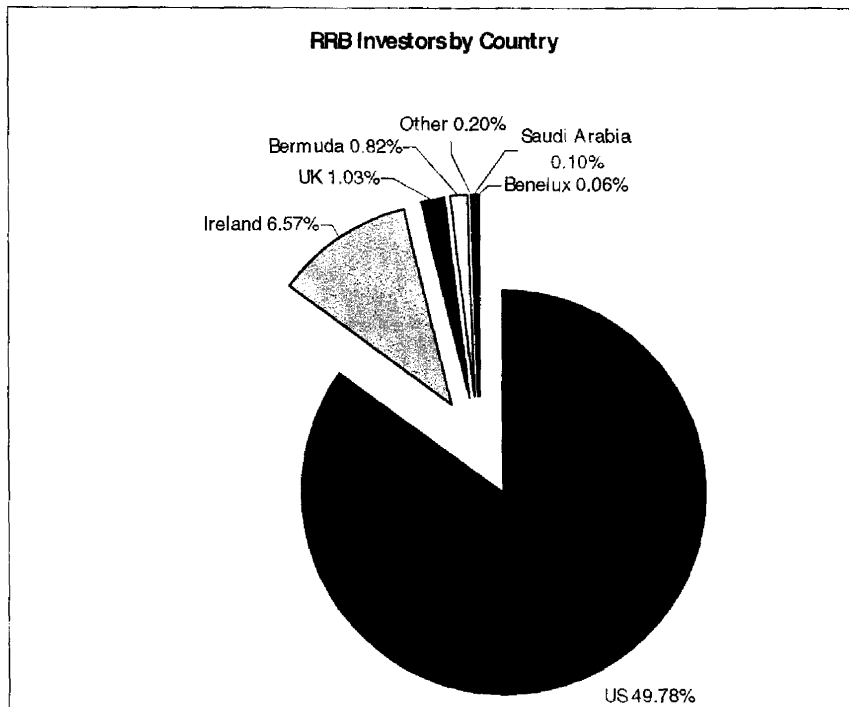
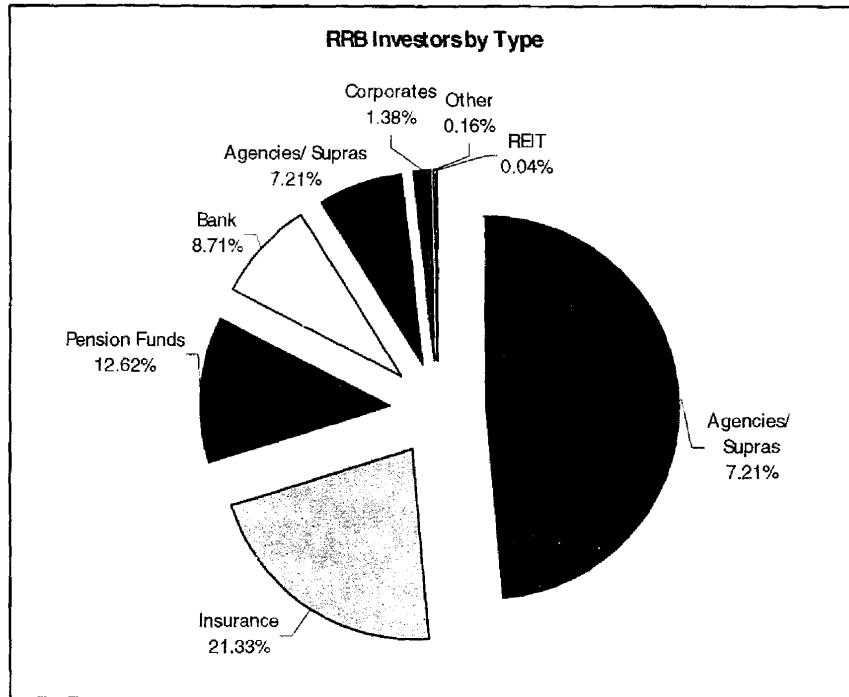
GULF POWER COMPANY

Witness: Jay Kim

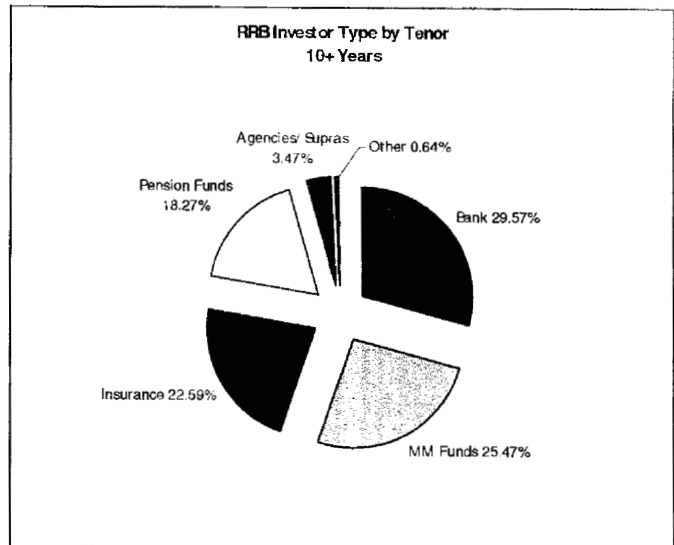
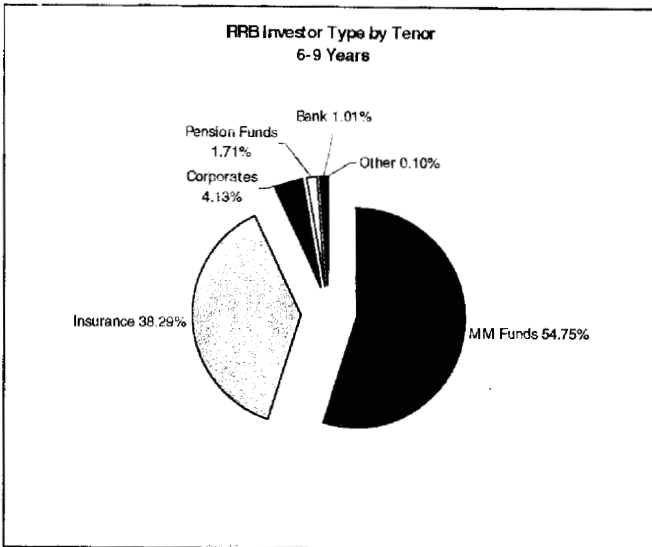
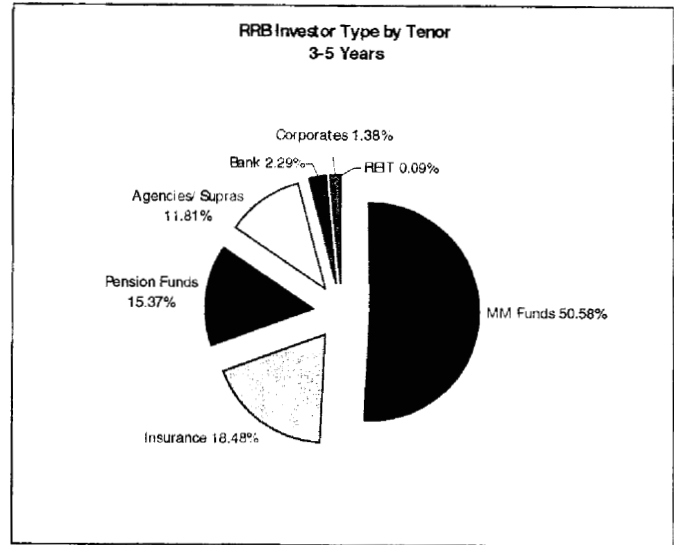
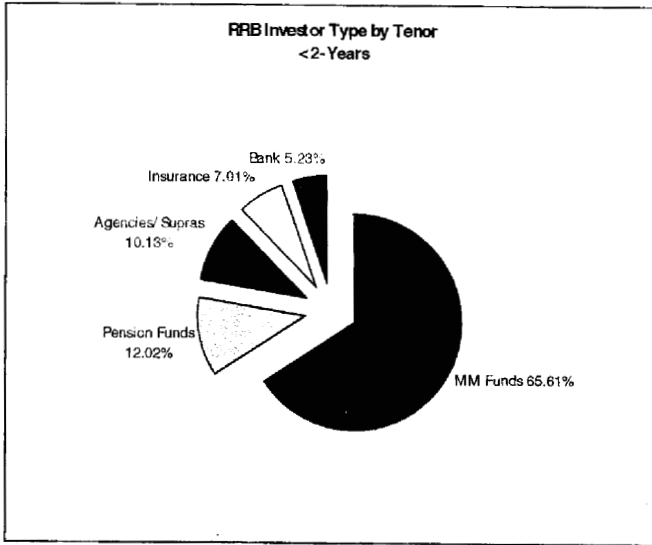
Exhibit No. \_\_\_\_ JK-1

Schedule 2, Page 1 of 2

### Investor Overview by Type, Location and Tenor



**Investor Overview by Type, Location and Tenor**



**RATE REDUCTION BOND TRANSACTIONS TO DATE**

STATE	UTILITY	DATE	\$ AMOUNT (in Millions)
Texas	Centerpoint Energy	12/16/2005	\$1,851
California	Pacific Gas & Electric	11/03/2005	\$845
Pennsylvania	West Penn Power	09/22/2005	\$115
New Jersey	Public Service Electric & Gas	09/09/2005	\$102
Massachusetts	Nstar (fka Boston Edison)	02/15/2005	\$674
California	Pacific Gas & Electric	02/03/2005	\$1,887
New Jersey	Rockland Electric	07/28/2004	\$46
Texas	TXU Electric Delivery	05/28/2004	\$790
New Jersey	Atlantic City Electric	12/18/2003	\$152
Texas	Oncor Electric Delivery	08/14/2003	\$500
New Jersey	Atlantic City Electric	12/11/2002	\$440
New Jersey	Jersey Central Power and Light	06/04/2002	\$320
Texas	Central Power and Light	01/31/2002	\$797
New Hampshire	Public Service of New Hampshire	01/17/2002	\$50
Michigan	Consumers Energy	10/31/2001	\$469
Texas	Reliant Energy	10/17/2001	\$749
Massachusetts	Western Massachusetts	05/15/2001	\$155
New Hampshire	Public Service of New Hampshire	04/20/2001	\$525
Connecticut	Connecticut Light & Power	03/27/2001	\$1,440 *
Michigan	Detroit Edison	03/02/2001	\$1,750
Pennsylvania	PECO Energy	02/15/2001	\$805
New Jersey	PSE&G	01/25/2001	\$2,500 *
Pennsylvania	PECO Energy	04/27/2000	\$1,000
Pennsylvania	West Penn Power	11/16/1999	\$600
Pennsylvania	Pennsylvania Power & Light	07/29/1999	\$2,420
Massachusetts	Boston Edison	07/14/1999	\$725
California	Sierra Pacific Power	04/08/1999	\$24
Pennsylvania	PECO Energy	03/18/1999	\$4,000 *
Montana	Montana Power	12/15/1998	\$63
Illinois	Illinois Power	12/10/1998	\$864
Illinois	Commonwealth Edison	12/07/1998	\$3,400
California	Southern California Edison	12/04/1997	\$2,463
California	San Diego Gas & Electric	12/04/1997	\$658
California	Pacific Gas & Electric	11/25/1997	\$2,901
Washington	Puget Sound Energy	07/30/1997	\$35
Washington	Puget Sound Energy (fka Puget Sound Power & Light)	06/01/1995	\$202
Total			\$36,317

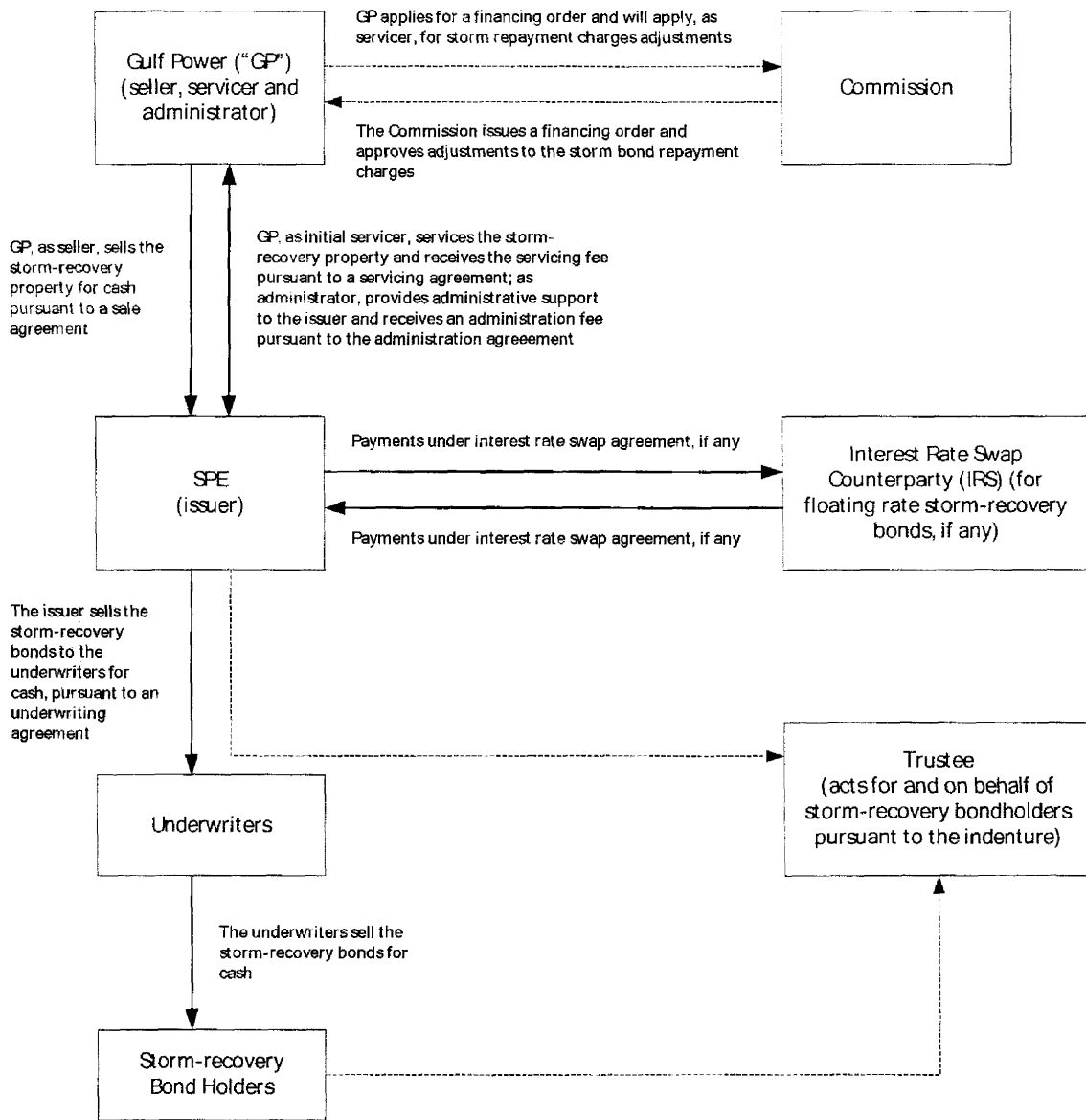
\* Transaction included one or more floating-rate tranche

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Schedule 4, Page 1 of 1

**RATE REDUCTION BOND TRANSACTIONS PAYMENT FREQUENCY**

STATE	UTILITY	DATE	PAYMENT FREQUENCY
Texas	Centerpoint Energy	12/16/2005	Quarterly
California	Pacific Gas & Electric	11/03/2005	Semi-Annual
Pennsylvania	West Penn Power	09/22/2005	Quarterly
New Jersey	Public Service Electric & Gas	09/09/2005	Semi-Annual
Massachusetts	Nstar (fka Boston Edison)	02/15/2005	Quarterly
California	Pacific Gas & Electric	02/03/2005	Quarterly
New Jersey	Rockland Electric	07/28/2004	Semi-Annual
Texas	TXU Electric Delivery	05/28/2004	Semi-Annual
New Jersey	Atlantic City Electric	12/18/2003	Quarterly
Texas	Oncor Electric Delivery	08/14/2003	Semi-Annual
New Jersey	Atlantic City Electric	12/11/2002	Quarterly
New Jersey	Jersey Central Power and Light	06/04/2002	Quarterly
Texas	Central Power and Light	01/31/2002	Semi-Annual
New Hampshire	Public Service of New Hampshire	01/17/2002	Quarterly
Michigan	Consumers Energy	10/31/2001	Quarterly
Texas	Reliant Energy	10/17/2001	Semi-Annual
Massachusetts	Western Massachusetts	05/15/2001	Quarterly
New Hampshire	Public Service of New Hampshire	04/20/2001	Quarterly
Connecticut	Connecticut Light & Power	03/27/2001	Quarterly
Michigan	Detroit Edison	03/02/2001	Semi-Annual
Pennsylvania	PECO Energy	02/15/2001	Semi-Annual
New Jersey	PSE&G	01/25/2001	Quarterly
Pennsylvania	PECO Energy	04/27/2000	Semi-Annual
Pennsylvania	West Penn Power	11/16/1999	Quarterly
Pennsylvania	Pennsylvania Power & Light	07/29/1999	Quarterly
Massachusetts	Boston Edison	07/14/1999	Semi-Annual
California	Sierra Pacific Power	04/08/1999	Quarterly
Pennsylvania	PECO Energy	03/18/1999	Semi-Annual
Montana	Montana Power	12/15/1998	Semi-Annual
Illinois	Illinois Power	12/10/1998	Quarterly
Illinois	Commonwealth Edison	12/07/1998	Quarterly
California	Southern California Edison	12/04/1997	Quarterly
California	San Diego Gas & Electric	12/04/1997	Quarterly
California	Pacific Gas & Electric	11/25/1997	Quarterly
Washington	Puget Sound Energy	07/30/1997	Quarterly
Washington	Puget Sound Energy (fka Puget Sound Power & Light)	06/01/1995	Quarterly
Total Quarterly			23
Total Semi-Annual			13

Diagram of Proposed Securitization Transaction



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**PRO-FORMA BOND STRUCTURE AND ASSUMPTIONS**

Tranche	First Scheduled Principal Payment	Final Scheduled Principal Payment (Expected Maturity)	Legal Final Maturity	Initial Principal Amount	Weighted Average Life (in years)	Estimated Coupon
A- 1	3/15/2007	3/15/2009	3/15/2011	\$20,100,000.00	1.50	5.055%
A-2	3/15/2009	3/15/2012	3/15/2014	\$30,100,000.00	4.00	5.085%
A-3	3/15/2012	9/15/2014	9/17/2016	\$37,000,000.00	6.87	5.150%
Total/Weighted Averages:				\$87,200,000.00	4.64	5.124%

Bond coupon: 5.124%

All-in cost of funds<sup>1</sup>: 5.824%

Average retail estimated Storm Bond Repayment Charge<sup>2</sup>: \$1.29 per 1,000 kWh

Average retail estimated Storm Bond Tax Charge<sup>2</sup>: \$0.39 per 1,000 kWh

Average retail estimated Storm-Recovery Charge: \$1.68 per 1,000 kWh

<sup>1</sup>Including ongoing financing costs of \$355,800 per annum

<sup>2</sup>Estimated repayment charge and tax charge are based upon first period

Note: Bond structure, payment dates, maturities, principal amounts, average lives, coupons, bond coupon, all-in-cost of funds and estimated storm charges are subject to revision.

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Schedule 7, Page 1 of 1

**BOND CASH FLOWS**

Payment Date	Beginning Balance	Interest Paid	Principal Redeemed	Total Cash Flow	Ending Balances
09/ 15/ 06	\$ 87,200,000	\$ -	\$ -	\$ -	\$ 87,200,000
03/ 15/ 07	\$ 87,200,000	\$ 2,407,631	\$ 3,699,112	\$ 8,505,642	\$ 83,500,888
09/ 15/ 07	\$ 83,500,888	\$ 2,139,121	\$ 3,794,051	\$ 8,391,692	\$ 79,706,837
03/ 15/ 08	\$ 79,706,837	\$ 2,041,925	\$ 4,646,724	\$ 9,682,650	\$ 75,060,112
09/ 15/ 08	\$ 75,060,112	\$ 1,922,886	\$ 4,765,984	\$ 9,757,765	\$ 70,294,129
03/ 15/ 09	\$ 70,294,129	\$ 1,800,791	\$ 4,981,530	\$ 9,986,580	\$ 65,312,598
09/ 15/ 09	\$ 65,312,598	\$ 1,673,175	\$ 5,109,382	\$ 10,067,107	\$ 60,203,216
03/ 15/ 10	\$ 60,203,216	\$ 1,542,283	\$ 5,261,946	\$ 10,184,590	\$ 54,941,270
09/ 15/ 10	\$ 54,941,270	\$ 1,407,482	\$ 5,396,994	\$ 10,269,648	\$ 49,544,275
03/ 15/ 11	\$ 49,544,275	\$ 1,269,223	\$ 5,525,883	\$ 10,341,218	\$ 44,018,393
09/ 15/ 11	\$ 44,018,393	\$ 1,127,661	\$ 5,667,704	\$ 10,430,542	\$ 38,350,689
03/ 15/ 12	\$ 38,350,689	\$ 982,466	\$ 5,793,433	\$ 10,490,034	\$ 32,557,256
09/ 15/ 12	\$ 32,557,256	\$ 834,050	\$ 5,942,121	\$ 10,583,682	\$ 26,615,135
03/ 15/ 13	\$ 26,615,135	\$ 681,825	\$ 6,083,787	\$ 10,662,091	\$ 20,531,348
09/ 15/ 13	\$ 20,531,348	\$ 525,971	\$ 6,239,927	\$ 10,760,432	\$ 14,291,421
03/ 15/ 14	\$ 14,291,421	\$ 366,117	\$ 7,055,175	\$ 11,927,804	\$ 7,236,245
09/ 15/ 14	\$ 7,236,245	\$ 185,378	\$ 7,236,245	\$ 12,041,847	\$ -



Florida Public Service Commission

Docket No. \_\_\_\_\_

GULF POWER COMPANY

Witness: Jay Kim

Exhibit No. \_\_\_\_ JK-1

Schedule 8, Page 1 of 1

SERVICING COMPENSATION COMPARISON

UTILITY	DATE	ISSUANCE AMOUNT	SERVICING FEES		% of OUTSTANDING OR INITIAL
			INITIAL	BACKUP	
Centerpoint Energy	12/16/2005	\$1,800 million	0.05%	0.60%	Initial
Pacific Gas & Electric	11/03/2005	\$845 million	0.09%		Initial
West Penn Power	09/22/2005	\$115 million	0.25%	1.50%	--
Public Service Electric & Gas	09/09/2005	\$102.7 million	0.05%	1.25%	Initial
Nstar (fka Boston Edison)	02/15/2005	\$674.5 million	0.05%	1.25%	Initial
Pacific Gas & Electric	02/03/2005	\$1,900 million	0.09%		Initial
Rockland Electric	07/28/2004	\$46.3 million	0.13%	1.25%	--
TXU Electric Delivery	05/28/2004	\$790 million	greater of \$400k all outstanding or 0.05%/yr of initial of all series	0.60%	--
Atlantic City Electric	12/18/2003	\$152 million	0.10%	1.25%	Initial
Oncor Electric Delivery	08/14/2003	\$500 million	greater of \$400k all outstanding or 0.05%/yr of initial of all series	0.60%	--
Atlantic City Electric	12/11/2002	\$440 million	0.10%	1.25%	Initial
Jersey Central Power and Light	06/04/2002	\$320 million	0.13%	1.25%	Initial
Central Power and Light	01/31/2002	\$797 million	0.05%	0.60%	Initial
Public Service of New Hampshire	01/17/2002	\$50 million	0.25%	1.50%	Outstanding
Consumers Energy	10/31/2001	\$469 million	0.25%	1.50%	Outstanding
Reliant Energy	10/17/2001	\$749 million	0.05%	0.06%	Initial
Western Massachusetts	05/15/2001	\$155 million	0.05%	1.25%	Initial
Public Service of New Hampshire	04/20/2001	\$525 million	0.25%	1.50%	Outstanding
Connecticut Light & Power	03/27/2001	\$1,438 million	0.05%	1.25%	Initial
Detroit Edison	03/02/2001	\$1,750 million	0.05%	1.25%	Initial, Backup of Outstanding
PECO Energy	02/15/2001	\$805 million	0.25%	1.50%	Outstanding
PSE&G	01/25/2001	\$2,525 million	0.05%	1.25%	Initial
PECO Energy	04/27/2000	\$1,000 million	0.25%	1.50%	Outstanding
West Penn Power	11/16/1999	\$600 million	\$312,500 per quarter (initially approx. 5 bps)	1.50%	Outstanding
Pennsylvania Power & Light	07/29/1999	\$2,420 million	\$312,500 per quarter (initially approx. 1 bps)	1.50%	Outstanding
Boston Edison	07/14/1999	\$725 million	0.05%	1.25%	Initial
Sierra Pacific Power	04/08/1999	\$24 million			--
PECO Energy	03/18/1999	\$4,000 million	0.25%	1.50%	Outstanding
Montana Power	12/15/1998	\$62.7 million	\$500K		--
Illinois Power	12/10/1998	\$864 million	\$540k per quarter (initially approx. 87 bps)		--
Commonwealth Edison	12/07/1998	\$3,400 million	\$750k per quarter (initially approx. 2 bps)		--
Southern California Edison	12/04/1997	\$2,463 million	0.25%	1.50%	Outstanding
San Diego Gas & Electric	12/04/1997	\$658 million	0.25%	1.50%	Outstanding
Pacific Gas & Electric	11/25/1997	\$2,901 million	0.25%	1.50%	Outstanding
Puget Sound Energy	07/30/1997	\$35 million			
Puget Sound Energy (fka Puget Sound Power & Light)	06/01/1995	\$202 million			

Average	0.14%	1.22%
Wtg Avg	0.15%	1.13%

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**Gulf Power**  
**Estimated Upfront and Ongoing Bond Issuance Fees**  
**\$87.2 MM Securitized**

Principal amount of Storm Recovery Bonds: \$87,200,000

**Estimated Upfront Storm-Recovery Bond Issuance Fees**

Underwriting fees (0.50% of Principal)	\$436,000
Rating Agency Fees	\$275,000
Company Advisor's Fee	\$500,000
Commission Financial Advisor's Fee	\$83,000
Printing	\$37,500
Trustee Fees	\$25,000
Legal Fees	\$780,000
SEC Fees	\$9,330
Auditing Fees	\$50,000
Special Purpose Entity Set-up fees	\$15,000
Servicer Set-up Fee	\$250,000
Original Issue Discount	\$44,000
Marketing and Miscellaneous	\$100,000
 Total	 \$2,604,830
% of Transaction	2.99%

**Estimated Ongoing Storm-Recovery Bond Fees**

Trustee Fees	\$15,000
Administration Fee	\$75,000
Independent Manager Fee	\$5,000
Accounting Fees	\$50,000
Rating Agency Fees	\$20,000
Servicing Fee	\$130,800
Legal Fees	\$30,000
Miscellaneous Fees	\$30,000
 Total	 \$355,800
% of Transaction	0.42%

Florida Public Service Commission

Docket No. \_\_\_\_\_

GULF POWER COMPANY

Witness: Jay Kim

Exhibit No. \_\_\_\_ (JK-1)

Schedule 10

Form of Indenture

[SPE], LLC  
as Issuer

and

[BANK],  
as Trustee

---

INDENTURE

Dated as of \_\_\_\_\_, 2006

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Securing Storm-Recovery Bonds, Series 2006

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## Tie Sheet

Reconciliation and Tie between Trust Indenture Act of 1939 and this Indenture\*

<u>TIA Section</u>	<u>Indenture Section(s)</u>
Section 310 (a)(1).....	6.11
(a)(2).....	6.11
(a)(3).....	6.10(b)(i)
(a)(4).....	Not Applicable
(b).....	6.11
Section 311 (a).....	6.12
(b).....	6.12
(c).....	Not Applicable
Section 312 (a).....	7.01, 7.02
(b).....	7.02(b)
(c).....	7.02(c)
Section 313 (a).....	7.04(a)
(b).....	7.04(a)
(c).....	7.04(a)
(d).....	7.04(b)
Section 314 (a).....	7.03(a), 3.09
(b).....	3.06
(c).....	11.01
(d)(1).....	8.03
(d)(2).....	Not Applicable
(d)(3).....	Not Applicable
(e).....	11.01
Section 315 (a).....	6.01(b)
(b).....	6.05
(c).....	6.01(a)
(d)(1).....	6.01(c)
(e).....	5.13
Section 316 (a)(1)(A).....	5.11
(a)(1)(B).....	5.12
(b).....	5.07
Section 317 (a).....	5.03
(b).....	3.03
Section 318 (a).....	11.08
(c).....	11.08

**\*This Tie Sheet shall not, for any purpose, be deemed to be part of this Indenture.**



This INDENTURE, dated as of \_\_\_\_\_, 2006, is between [SPE], LLC, a Delaware limited liability company, as Issuer, and [\_\_\_\_\_] a \_\_\_\_\_ banking corporation, in its capacity as trustee for the benefit of the Holders of the Bonds [and any Swap Counterparty] and as agent for itself (collectively, the "Trustee").

The Issuer has duly authorized the execution and delivery of this Indenture and the creation and issuance of Bonds issuable hereunder to be of substantially the tenor set forth herein.

The Bonds shall be non-recourse obligations and shall be secured by and payable solely out of the proceeds of the Series 2006 Storm-Recovery Property and the other Collateral.

All things necessary to (a) make the Bonds, when executed by the Issuer and executed and delivered by the Trustee hereunder and duly issued by the Issuer, valid obligations, and (b) make this Indenture a valid agreement of the Issuer, in each case, in accordance with their respective terms, have been done.

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

That the Issuer, in consideration of the purchase of the Bonds by the Holders of good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, has hereby executed and delivered this Indenture, and

#### GRANTING CLAUSE

The Issuer hereby Grants to the Trustee as trustee for the benefit of (i) the Holders of the Bonds from time to time issued and Outstanding, [(ii) any Swap Counterparty] and (iii) the Trustee a security interest in all of the Issuer's right, title and interest whether now owned or hereafter acquired, in, to and under: (a) all Series 2006 Storm-Recovery Property transferred by the Seller to the Issuer pursuant to the Sale Agreement and all proceeds thereof; (b) the Sale Agreement; (c) the Bill of Sale; (d) the Servicing Agreement to the extent it relates to the Series 2006 Storm-Recovery Property; (e) the Administration Agreement; [(f) any Swap]; (g) the Collection Account and all Subaccounts thereof (including the General Subaccount, the Capital Subaccount, the Reserve Subaccount, [any Swap Account], any Class Subaccount and any Defeasance Subaccount) and all cash, securities, instruments, investment property or other assets deposited in or credited to the Collection Account or any Subaccount thereof from time to time or purchased with funds therefrom, other than: [(y) any cash released to the related Swap Counterparty by the Trustee from the related Class Subaccount pursuant to Section 8.02(d)(v), (d)(vi) or (d)(x) and any Swap and (z)] the proceeds from the sale of the Bonds used to pay (1) the costs of issuance of the Bonds and other Qualified Costs of the Issuer and (2) the purchase price of the Series 2006 Storm-Recovery Property paid pursuant to the Sale Agreement; (h) all present and future claims, demands, causes of action and choses in action in respect of any or all of the foregoing and all payments on or under and all proceeds of every kind and nature whatsoever in respect of any or all of the foregoing, including all proceeds of the conversion thereof, voluntary or involuntary, into cash or other liquid property, all accounts, accounts receivable, general intangibles, chattel paper, documents, money, investment property, deposit

accounts, notes, drafts, acceptances, letters of credit, letter of credit rights, insurance proceeds, condemnation awards, rights to payment of any and every kind and other forms of obligations and receivables, instruments and other property which at any time constitute all or part of or are included in the proceeds of any of the foregoing (collectively, the "Collateral").

Alternatively, if but only if, contrary to the agreement of the parties and the Financing Order, any transfer of any Series 2006 Storm-Recovery Property from the Seller to the Issuer referred to in clause (a) in the preceding paragraph is determined by a court not to be a true sale as contemplated by the Statute, then the Issuer, pursuant to Section 2.01(c) or (d) of the Sale Agreement, for and on behalf of Gulf Power as Gulf Power's agent, hereby Grants (the "Alternative Grant") to the Trustee as trustee for the benefit of (A) the Holders of the Bonds from time to time issued and Outstanding, [(B) any Swap Counterparty (to the extent provided in any Swap)] and (C) the Trustee, a first priority security interest in all of Gulf Power's right, title and interest whether now owned or hereafter acquired, in, to and under the Series 2006 Storm-Recovery Property, and the term "Collateral" as defined in this Indenture shall include the Alternative Grant.

Such Grants are made to the Trustee to have and to hold in trust to secure the payment of Principal of, and Interest on, and any other amounts owing in respect of, the Bonds and all fees, expenses, counsel fees and other amounts due and owing to the Trustee (collectively, the "Secured Obligations") equally and ratably without prejudice, preference, priority or distinction, except as expressly provided in this Indenture, and to secure performance by the Issuer of all of the Issuer's obligations under this Indenture with respect to the Bonds, all as provided in this Indenture; [provided, however, that any Swap and the related Swap Subaccount shall secure only the payment of amounts due on the Bonds associated with such Swap.]

The Trustee, as trustee on behalf of the Holders of the Bonds, and acting on behalf of [Swap Counterparties and] itself, acknowledges such Grants, accepts the trusts hereunder in accordance with the provisions hereof and agrees to perform its duties herein required.

## ARTICLE I

### DEFINITIONS AND INCORPORATION BY REFERENCE

Section 1.01 Definitions. Capitalized terms used but not otherwise defined in this Indenture have the respective meanings set forth in Appendix A hereto unless the context otherwise requires. This Agreement shall be construed in accordance with the Rules of Construction set forth in Appendix A hereto.

Section 1.02 Incorporation by Reference of the Trust Indenture Act. Whenever this Indenture refers to a provision of the TIA, the provision is incorporated by reference in and made a part of this Indenture. Each of the following TIA terms used in this Indenture has the following meaning:

"indenture securities" means the Bonds.

"indenture to be qualified" to be qualified means this Indenture.

“indenture trustee” or “institutional trustee” means the Trustee.

All other TIA terms used in this Indenture that are defined by the TIA, defined by TIA reference to another statute or defined by SEC rule have the meaning assigned to them by such definitions.

Section 1.03 Rules of Construction. In addition to the rules of construction set forth in Appendix A hereto:

- (a) any headings preceding the texts of the Articles and Sections of this Indenture, and any table of contents, tie sheet or marginal notes appended to copies hereof, shall be solely for convenience of reference, and shall not constitute a part of this Indenture, nor shall they affect its meaning, construction or effect;
- (b) in the event that any provision of this Indenture shall be held to be invalid in any circumstance, such invalidity shall not affect any other provision or circumstances;
- (c) unless otherwise specified, references to Sections or Articles in any Supplemental Indenture are to Sections or Articles thereof; and
- (d) the words “herein,” “hereof,” “hereunder” and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision, unless context indicates the reference is to a Supplemental Indenture or Bond.

## ARTICLE II

### THE BONDS

Section 2.01 Form. (a) The Bonds and the Trustee’s certificate of authentication shall be in substantially the forms set forth in Exhibit A with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may, consistently herewith, be determined by the Managers of the Issuer executing such Bonds, as evidenced by their execution of such Bonds. Each Bond shall be dated the date of its authentication.

(b) The Bonds shall be typewritten, printed, lithographed or engraved or produced by any combination of these methods (with or without steel engraved borders), all as determined by the Managers of the Issuer executing such Bonds, as evidenced by their execution of such Bonds.

(c) Each shall be dated the date of its authentication. The terms of the Bonds are set forth in Exhibit A are part of the terms of this Indenture.

(d) Each Bond shall include the following State Pledge by the State of Florida:

The State of Florida pledges to and agrees with bondholders, the owners of the storm-recovery property, and other financing parties that the State will not:

1. Alter the provisions of Section 366.8260, Florida Statutes, which make the storm-recovery charges imposed by a financing order irrevocable, binding and nonbypassable charges;
2. Take or permit any action that impairs or would impair the value of the storm-recovery property; or
3. Except as allowed under Section 366.8260(11), Florida Statutes, reduce, alter or impair storm-recovery charges that are to be imposed, collected, and remitted for the benefit of the bondholders and other financing parties until any and all principal, interest, premium, financing costs and other fees, expenses or charges incurred, and any contracts to be performed, in connection with the related bonds have been paid and performed in full.

Nothing in this State Pledge shall preclude limitation or alteration if full compensation is made by law for the full protection of the storm-recovery charges collected pursuant to a financing order and of the holders of bonds and any assignee or financing party entering into a contract with the electric utility.

The State Pledge is hereby incorporated into this Indenture and made a part hereof.

Section 2.02 Execution, Authentication and Delivery. (a) The Bonds shall be executed on behalf of the Issuer by a Manager. The signature of any such Manager on the Bonds may be manual or facsimile.

(b) Bonds bearing the manual or facsimile signature of individuals who were at any time Managers shall bind the Issuer, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Bonds.

(c) At any time after the execution and delivery of this Indenture, the Issuer may deliver Bonds executed on behalf of the Issuer to the Trustee pursuant to an Issuer Order for authentication; and the Trustee shall authenticate and deliver such Bonds as provided in this Indenture and not otherwise.

(d) No Bond shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose, unless there appears on such Bond a certificate of authentication substantially in the form provided for herein executed by the Trustee by the manual signature of one of its authorized signatories, and such certificate upon any Bond shall be conclusive evidence, and the only evidence, that such Bond has been duly authenticated and delivered hereunder.

Section 2.03 Amount Issuable; Designation; Denominations; Initial Principal Amount, Bond Interest Rate; Scheduled Maturity Date; Final Legal Maturity Date; Etc.

(a) The aggregate principal amount of Bonds that may be authenticated and delivered under this Indenture is \$ \_\_\_\_\_.

(b) The Bonds shall be issued in one or more Classes as set forth in Section 2.02(c) and shall be designated “[SPE] Storm-Recovery Bonds, Series 2006-1” and further denominated as Classes A-1 through A-\_\_\_\_. All Bonds of the same Class shall be identical in all respects except for the denominations thereof. All Bonds of the same Class shall be in all respects equally and ratably entitled to the benefits hereof without preference, priority, or distinction on account of the actual time or times of authentication and delivery, all in accordance with the terms and provisions of this Indenture.

(c) Except as provided in Section 2.13 the Bonds shall be issuable as registered Book-Entry Bonds in the Authorized Denominations.

(d) The Bonds of each Class shall have the initial principal amount, bear interest at the rates per annum and shall have Expected Final Maturity Dates and Final Maturity Dates as set forth below:

<u>Class</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Expected Final Maturity Date</u>	<u>Final Maturity Date</u>
A-1				
A-2				
A-3				

The Bond Interest Rate shall be computed on the basis of a 360-day year of twelve 30-day months. [Variable Rate Bond computation for any Class may differ].

(e) Principal of, and Interest on, the Bonds shall be payable on [ \_\_\_\_\_ ] and \_\_\_\_\_ ] (each a “Payment Date”) commencing on the Payment Date in \_\_\_\_\_], 2006 (the “Initial Payment Date”), and continuing until the earlier of repayment of each Class in full and the applicable Final Maturity Date for such Class.

(f) Unless an Event of Default shall have occurred and be continuing, on each Payment Date, the Trustee shall distribute to the Holders of record as of the related Record Date, amounts payable pursuant to Section 8.02(d)(vi) of this Indenture as principal, in the following order and priority: (1) to the holders of the Class A-1 Bonds, until the Outstanding Amount of such Class of Bonds thereof has been reduced to zero; (2) to the holders of the Class A-2 Bonds, until the Outstanding Amount of such Class of Bonds thereof has been reduced to zero; and (3) to the holders of the Class A-3 Bonds, until the Outstanding Amount of such Class of Bonds thereof has been reduced to zero; provided, however, that in no event shall a principal payment pursuant to this Section 2.02(f) on any Class on a Payment Date be greater than the amount necessary to reduce the Outstanding Amount of such Class of Bonds to the amount specified in the Expected Amortization Schedule which is attached as Schedule A hereto for such Class and Payment Date, except in the case of an acceleration of the Bonds following an Event of Default.

Section 2.04 Temporary Bonds. (a) Pending the preparation of Definitive Bonds pursuant to Section 2.13 or, in the case of Bonds held in a book-entry only system by a Clearing Agency, a Manager on behalf of the Issuer may execute, and upon receipt of an Issuer Order the Trustee shall authenticate and deliver, temporary Bonds of the tenor of the Definitive Bonds in

lieu of which they are issued and with such variations not inconsistent with this Indenture as the Manager executing such Bonds may determine, as evidenced by execution of such Bonds.

(b) If temporary Bonds are issued, the Issuer will cause Definitive Bonds to be prepared without unreasonable delay except where temporary Bonds are held by a Clearing Agency. After the preparation of Definitive Bonds, the temporary Bonds shall be exchangeable for Definitive Bonds upon surrender of the temporary Bonds at the office or agency of the Issuer to be maintained as provided in Section 3.02, without charge to any Holder. Upon surrender for cancellation of any one or more temporary Bonds, a Manager on behalf of the Issuer shall execute and the Trustee shall authenticate and deliver in exchange therefor a like Class and aggregate initial principal amount of Definitive Bonds in Authorized Denominations. Until so exchanged, the temporary Bonds shall in all respects be entitled to the same benefits under this Indenture as Definitive Bonds.

Section 2.05 Registration; Registration of Transfer and Exchange. (a) The Issuer shall cause to be kept a register (the "Bond Register") in which, subject to such reasonable regulations as it may prescribe, the Issuer shall provide for the registration of Bonds and the registration of transfers of Bonds. The Trustee shall be the initial registrar (the Trustee or any successor thereof in such capacity, the "Registrar") for the purpose of registering Bonds and transfers of Bonds. Upon any resignation of any Registrar, the Issuer shall promptly appoint a successor or, if it elects not to make such an appointment, assume the duties of Registrar.

(b) If a Person other than the Trustee is appointed by the Issuer as Registrar, the Issuer shall give each Fiduciary prompt written notice of the appointment of such Registrar and of the location, and any change in the location, of the Bond Register; the Trustee and any such Fiduciary shall have the right to inspect the Bond Register at all reasonable times and to obtain copies thereof; and shall have the right to rely upon a certificate executed on behalf of the Registrar by a duly authorized officer thereof as to the names and addresses of the Holders of the Bonds and the original and principal amounts and number of such Bonds separately stated by Class).

(c) Upon surrender for registration of transfer of any Bond at the office or agency of the Issuer to be maintained as provided in Section 3.02 provided that the requirements of Section 8-401 of the Delaware UCC are met, a Manager on behalf of the Issuer shall execute, and the Trustee shall authenticate and the Bondholder shall obtain from the Trustee, in the name of the designated transferee or transferees, one or more new Bonds in any Authorized Denominations, of a like Class and aggregate initial principal amount. The Trustee may rely upon the Administrator with respect to the determination of whether the requirements of Section 8-401 of the Delaware UCC are met.

(d) At the option of the Holder, Bonds may be exchanged for other Bonds of a like Class and aggregate initial principal amount in Authorized Denominations, upon surrender of the Bonds to be exchanged at such office or agency as provided in Section 3.02. Whenever any Bonds are so surrendered for exchange, provided that the requirements of Section 8-401 of the Delaware UCC are met (as determined by the Issuer), a Manager on behalf of the Issuer shall execute, and the Trustee shall authenticate and the Bondholder shall obtain from the Trustee, the Bonds which the Bondholder making the exchange is entitled to receive. The Trustee may rely

upon the Administrator with respect to the determination of whether the requirements of Section 8-401 of the Delaware UCC are met.

(e) All Bonds issued upon any registration of transfer or exchange of Bonds shall be the valid obligations of the Issuer, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Bonds surrendered upon such registration of transfer or exchange.

(f) Every Bond presented or surrendered for registration of transfer or exchange shall be duly endorsed by, or be accompanied by a written instrument of transfer in the form reasonably satisfactory to the Trustee duly executed by, the Holder thereof or such Holder's attorney duly authorized in writing, with such signature guaranteed by an Eligible Guarantor Institution in the form set forth in such Bond.

(g) No service charge shall be made to a Holder for any registration of transfer or exchange of Bonds but, other than in respect of exchanges pursuant to Section 2.04 or 9.07 not involving any transfer, the Issuer may require payment by such Holder of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Bonds, including the fees and expenses of the Trustee.

(h) The preceding provisions of this Section 2.05 notwithstanding, the issuer shall not be required to make, and the Registrar need not register, transfers or exchanges of Bonds selected for redemption or transfers or exchanges after the Record Date preceding the date on which final payment of Principal is to be made with respect to such Bond.

Section 2.06 Mutilated, Destroyed, Lost or Stolen Bonds. (a) If (i) any mutilated Bond is surrendered to the Trustee, or the Trustee receives evidence to its satisfaction of the destruction, loss or theft of any Bond, (ii) there is delivered to the Trustee such security or indemnity as may be required by it to hold the Issuer and the Trustee harmless and (iii) the requirements of Section 8-405 of the Delaware UCC are met, then, in the absence of notice to the Issuer, the Registrar or the Trustee that such Bond has been acquired by a Protected Purchaser, a Manager on behalf of the Issuer shall execute, and upon a Manager's request the Trustee shall authenticate and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Bond, a replacement Bond of like Class, tenor and initial principal amount in Authorized Denominations, bearing a number not contemporaneously outstanding; provided, that if any such destroyed, lost or stolen Bond, but not a mutilated Bond, shall have become or within seven days shall be due and payable, or shall have been called for redemption, instead of issuing a replacement Bond, the Issuer may pay such destroyed, lost or stolen Bond when so due or payable or upon the Redemption Date without surrender thereof. If, after the delivery of such replacement Bond or payment of a destroyed, lost or stolen Bond pursuant to the proviso to the preceding sentence, a Protected Purchaser of the original Bond in lieu of which such replacement Bond was issued presents for payment such original Bond, the Issuer and the Trustee shall be entitled to recover such replacement Bond (or such payment) from the Person to whom it was delivered or any Person taking such replacement Bond from such Person to whom such replacement Bond was delivered or any assignee of such Person, except a Protected Purchaser, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the Issuer or the Trustee in connection therewith.

(b) Every replacement Bond issued pursuant to this Section 2.06 in replacement of any mutilated, destroyed, lost or stolen Bond shall constitute an original additional contractual obligation of the Issuer, whether or not the mutilated, destroyed, lost or stolen Bond shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Bonds duly issued hereunder.

(c) The provisions of this Section 2.06 are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Bonds.

Section 2.07 Persons Deemed Owner. Prior to due presentment for registration of transfer of any Bond, the Issuer, the Trustee and any agent of the Issuer or the Trustee may, subject to Section 2.06, treat the Person in whose name any Bond is registered (as of the day of determination) as the owner of such Bond for the purpose of receiving payments of Principal of and Interest on such Bond and for all other purposes whatsoever, whether or not such Bond be overdue, and neither the Issuer, the Trustee nor any agent of the Issuer or the Trustee shall be affected by notice to the contrary.

Section 2.08 Payment of Principal and Interest; Interest on Overdue Principal; Principal and Interest Rights Preserved. (a) The Bonds shall accrue Interest as provided in the form of Bond attached as Exhibit A, at the applicable Interest Rate, payable on each Payment Date as specified therein. Any installment of Interest or Principal payable on any Bond which is punctually paid or duly provided for by the Issuer on the applicable Payment Date shall be paid to the Person in whose name such Bond (or one or more Predecessor Storm-Recovery Bonds) is registered on the Record Date for such Payment Date either (i) by check mailed first-class, postage prepaid to such Person's address as it appears on the Bond Register on such Record Date or (ii) with respect to Bonds registered on a Record Date in the name of the nominee of the Clearing Agency (initially such nominee to be Cede & Co.), payments will be made in accordance with the DTC Agreement, except for the final installment of Principal payable with respect to such Bond on a Payment Date, which shall be payable as provided in clause (b) below. The funds represented by any such checks or other amounts returned undelivered shall be held in accordance with Section 3.03.

(b) The Principal of each Bond shall be payable in installments on each Payment Date specified in the Expected Amortization Schedule included in the form of Bond attached as Schedule A but only to the extent that money is available for such payment pursuant to Section 8.02 and installments of Principal not paid when scheduled to be paid shall be paid upon receipt of money available for such purpose, in the order set forth in the applicable Expected Amortization Schedule. Failure to pay installments of Principal in accordance with the applicable Expected Amortization Schedule because money is not available to make such payments pursuant to Section 8.02 shall not constitute a Default or Event of Default under this Indenture. Notwithstanding the foregoing, the entire Outstanding principal amount of the Bonds of any Class shall be due and payable, if not previously paid, either: (i) on the Final Maturity Date therefor, (ii) on the date on which the Bonds of any Class have been declared immediately due and payable in accordance with Section 5.02 or (iii) on the Redemption Date, if any, therefor. The Trustee shall notify the Person in whose name a Bond is registered, and any other Person required under this Indenture, at the close of business on the Record Date preceding the



Payment Date on which the Issuer expects that the final installment of Principal of and Interest on such Bond will be paid. Such notice shall be mailed no later than 10 days prior to such final Payment Date and shall specify that such final installment of Principal will be payable only upon presentation and surrender of such Bond and shall specify the place where such Bond may be presented and surrendered for payment of such installment. Notices in connection with redemptions of Bonds also shall be mailed to Bondholders as provided in Section 10.03.

(c) If the Issuer defaults in a payment of interest on the Bonds when due, the Issuer shall pay such defaulted interest to the Persons who are Bondholders [or Swap Counterparties] on a special record date, which date shall be at least five (5) Business Days prior to the payment date established for the payment of such defaulted interest (the "Special Payment Date"). The Issuer shall fix or cause to be fixed any such special record date and Special Payment Date, and, at least 15 days before any such special record date, the Issuer shall mail to each affected Bondholder [or Swap Counterparties] a notice that states the special record date, the Special Payment Date and the amount of defaulted interest to be paid.

(d) For each Class of Bonds:

(i) Interest shall be computed on the basis of a 360-day year of twelve 30-day months.

(ii) On the initial Payment Date, interest will be payable in an amount equal to the number of days from and including the Series Issuance Date to, but excluding, the initial Payment Date, divided by 360, times the product of the Interest Rate and the initial principal amount of such Class.

(iii) On each Payment Date after the initial Payment Date, interest will be payable in an amount equal to the number of days from and including the preceding Payment Date to, but excluding, the current Payment Date, divided by 360, times the product of the Interest Rate and the Outstanding Amount of the Class as of the close of business on the preceding Payment Date after giving effect to all payments of principal on such preceding Payment Date.

(iv) The Issuer shall pay interest on overdue installments of interest at the applicable Interest Rate to the extent lawful.

[Variable Rate Bond computation for any Class may differ].

Section 2.09 Cancellation. All Bonds surrendered for payment, registration of transfer, exchange or redemption shall, if surrendered to any Person other than the Trustee, be delivered to the Trustee and shall be promptly canceled by the Trustee. The Issuer may at any time deliver to the Trustee for cancellation any Bonds previously authenticated and delivered hereunder which the Issuer may have acquired in any manner, and all Bonds so delivered shall be promptly canceled by the Trustee. No Bonds shall be authenticated in lieu of or in exchange for any Bonds canceled as provided in this Section 2.09 except as expressly permitted by this Indenture. All canceled Bonds may be held or disposed of by the Trustee in accordance with its standard retention or disposal policy as in effect at the time unless the Issuer shall timely direct by an

Issuer Order that they be destroyed or returned to it; provided, that such Issuer Order is timely and the Bonds have not been previously disposed of by the Trustee.

Section 2.10 Conditions to the Authentication and Delivery of Bonds.

(a) The Bonds shall be executed by a Manager on behalf of the Issuer and delivered to the Trustee for authentication and thereupon the same shall be authenticated and delivered by the Trustee and upon delivery by the Issuer, at the Issuer's expense, to the Trustee of the following:

(i) An Issuer Order authorizing and directing the authentication and delivery of the Bonds by the Trustee and specifying the principal amount of the Bonds, as set forth in Section 2.03.

(ii) A certified resolution of the Managers authorizing the execution and delivery of the Bonds applied for and the execution, authentication and delivery of such Bonds.

(iii) An Issuer Officer's Certificate dated as of the Closing Date, stating:

(1) that no Default has occurred and is continuing under this Indenture and that the issuance of the Bonds being issued will not result in any Default;

(2) that the Issuer has not assigned any interest or participation in the Collateral except for the Grant contained in this Indenture; that the Issuer has the power and authority to Grant the Collateral to the Trustee as security hereunder; and that the Issuer, subject to the terms of this Indenture, has Granted to the Trustee a perfected security interest in all right, title and interest in, to and under the Collateral free and clear of any Lien, except the Lien of this Indenture;

(3) that the Issuer has appointed the firm of independent certified public accountants as contemplated in Section 8.05;

(4) that attached thereto are duly executed, true and complete copies of the Sale Agreement, the Bill of Sale and the Servicing Agreement;

(5) that all financing statements with respect to the Collateral which are required to be filed under the Delaware UCC or the uniform commercial code of any other jurisdiction by the terms of the Sale Agreement, the Servicing Agreement or this Indenture have been filed as required; and

(6) that all conditions precedent provided in this Indenture relating to the authentication and delivery of the Bonds have been complied with.

(iv) an Officer's Certificate from the Seller, dated as of the Closing Date, to the effect that, (1) the Sale Agreement is a valid and binding agreement of the Seller, enforceable against the Seller in accordance with its terms except as such enforceability may be subject to bankruptcy, insolvency, reorganization and other similar laws affecting

the rights of creditors generally and general principles of equity (regardless of whether such enforcement is considered in a proceeding in equity or at law); and (2) the representations and warranties made by the Seller are true and correct as of the Closing Date;

(v) an Officer's Certificate of the Servicer, dated as of the Closing Date, to the effect that (1) the Servicing Agreement is a valid and binding agreement of the Servicer, enforceable against the Servicer in accordance with its terms except as such enforceability may be subject to bankruptcy, insolvency, reorganization and other similar laws affecting the rights of creditors generally and general principles of equity (regardless of whether such enforcement is considered in a proceeding in equity or at law); and (2) no Servicer Default exists and no Event of Default or an event that with the passage of time or the giving of notice or both will become an Event of Default has occurred and is continuing; and

(vi) if any other Storm-Recovery Bonds of the Issuer are outstanding, evidence reasonably satisfactory to the Trustee that the Rating Agency Condition will be satisfied.

**Section 2.11 Book-Entry Bonds.** The Bonds, upon original issuance, will be issued in the form of a typewritten Bond or Bonds representing the Book-Entry Bonds, to be delivered to The Depository Trust Company, the initial Clearing Agency, by, or on behalf of, the Issuer pursuant to the DTC Agreement. Such Bond shall initially be registered on the Bond Register in the name of Cede & Co., the nominee of the initial Clearing Agency, and no beneficial owner of an Bond will receive a definitive Bond representing such beneficial owner's interest in such Bond, except as provided in Section 2.13. Unless and until definitive, fully registered Bonds (the "Definitive Bonds") have been issued to Bondholders pursuant to Section 2.13:

(a) the provisions of this Section 2.11 shall be in full force and effect;

(b) the Issuer, the Registrar and the Trustee shall be entitled to deal with the Clearing Agency for all purposes of this Indenture (including the payment of Principal of and Interest on the Bonds and the giving of instructions or directions hereunder) as the sole Holder of the Bonds, and shall have no obligation to the beneficial owners of Bonds;

(c) to the extent that this Section 2.11 conflicts with any other provision of this Indenture, this Section shall control;

(d) the rights of beneficial owners of Bonds shall be exercised only through the Clearing Agency and shall be limited to those established by law and agreements between such beneficial owners of Bonds and the Clearing Agency or the Clearing Agency Participants; pursuant to the DTC Agreement, unless and until Definitive Bonds are issued pursuant to Section 2.13, the initial Clearing Agency will make book-entry transfers among the Clearing Agency Participants and receive and transmit payments of Principal of and Interest on the Bonds to such Clearing Agency Participants; and

(e) whenever this Indenture requires or permits actions to be taken based upon instructions or directions of Holders of Bonds evidencing a specified portion of the Outstanding Amount of the Bonds or a Class thereof, the Clearing Agency shall be deemed to represent such

portion only to the extent that it has received instructions to such effect from beneficial owners of Bonds and/or Clearing Agency Participants owning or representing, respectively, such required portion of the beneficial interest in the Bonds of such Class and has delivered such instructions to the Trustee.

Section 2.12 Notices to Clearing Agency. Whenever a notice or other communication to the Bondholders is required under this Indenture, unless and until Definitive Bonds shall have been issued pursuant to Section 2.13 the Trustee shall give all such notices and communications specified herein to be given to Bondholders to the Clearing Agency in accordance with the DTC Agreement, and shall have no obligation to the beneficial owners of Bonds.

Section 2.13 Definitive Bonds. (a) If (i) the Issuer or the Clearing Agency advises the Trustee in writing that the Clearing Agency is no longer willing or able to properly discharge its responsibilities as depository with respect to any Class of Bonds and the Issuer is unable to locate a qualified successor, (ii) the Issuer, at its option, advises the Trustee in writing that it elects to terminate the book-entry system through the Clearing Agency with respect to any Class of Bonds or (iii) after the occurrence of an Event of Default, owners of beneficial interests aggregating at least a majority of the Outstanding Amount of the Bonds of all Classes advise the Trustee through the Clearing Agency in writing that the continuation of a book-entry system through the Clearing Agency is no longer in the best interests of such owners, then the Clearing Agency shall notify its affected participants and the Trustee of the occurrence of any such event and of the availability of Definitive Bonds to affected participants requesting the same. Upon surrender to the Trustee of the typewritten Bond or Bonds representing the Book-Entry Bonds by the Clearing Agency, accompanied by registration instructions, a Manager on behalf of the Issuer shall execute and the Trustee shall authenticate the Definitive Bonds in accordance with the instructions of the Clearing Agency. None of the Issuer, the Registrar or the Trustee shall be liable for any delay in delivery of such instructions and may conclusively rely on, and shall be protected in relying on, such instructions. Upon the issuance of Definitive Bonds, the Trustee shall recognize the Holders of the Definitive Bonds as Bondholders.

(b) Definitive Bonds will be transferable and exchangeable at the offices of the Registrar. With respect to any transfer of such listed Bonds, the new Definitive Bonds registered in the names specified by the transferee and the original transferor shall be available at the offices of such transfer agent.

Section 2.14 Tax Treatment. The Issuer, by entering into this Indenture, and each Bondholder, by its acceptance of a Bond (and each Bond Owner by its acceptance of an interest in the applicable Book-Entry Bond) agree that the Bonds shall be treated as indebtedness for all purposes, including federal, state and local income, single business and franchise tax purposes.

Section 2.15 Authenticating Agents. The Trustee may appoint one or more Persons (each, an "Authenticating Agent") with power to act on its behalf and subject to its direction in the authentication of Bonds in connection with issuance, transfers and exchanges under Sections 2.02, 2.04, 2.05, 2.06 and as fully to all intents and purposes as though each such Authenticating Agent had been expressly authorized by those Sections to authenticate such Bonds. For all purposes of this Indenture, the authentication of Bonds by an Authenticating Agent pursuant to this Section shall be deemed to be the authentication of Bonds "by the Trustee."

Any Person into which any Authenticating Agent may be merged or converted or with which it may be consolidated, or any entity resulting from any merger, consolidation or conversion to which any Authenticating Agent shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of any Authenticating Agent, shall be the successor of such Authenticating Agent hereunder, without the execution or filing of any document or any further act on the part of the parties hereto or such Authenticating Agent or such successor corporation.

Any Authenticating Agent may at any time resign by giving written notice of resignation to the Trustee. The Trustee may at any time terminate the agency of any Authenticating Agent by giving written notice of termination to such Authenticating Agent. Upon receiving such notice of resignation or upon such a termination, the Trustee may appoint a successor Authenticating Agent.

The Administrator agrees to pay to each Authenticating Agent from time to time, reasonable compensation for its services. The provisions of Sections 2.09 and 6.04 shall be applicable to any Authenticating Agent.

### ARTICLE III

### COVENANTS

Section 3.01 Payment of Principal and Interest. The Issuer will duly and punctually pay the Principal of and Interest on the Bonds pursuant to the terms of the Bonds and this Indenture; accordingly, except on the Final Maturity Date or the Redemption Date for a Class of Bonds or upon the acceleration of the Bonds pursuant to Section 5.02, the Issuer shall only be obligated to pay the Principal of such Bonds on each Payment Date therefor to the extent money is available for such payment pursuant to Section 8.02. Amounts properly withheld under the Code by any Person from a payment to any Bondholder of Interest or Principal shall be considered as having been paid by the Issuer to such Bondholder for all purposes of this Indenture.

Section 3.02 Maintenance of Office or Agency. The Issuer will maintain in the Borough of Manhattan, The City of New York, an office or agency where Bonds may be surrendered for registration of transfer or exchange, and where notices and demands to or upon the Issuer in respect of the Bonds and this Indenture may be served. The Issuer hereby initially appoints the Trustee to serve as its agent for the foregoing purposes. The Issuer will give prompt written notice to the Seller and the Trustee of the location and identity, and of any change in the location or identity, of any such office or agency. If at any time the Issuer shall fail to maintain any such office or agency or shall fail to furnish the Trustee and each such agent with the address thereof, such surrenders, notices and demands may be made or served at the Corporate Trust Office, and the Issuer hereby appoints the Trustee as its agent to receive all such surrenders, notices and demands.

Section 3.03 Money for Payments to Be Held in Trust. (a) As provided in Section 8.02(a), all payments of Principal of and Interest on the Bonds that are to be made from amounts withdrawn from the Collection Account pursuant to Section 8.02(e) or Section 4.03 shall be made on behalf of the Issuer by the Trustee or by another Paying Agent, and no amounts so

withdrawn from the Collection Account for payments of Bonds shall be paid to the Issuer except as provided in this Section 3.03 and in Section 8.02.

(b) The Issuer shall cause each Paying Agent other than the Trustee to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee (and if the Trustee acts as Paying Agent, it hereby so agrees), subject to this Section 3.03, that such Paying Agent will:

(i) hold all sums held by it for the payment of Principal of or Interest on the Bonds in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided and pay such sums to such Persons as herein provided;

(ii) give the Trustee, the Commission, and the Rating Agencies notice of any Default by the Issuer (or any other obligor upon the Bonds) of which the Paying Agent has actual knowledge in the making of any payment required to be made with respect to the Bonds;

(iii) at any time during the continuance of any such Default, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent;

(iv) immediately resign as a Paying Agent and forthwith pay to the Trustee all sums held by the Paying Agent in trust for the payment of Bonds if at any time the Paying Agent ceases to meet the standards required to be met by a Paying Agent at the time of its appointment; and

(v) comply with all requirements of the Code with respect to the withholding from any payments made by it on any Bonds of any applicable withholding taxes imposed thereon and with respect to any applicable reporting requirements in connection therewith.

(c) The Issuer may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, by Issuer Order direct any Paying Agent to pay to the Trustee all sums held in trust by such Paying Agent, such sums to be held by the Trustee upon the same trusts as those upon which the sums were held by such Paying Agent; and upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money.

(d) Subject to applicable laws with respect to abandoned property, any money held by the Trustee or any Paying Agent in trust for the payment of any amount of Principal of or Interest on any Bond and remaining unclaimed for two years after such amount has become due and payable shall be discharged from such trust and be paid to the Issuer; and the Holder of such Bond shall thereafter, as an unsecured general creditor, look only to the Issuer for payment thereof (but only to the extent of the amounts so paid to the Issuer), and all liability of the Trustee or such Paying Agent with respect to such trust money shall thereupon cease; provided, however, that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Issuer cause to be published once, in a newspaper

published in the English language, customarily published on each Business Day and of general circulation in The City of New York, notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such publication, any unclaimed balance of such money then remaining will be repaid to the Issuer. The Trustee may also adopt and employ, at the expense of the Issuer, any other reasonable means of notification of such repayment (including mailing notice of such repayment to Holders whose Bonds have been called but have not been surrendered for redemption or whose right to or interest in money due and payable but not claimed is determinable from the records of a Fiduciary, at the last address of record for each such Holder).

Section 3.04 Existence. Subject to Section 3.10, the Issuer shall keep in full effect its existence, rights and franchises as a limited liability company under the laws of the State of Delaware (unless it becomes, or any successor Issuer hereunder is or becomes, organized as a different legal entity or organized under the laws of any other state or of the United States, in which case the Issuer will keep in full effect its existence, rights and franchises as such entity or under the laws of such other jurisdiction) and will obtain and preserve its qualification to do business in each jurisdiction in which such qualification is or shall be necessary to protect the validity and enforceability of this Indenture, the Bonds, the Collateral and each other instrument or agreement included therein.

Section 3.05 Protection of Collateral. (a) The Issuer intends the security interest Granted pursuant to this Indenture in favor of the Trustee on behalf of the Bondholders and [and Swap Counterparty] to be prior to all other liens in respect of the Collateral, and the Issuer shall take all actions necessary to obtain and maintain, for the benefit of the Trustee on behalf of the Bondholders [and any Swap Counterparty], a first lien on and a first priority, perfected security interest in the Collateral. The Issuer shall from time to time execute and deliver all such supplements and amendments hereto and all such filings, financing statements, continuation statements, instruments of further assurance and other instruments, and shall take such other action, necessary or advisable to:

(i) maintain and preserve the Grants, Lien and first priority security interest (and the perfection thereof) of this Indenture or carry out more effectively the purposes hereof, including following any consolidation, merger or sale of the Issuer;

(ii) perfect, publish notice of or protect the validity of any Grant made or to be made by this Indenture;

(iii) enforce any of the Collateral, [including any Swap];

(iv) preserve and defend title to the Collateral and the rights of the Trustee and the Bondholders in the Collateral against the claims of all Persons and parties; or

(v) pay any and all taxes levied or assessed upon all or any part of the Collateral.

(b) The Issuer hereby authorizes the Trustee to act as its agent and attorney-in-fact to execute any filing with the Commission, financing statement, continuation statement or other instrument required by the Trustee pursuant to this Section 3.05.

Section 3.06 Opinions as to Collateral. (a) On or before \_\_\_\_\_ in each calendar year, while any Bonds are Outstanding, commencing \_\_\_\_\_, \_\_\_\_\_, the Issuer shall furnish to the Trustee an Issuer Opinion of Counsel either stating that, in the opinion of such counsel, such action has been taken with respect to the execution and filing pursuant to the Statute, the Florida UCC and the Delaware UCC of financing statements and continuation statements as is necessary to maintain the Lien and security interest created by this Indenture and reciting the details of such action or stating that in the opinion of such counsel, no such action is necessary to maintain such Lien and security interest. Such Issuer Opinion of Counsel shall also describe the execution and filing of any filings pursuant to the Delaware UCC of financing statements and continuation statements that will, in the opinion of such counsel, be required to maintain the perfection of the Lien and security interest of this Indenture until \_\_\_\_\_ in the following calendar year.

(b) Prior to the effectiveness of any amendment to the Sale Agreement or the Servicing Agreement, the Issuer shall furnish to the Trustee an Issuer Opinion of Counsel either (i) stating that, in the opinion of such counsel, all filings, including filings pursuant to the Statute and the Delaware UCC, as applicable, have been executed and filed that are necessary fully to preserve and protect the interest of the Issuer and the Trustee in the Series 2006 Storm-Recovery Property and the proceeds thereof, and reciting the details of such filings or referring to prior Opinions of Counsel in which such details are given, or (ii) stating that, in the opinion of such counsel, no such action shall be necessary to preserve and protect such interest.

Section 3.07 Performance of Obligations. (a) The Issuer (i) shall diligently pursue all actions to enforce its rights under the Collateral and (ii) shall not take any action and will use its best efforts not to permit any action to be taken by others that would release any Person from any of such Person's covenants or obligations under any Collateral instrument or agreement or that would result in the amendment, hypothecation, subordination, termination or discharge of, or impair the validity or effectiveness of, any such instrument or agreement, except, in each case, as expressly provided in the Basic Documents.

(b) The Issuer may contract with other Persons to assist it in performing its duties under this Indenture, and any performance of such duties by a Person identified to the Trustee in an Issuer Officer's Certificate shall be deemed to be action taken by the Issuer. Initially, the Issuer has contracted with the Administrator to assist the Issuer in performing its duties under this Indenture.

(c) The Issuer shall punctually perform and observe all of its obligations and agreements contained in the Collateral.

(d) The Issuer shall not waive timely performance or observance by the Seller of its respective duties or obligations under the Basic Documents if such waiver would reasonably be expected to materially adversely affect the Bondholders.

Section 3.08 Negative Covenants. The Issuer shall not:

(a) except as expressly permitted by this Indenture, the Sale Agreement, the Servicing Agreement, [any Swap] or any other Basic Document, sell, transfer, exchange or



otherwise dispose of any of the Collateral, unless directed to do so by the Trustee in accordance with Article V;

(b) claim any credit on, or make any deduction from the Principal or Interest payable in respect of, the Bonds (other than amounts properly withheld from such payments under the Code or other tax laws) or assert any claim against any present or former Bondholder by reason of the payment of taxes levied or assessed upon the Issuer or any part of the Collateral;

(c) (i) permit the validity or effectiveness of this Indenture to be impaired, or permit the Lien of this Indenture to be amended, hypothecated, subordinated, terminated or discharged, or permit any Person to be released from any covenants or obligations with respect to the Bonds under this Indenture except as may be expressly permitted hereby, (ii) permit any Lien (other than the Lien created by this Indenture) to be created on or extend to or otherwise arise upon or burden the Collateral or any part thereof, any interest therein or the proceeds thereof or (iii) permit the Lien of this Indenture not to constitute a continuing valid first priority security interest in the Collateral;

(d) dissolve or liquidate in whole or in part; or

(e) take any action which is the subject of a Rating Agency Condition without satisfying the Rating Agency Condition.

Section 3.09 Annual Statement as to Compliance. The Issuer will deliver to the Trustee and the Commission, within 120 days after the end of each fiscal year of the Issuer (commencing with the fiscal year 200 \_\_\_), an Issuer Officer's Certificate stating, as to the Manager signing such Issuer Officer's Certificate, that:

(a) a review of the activities of the Issuer during such fiscal year (or relevant portion thereof) and of performance under this Indenture has been made under such Manager's supervision; and

(b) to the best of such Manager's knowledge, based on such review, the Issuer has complied in all material respects with all conditions and covenants under this Indenture throughout such fiscal year (or relevant portion thereof), or, if there has been a default in complying with any such condition or covenant, describing each such default and the nature and status thereof.

Section 3.10 Issuer May Consolidate, etc., Only on Certain Terms. (a) The Issuer shall not consolidate or merge with or into any other Person, unless:

(i) the Person (if other than the Issuer) formed by or surviving such consolidation or merger or to whom substantially all of such assets are sold shall be a Person organized and existing under the laws of the United States or any state and shall expressly assume by an indenture supplemental hereto, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, the due and punctual payment of the Principal of and Interest on all Bonds and the performance or observance of every agreement and covenant of this Indenture to be performed or observed by the issuer;

(ii) the Person (if other than the Issuer) formed by or surviving such consolidation or merger or to whom substantially all of such assets are sold shall expressly assume all obligations and succeed to all rights of the Issuer under the Sale Agreement, the Administration Agreement, the Servicing Agreement [and any Swap] pursuant to an assignment and assumption agreement executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee;

(iii) immediately after giving effect to such consolidation, merger or sale, no Default or Event of Default shall have occurred and be continuing;

(iv) the Rating Agency Condition shall have been satisfied with respect to such consolidation or merger or sale;

(v) the Issuer shall have received an Issuer Opinion of Counsel (and shall have delivered and addressed copies thereof to the Trustee) to the effect that such consolidation, merger or sale (i) will not have any material adverse tax consequence to the Issuer or any Bondholder, (ii) complies with this Indenture and all of the conditions precedent herein relating to such transaction and (iii) will result in the Trustee maintaining a continuing valid perfected security interest in the Collateral;

(vi) neither the Series 2006 Storm-Recovery Property, the Financing Order, nor the rights of the Seller, the Servicer or the Issuer under the Statute, the Financing Order, shall be impaired thereby;

(vii) any action as is necessary to maintain the Lien created by this Indenture shall have been taken; and

(viii) the Issuer shall have delivered to the Indenture Trustee an Officer's Certificate and an Opinion of Counsel each stating that such consolidation or merger and such supplemental indenture comply with this Article and that all conditions precedent provided for in this Indenture relating to such transaction have been complied with (including any filing required by the Exchange Act).

(b) Other than as specifically contemplated by the Basic Documents or any Additional Basic Documents, the Issuer shall not convey or transfer all or substantially all of its properties or assets, including those included in the Collateral, to any other Person, unless:

(i) the Person that acquires by conveyance or transfer the properties or assets of the Issuer shall (A) be a United States citizen or a Person organized and existing under the laws of the United States or any state, (B) expressly assume, by an indenture supplemental hereto, executed and delivered to the Trustee, in form satisfactory to the Trustee, the due and punctual payment of the principal of and interest on all Bonds and the performance or observance of every agreement and covenant of this Indenture and each other Basic Document or Additional Basic Document on the part of the Issuer to be performed or observed, all as provided herein, (C) expressly agree by means of such supplemental indenture that all right, title and interest so conveyed or transferred shall be subject and subordinate to the rights of Bondholders, (D) unless otherwise provided in such supplemental indenture, expressly agree to indemnify, defend and hold harmless the

Issuer against and from any loss, liability or expense arising under or related to this Indenture and the Bonds and (E) expressly agree by means of such supplemental indenture that such Person (or if a group of Persons, then one specified Person) shall make all filings with the SEC (and any other appropriate Person) required by the Exchange Act in connection with the Bonds;

(ii) immediately after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing;

(iii) the Rating Agency Condition shall have been satisfied with respect to such transaction;

(iv) the Issuer shall have received an Opinion of Counsel (and shall have delivered copies thereof to Gulf Power and the Trustee) to the effect that such transaction will not have any material adverse federal tax consequence to the Issuer or any Bondholder;

(v) any action that is necessary to maintain the Lien created by this Indenture shall have been taken; and

(vi) the Issuer shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel each stating that such conveyance or transfer and such supplemental indenture comply with this Article and that all conditions precedent provided for in this Indenture relating to such transaction have been complied with (including any filing required by the Exchange Act).

Section 3.11 Successor or Transferee. (a) Upon any consolidation or merger of the Issuer in accordance with Section 3.10 the Person formed by or surviving such consolidation or merger (if other than the Issuer) shall succeed to, and be substituted for, and may exercise every right and power of, the Issuer under this Indenture with the same effect as if such Person had been named as the Issuer herein.

(b) Upon any sale by the Issuer of substantially all of its assets in a sale which complies with Section 3.10, the Issuer will be released from every covenant and agreement of this Indenture to be observed or performed on the part of the Issuer with respect to the Bonds and from every covenant and agreement of the Sale Agreement, the Administration Agreement, the Servicing Agreement [and any Swap] to be observed or performed by the Issuer.

Section 3.12 No Other Business. The Issuer shall not engage in any business other than (a) purchasing and owning Storm-Recovery Property, issuing Storm-Recovery Bonds, pledging its interest in the Collateral to the Trustee under this Indenture in order to secure the Bonds, pledging its interest in Subsequent Storm-Recovery Property and other collateral to the trustee under any Additional Indenture in order to secure any Additional Bonds, entering into the Basic Documents relating to the Bonds and any Additional Basic Documents in connection with any Additional Bonds and performing its obligations thereunder and performing activities that are necessary, suitable or convenient to accomplish these purposes or are incidental thereto and (b) as contemplated by the Basic Documents and any Additional Basic Documents.

Section 3.13 No Borrowing. The Issuer shall not issue, incur, assume, guarantee or otherwise become liable, directly or indirectly, for any indebtedness except for the Bonds and any other indebtedness contemplated by the Basic Documents and any Additional Basic Documents.

Section 3.14 Guarantees, Loans, Advances and Other Liabilities. Except as contemplated by the Basic Documents and any Additional Basic Documents, Issuer shall not make any loan or advance or credit to, or guarantee (directly or indirectly or by an instrument having the effect of assuring another's payment or performance on any obligation or capability of so doing or otherwise), endorse or otherwise become contingently liable, directly or indirectly, in connection with the obligations, stocks or dividends of, or own, purchase, repurchase or acquire (or agree contingently to do so) any stock, obligations, assets or securities of, or any other interest in, or make any capital contribution to, any other Person, other than any Eligible Investments.

Section 3.15 Capital Expenditures. The Issuer shall not make any expenditure (by long-term or operating lease or otherwise) for capital assets (either realty or personalty) other than the Storm-Recovery Property and an office lease in compliance with the Issuer LLC Agreement.

Section 3.16 Restricted Payments. The Issuer shall not, directly or indirectly, (a) pay any dividend or make any distribution (by reduction of capital or otherwise), whether in cash, property, securities or a combination thereof, to any owner of a beneficial interest in the Issuer or otherwise with respect to any ownership or equity interest in, or ownership security of, the Issuer, (b) redeem, purchase, retire or otherwise acquire for value any such ownership or equity interest or security or (c) set aside or otherwise segregate any amounts for any such purpose; but if no Event of Default shall have occurred and be continuing or would otherwise result from such payment, the Issuer may make, or cause to be made, any such distributions to any owner of a beneficial interest in the Issuer or otherwise with respect to any ownership or equity interest or security in or of the Issuer using funds either distributed to the Issuer pursuant to Section 8.02(e) or which are not otherwise subject to the Lien of this Indenture, to the extent that such distributions would not cause the book value of the remaining equity in the Issuer to decline below [0.5%] of the original principal amount of the Bonds which remain Outstanding. The Issuer will not, directly or indirectly, make payments to or distributions from the Collection Account except in accordance with this Indenture and the Basic Documents and any Additional Basic Documents.

Section 3.17 Notice of Events of Default. The Issuer agrees to deliver to the Trustee, the Commission, the Rating Agencies written notice in the form of an Issuer Officer's Certificate of any Default or Event of Default hereunder or under any of the Basic Documents, its status and what action the Issuer is taking or proposes to take with respect thereto within five Business Days after the occurrence thereof.

Section 3.18 Inspection. The Issuer agrees that, on reasonable prior notice, it will permit any representative of the Trustee and any representative of the Commission, during the Issuer's normal business hours, to examine all the books of account, records, reports and other papers of the Issuer, to make copies and extracts therefrom, to cause such books to be audited

annually by Independent certified public accountants, and to discuss the Issuer's affairs, finances and accounts with the Issuer's officers, employees and Independent certified public accountants, all at such reasonable times and as often as may be reasonably requested. The Trustee and the Commission shall and shall cause its representatives to hold in confidence all such information except to the extent disclosure may be required by law (and all reasonable applications for confidential treatment are unavailing) and except to the extent that the Trustee may reasonably determine that such disclosure is consistent with its obligations hereunder.

Section 3.19 Sale Agreement, Administration Agreement and Servicing Agreement and Swap. (a) The Issuer agrees to take all such lawful actions to enforce its rights under the Sale Agreement, the Administration Agreement and the Servicing Agreement and to compel or secure the performance and observance in all material respects by the Seller, the Administrator and the Servicer of each of their obligations to the Issuer under or in connection with the Sale Agreement, the Administration Agreement and the Servicing Agreement, respectively, in accordance with the terms thereof. So long as no Event of Default occurs and is continuing, but subject to Section 3.19(f), the Issuer may exercise any and all rights, remedies, powers and privileges lawfully available to the Issuer under or in connection with the Sale Agreement, the Administration Agreement and the Servicing Agreement.

(b) If an Event of Default occurs and is continuing, the Trustee may, and, at the direction (which direction shall be in writing or by telephone (confirmed in writing promptly thereafter)) of the Holders of a majority of the Outstanding Amount of the Bonds shall, exercise all rights, remedies, powers, privileges and claims of the Issuer against the Seller, the Administrator or the Servicer under or in connection with the Sale Agreement, the Administration Agreement and the Servicing Agreement, respectively, including the right or power to take any action to compel or secure performance or observance by the Seller, the Administrator or the Servicer of each of their obligations to the Issuer thereunder and to give any consent, request, notice, direction, approval, extension or waiver under the Sale Agreement, the Administration Agreement and the Servicing Agreement, and any right of the Issuer to take such action shall be suspended.

(c) So long as the Rating Agency Condition is satisfied in connection therewith, the Trustee shall consent to the amendment of the Sale Agreement, the Administration Agreement and the Servicing Agreement, at any time and from time to time, without the consent of the Bondholders. However, such amendment may not adversely affect in any material respect the interest of any Bondholder without the consent of the Holders of 66 2/3% of the Outstanding Amount of the Bonds of each Class materially and adversely affected thereby.

(d) If the Issuer, the Seller or the Servicer proposes to amend, modify, waive, supplement, terminate or surrender, or agree to any amendment, modification, waiver, supplement, termination, or surrender of, the terms of the Sale Agreement, the Administration Agreement or the Servicing Agreement, or to waive timely performance or observance thereunder by the Seller, the Administrator or the Servicer, respectively, in each case in such a way as would materially and adversely affect the interests of any Bondholders, the Issuer shall first notify the Rating Agencies of the proposed amendment, modification, waiver, supplement, termination or surrender. Upon receiving notification regarding whether the Rating Agency

Condition has been satisfied, the Issuer shall notify the Trustee, and the Trustee shall notify the Bondholders, of the proposal and whether the Rating Agency Condition has been satisfied.

With respect to any such proposed action the Trustee shall consent to such proposed action only (i) upon satisfaction of the Rating Agency Condition and (ii) if any Class of Bondholders is materially and adversely affected thereby, with the consent of the Holders of a majority of the Outstanding Amount of the Bonds of each such Class; provided, however, that the Trustee will consent to any amendment to the Sale Agreement or the Servicing Agreement, provided that the process of the Commission to approve or allow amendments to the Sale Agreement, pursuant to Section 6.01(b) thereof, or to the Servicing Agreement, pursuant to Section 8.01(b) thereof, respectively, has been satisfied.

(e) If the Issuer or the Servicer proposes to amend, modify, waive, supplement, terminate or surrender in any material respect, or to agree to any material amendment, modification, waiver, supplement, termination or surrender of, the process relating to Periodic Adjustments, the Issuer shall notify the Trustee and the Trustee shall notify Bondholders of such proposal and the Trustee shall consent thereto only with the consent of the Holders of a majority of the Outstanding Amount of the Bonds of each Class materially and adversely affected thereby and only if the Rating Agency Condition has been satisfied.

(f) Promptly following a Servicer Default by the Servicer under the Servicing Agreement or a material default which remains uncured after the expiration of any applicable cure period by the Seller under the Sale Agreement or the Administrator under the Administration Agreement, respectively, the Issuer agrees (at the Issuer's expense) to take all such lawful actions as the Trustee may request to compel or secure the performance and observance in all material respects by the Seller, the Administrator or the Servicer, as applicable, of each of their obligations to the Issuer under or in connection with the Sale Agreement, the Administration Agreement or the Servicing Agreement, as applicable, in accordance with the terms thereof, and to exercise any and all rights, remedies, powers and privileges lawfully available to the Issuer under or in connection with the Sale Agreement, the Administration Agreement or the Servicing Agreement, respectively, to the extent and in the manner directed by the Trustee, including the transmission of notices of default on the part of the Seller, the Administrator or the Servicer thereunder and the institution of legal or administrative actions or proceedings to compel or secure performance by the Seller, the Administrator or the Servicer of each of their respective obligations under the Sale Agreement, the Administration Agreement and the Servicing Agreement.

(g) If the Issuer shall have knowledge of the occurrence of a Servicer Default under the Servicing Agreement or a material default which remains uncured after the expiration of any applicable cure period by the Administrator under the Administration Agreement, the Issuer shall promptly give written notice thereof to the Trustee and the Rating Agencies, and shall specify in such notice the action, if any, the Issuer is taking with respect to such default or event.

(h) If a Servicer Default shall arise from the failure of the Servicer to perform any of its duties or obligations under the Servicing Agreement with respect to the Series 2006 Storm-Recovery Property or the Storm-Recovery Charge related thereto, the Issuer shall take all reasonable steps available to it to remedy such failure. The Issuer shall not take any action to

terminate the Servicer's rights and powers under the Servicing Agreement following a Servicer Default without the prior written consent of the Trustee and of the Holders of a majority of the Outstanding Amount of the Bonds.

(i) As promptly as possible after the giving of notice of termination to the Servicer and the Rating Agencies of the Servicer's rights and powers pursuant to Section 7.01 of the Servicing Agreement, the Trustee may, and at the direction of the Holders of not less than a majority of the Outstanding Amount of the Bonds shall, appoint a Successor Servicer, and such Successor Servicer shall accept its appointment by a written assumption in a form acceptable to the Issuer and the Trustee. A person shall qualify as a Successor Servicer only if such Person satisfies the requirements of Section 7.04 of the Servicing Agreement. If within 30 days after the delivery of the notice referred to above, a Successor Servicer shall not have been appointed and accepted its appointment as such, the Trustee may, and at the direction of the Holders of not less than a majority of the Outstanding Amount of the Bonds shall, petition the Commission or a court of competent jurisdiction to appoint a Successor Servicer. In connection with any such appointment, the Issuer may make such arrangements for the compensation of such Successor Servicer as it and such Successor Servicer shall agree, subject to the limitations set forth below and in the Servicing Agreement, and in accordance with Section 7.04 of the Servicing Agreement, the Issuer shall enter into an agreement with such Successor Servicer for the servicing of the Series 2006 Storm-Recovery Property (such agreement to be in form and substance reasonably satisfactory to the Trustee).

(j) Upon termination of the Servicer's rights and powers pursuant to the Servicing Agreement, the Trustee shall promptly notify the Issuer, the Bondholders and the Rating Agencies of such termination. As soon as a Successor Servicer is appointed, the Issuer shall notify the Trustee, the Bondholders and the Rating Agencies of such appointment, specifying in such notice the name and address of such Successor Servicer.

(k) [Add Swap and Swap Counterparty provisions as appropriate]

Section 3.20 Removal of Administrator. For as long as the Bonds are Outstanding, the Issuer shall not remove the Administrator without cause unless the Rating Agency Condition shall have been satisfied with respect to such removal.

Section 3.21 Further Instruments and Acts. Upon the request of the Trustee, the Issuer will execute and deliver such further instruments and do such further acts as may be reasonably requested or proper to carry out more effectively the purpose of this Indenture.

Section 3.22 Compliance with Laws. The Issuer shall comply with the requirements of all applicable laws, the non-compliance with which would, individually or in the aggregate, materially and adversely affect the ability of the Issuer to perform its obligations under the Bonds, this Indenture or any other Basic Document.

#### ARTICLE IV

#### SATISFACTION AND DISCHARGE; DEFEASANCE

Section 4.01 Satisfaction and Discharge of Indenture; Defeasance. (a) This Indenture shall cease to be of further effect with respect to the Bonds and the Trustee, on demand of and at the expense of the Issuer, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture with respect to the Bonds, when

(i) either

(A) all Bonds theretofore authenticated and delivered (other than (1) Bonds that have been destroyed, lost or stolen and that have been replaced or paid as provided in Section 2.06 and (2) Bonds for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Issuer and thereafter repaid to the Issuer or discharged from such trust, as provided in Section 3.03) have been delivered to the Trustee for cancellation; or

(B) the Expected Final Payment Date or Redemption Date has occurred with respect to all Bonds not theretofore delivered to the Trustee for cancellation, and the Issuer has irrevocably deposited or caused to be irrevocably deposited with the Trustee cash, in trust for such purpose, in an amount sufficient to pay and discharge the entire indebtedness on such Bonds not theretofore delivered to the Trustee on the Expected Final Payment Date or Redemption Date, as applicable, therefor;

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

(iii) the Issuer has delivered to the Trustee and to the Commission an Issuer Officer's Certificate, an Issuer Opinion of Counsel and (if required by the TIA or the Trustee) an Independent Certificate from a firm of certified public accountants, each meeting the applicable requirements of Section 11.01 and each stating that all conditions precedent to the satisfaction and discharge of this Indenture with respect to Bonds have been complied with.

(b) Subject to Sections 4.01(c) and 4.02, the Issuer at any time may terminate (i) all its obligations under this Indenture with respect to the Bonds ("Legal Defeasance Option") or (ii) its obligations under Sections 3.04, 3.05, 3.06 (other than with respect to amounts in the Defeasance Account), 3.07, 3.08, 3.09, 3.10, 3.12, 3.13, 3.14, 3.15, 3.16, 3.18, 3.19, 3.20, and 3.21 and the operation of Section 5.01(d) ("Covenant Defeasance Option"). The Issuer may exercise the Legal Defeasance Option notwithstanding its prior exercise of the Covenant Defeasance Option.

(c) If the Issuer exercises the Legal Defeasance Option, (i) the maturity of the Bonds may not be accelerated pursuant to Section 5.02 and (ii) except as provided in Section 4.02, the Bonds may not be redeemed. If the Issuer exercises the Covenant Defeasance Option, the maturity of the Bonds may not be accelerated because of an Event of Default specified in Section 5.01(d).

(d) Upon satisfaction of the conditions to the Legal Defeasance Option or the Covenant Defeasance Option, the Trustee, on demand of and at the expense of the Issuer, shall execute proper instruments acknowledging satisfaction and discharge of the terminated obligations.



(e) Notwithstanding Sections 4.01(a) and 4.01(b) above, (i) rights of registration of transfer and exchange, (ii) rights of substitution of mutilated, destroyed, lost or stolen Bonds, (iii) rights of Bondholders to receive payments of Principal and Interest, but only from the amounts deposited with the Trustee for such payments, (iv) Sections 4.03 and 4.04, (v) the rights, obligations and immunities of the Trustee hereunder (including the rights of the Trustee under Section 6.07 and the obligations of the Trustee under Section 4.03) and (vi) the rights of Bondholders under this Indenture with respect to the property deposited with the Trustee payable to all or any of them, shall survive until the Bonds as to which this Indenture or certain obligations hereunder have been satisfied and discharged pursuant to Section 4.01(a) or 4.01(b) and have been paid in full. Thereafter, the obligations in Sections 4.04 and 6.07 shall survive.

Section 4.02 Conditions to Defeasance. The Issuer may exercise the Legal Defeasance Option or the Covenant Defeasance Option only if:

(i) the Issuer irrevocably deposits or causes to be deposited in trust with the Trustee cash or U.S. Government Obligations for the payment of Principal of and Interest to the Payment Dates or Redemption Dates therefor, as applicable, such deposit to be made in the Defeasance Subaccount;

(ii) the Issuer delivers to the Trustee a certificate from a nationally recognized firm of Independent accountants expressing its opinion that the payments of principal and interest when due and without reinvestment on the deposited U.S. Government Obligations plus any deposited cash without investment will provide cash at such times and in such amounts (but, in the case of the Legal Defeasance Option only, not more than such amounts) as will be sufficient to pay in respect of the Bonds (A) either Principal in accordance with the Expected Amortization Schedule or, if the Bonds are to be redeemed, the Redemption Price on the Redemption Date, and (B) Interest when due;

(iii) no Default has occurred and is continuing on the day of such deposit and after giving effect thereto;

(iv) in the case of the Legal Defeasance Option, 95 days pass after the deposit is made and during such 95-day period no Default specified in Section 5.01(e) or 5.01(f) occurs which is continuing at the end of the period;

(v) in the case of the Legal Defeasance Option, the Issuer delivers to the Trustee an Issuer Opinion of Counsel stating that (A) the Issuer has received from, or there has been published by, the Internal Revenue Service a ruling, or (B) since the date of execution of this Indenture, there has been a change in the applicable federal income tax law, in either case to the effect that, and based thereon such opinion shall confirm that, the Holders will not recognize income, gain or loss for federal income tax purposes as a result of the exercise of such Legal Defeasance Option and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such legal defeasance had not occurred;

(vi) in the case of the Covenant Defeasance Option, the Issuer delivers to the Trustee an Issuer Opinion of Counsel to the effect that the Holders will not recognize

income, gain or loss for federal income tax purposes as a result of the exercise of such Covenant Defeasance Option and will be subject to federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such covenant defeasance had not occurred;

(vii) the Issuer delivers to the Trustee an Issuer Officer's Certificate and an Issuer Opinion of Counsel, each stating that all conditions precedent to the satisfaction and discharge of the Bonds to the extent contemplated by this Article IV have been complied with; and

(viii) with respect to any Bonds which are to be redeemed prior to the Expected Final Payment Date therefor, such Bonds shall have been irrevocably called or designated for redemption on a date thereafter on which such Bonds may be redeemed in accordance with this Indenture and proper notice of such redemption shall have been given in accordance with this Indenture or the Issuer shall have given the Trustee, in form reasonably satisfactory to the Trustee, irrevocable instructions to give, in the manner and at the times prescribed herein, notice of redemption of the Bonds.

Section 4.03 Application of Trust Money. All money or U.S. Government Obligations deposited with the Trustee pursuant to Sections 4.01 or 4.02 or with respect to the Bonds shall be held in trust in the Defeasance Subaccount and applied by it, in accordance with this Indenture, to the payment, either directly or through any Paying Agent, as the Trustee may determine, to the Holders of the particular Bonds for the payment or redemption of which such money or U.S. Government Obligations have been deposited with the Trustee, of all sums due and to become due thereon for Principal and Interest. Such money or U.S. Government Obligations shall be segregated and held apart solely for paying such Bonds and such Bonds shall not be entitled to any amounts on deposit in the Collection Account other than amounts on deposit in the Defeasance Subaccount.

Section 4.04 Repayment of Money Held by Paying Agent. In connection with the satisfaction and discharge of this Indenture or the Covenant Defeasance Option or Legal Defeasance Option, all money then held by any Paying Agent other than the Trustee under this Indenture shall, upon demand of the Issuer, be paid to the Trustee to be held and applied according to Section 3.03, and thereupon such Paying Agent shall be released from all further liability with respect to such money.

## ARTICLE V

### EVENTS OF DEFAULT; REMEDIES

Section 5.01 Events of Default. "Event of Default" wherever used herein, means any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) default in the payment of any Interest when the same becomes due and payable and the continuation of such default for five Business Days;

(b) default in the payment of the then unpaid Principal of any Bond of any Class on the Final Maturity Date therefor;

(c) default in the payment of the Redemption Price for any Bond on the Redemption Date therefor;

(d) default in the observance or performance of any material covenant or agreement of the Issuer made in this Indenture (other than a covenant or agreement, a default in the observance or performance of which is specifically dealt with in clause (a), (b) or (c) above), or any representation or warranty of the Issuer made in this Indenture or in any certificate or other writing delivered pursuant hereto or in connection herewith proving to have been incorrect in any material respect as of the time when made, and any such default or incorrect representation or warranty shall continue or not be cured for a period of 30 days after the earliest of the date (i) notice has been given to the Issuer by the Trustee, (ii) there shall have been given, by registered or certified mail, to the Issuer by the Trustee or to the Issuer and the Trustee by the Holders of at least 25% of the Outstanding Amount of the Bonds of the affected Class, a written notice specifying such default or incorrect representation or warranty and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder, or (iii) the Issuer has knowledge of the default;

(e) the filing of a decree or order for relief by a court having jurisdiction in the premises in respect of the Issuer or any substantial part of the Collateral in an involuntary case or proceeding under any applicable federal or state bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for the Issuer or for any substantial part of the Collateral, or ordering the winding-up or liquidation of the Issuer's affairs, and such decree or order shall remain unstayed and in effect for a period of 90 consecutive days;

(f) the commencement by the Issuer of a voluntary case or proceeding under any applicable federal or state bankruptcy, insolvency or other similar law now or hereafter in effect, or the consent by the Issuer to the entry of an order for relief in an involuntary case under any such law, or the consent by the Issuer to the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for the Issuer or for any substantial part of the Collateral, or the making by the Issuer of any assignment for the benefit of creditors, or the failure by the Issuer generally to pay its debts as such debts become due, or the taking of action by the Issuer in furtherance of any of the foregoing; or

(g) any act or failure to act by the State or any of its agencies (including the Commission), officers or employees that violates or is not in accordance with the State Pledge.

**Section 5.02 Acceleration of Maturity; Rescission and Annulment.** (a) If an Event of Default (other than an Event of Default under Section 5.01(g)) occurs and is continuing, then and in every such case either the Trustee or the Holders of a majority of the Outstanding Amount of the Bonds may, but need not, declare all the Bonds to be immediately due and payable, by a notice in writing to the Issuer (and to the Trustee and the Commission if given by Bondholders), and upon any such declaration the unpaid principal amount of the Bonds, together with accrued

and unpaid Interest thereon through the date of acceleration, shall become immediately due and payable.

(b) At any time after such declaration of acceleration of maturity has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee as provided in this Article V the Holders of a majority of the Outstanding Amount of the Bonds, by written notice to the Issuer, the Commission and the Trustee, may rescind and annul such declaration and its consequences, if:

(i) the Issuer has paid or deposited with the Trustee, for deposit in the General Subaccount of the Collection Account, a sum sufficient to pay:

(A) all payments of Principal of and Interest on all Bonds and all other amounts that would then be due hereunder or upon such Bonds if the Event of Default giving rise to such acceleration had not occurred; and

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

(ii) all Events of Default, other than the nonpayment of the Principal of the Bonds that has become due solely by such acceleration, have been cured or waived as provided in Section 5.12.

(c) No such rescission shall affect any subsequent Default or impair any right consequent thereto.

Section 5.03 Collection of Indebtedness and Suits for Enforcement by Trustee. (a) The Issuer covenants that if Default is made in the payment of (i) any Interest on any Bond when such Interest becomes due and payable and such Default continues for five Business Days, (ii) Default is made in the payment of the then unpaid Principal of any Bond on the Final Maturity Date therefor or (iii) Default is made in the payment of the Redemption Price or for any Bond on the Redemption Date therefor, the Issuer shall, upon demand of the Trustee, pay to it, for the benefit of the Holders, the whole amount then due and payable on such Bonds for Principal and Interest, with Interest upon the overdue Principal and, to the extent payment at such rate of Interest shall be legally enforceable, upon overdue installments of Interest, at the respective Interest Rate of the Bonds or the applicable Class of the Bonds and, in addition thereto, such amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee and its agents and counsel and other amounts due and owing to the Trustee pursuant to Section 6.07.

(b) In case the Issuer shall fail forthwith to pay the amounts specified in clause (a) above upon such demand, the Trustee, in its own name and as trustee of an express trust, may institute a Proceeding for the collection of the sums so due and unpaid, and may prosecute such Proceeding to judgment or final decree, and may enforce the same against the Issuer or other obligor upon such Bonds and collect in the manner provided by law out of the property of the Issuer or other obligor upon such Bonds, wherever situated, the money adjudged or decreed to be payable.

(c) If an Event of Default occurs and is continuing, the Trustee may, as more particularly provided in Section 5.04 in its discretion, proceed to protect and enforce its rights and the rights of the Bondholders, by such appropriate Proceedings as the Trustee shall deem most effective to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy or legal or equitable right vested in the Trustee by this Indenture or by law including foreclosing or otherwise enforcing the Lien on the Series 2006 Storm-Recovery Property securing the Bonds or applying to the Commission or a court of competent jurisdiction for sequestration of revenues arising from such Series 2006 Storm-Recovery Property.

(d) In case there shall be pending, relative to the Issuer or any other obligor upon the Bonds or any Person having or claiming an ownership interest in the Collateral, Proceedings under Title 11 of the United States Code or any other applicable federal or state bankruptcy, insolvency or other similar law, or in case a receiver, assignee or trustee in bankruptcy or reorganization, liquidator, sequestrator or similar official shall have been appointed for or taken possession of the Issuer or its property or such other obligor or Person, or in case of any other comparable judicial Proceedings relative to the Issuer or other obligor upon the Bonds, or to the creditors or property of the Issuer or such other obligor, the Trustee, irrespective of whether the Principal of any Bonds shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand pursuant to this Section 5.03 shall be entitled and empowered, by intervention in such Proceedings or otherwise:

(i) to file and prove a claim for the whole amount of Principal and Interest owing and unpaid in respect of the Bonds and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for reasonable compensation to the Trustee and each predecessor Trustee, and their agents, attorneys and counsel, and for reimbursement of all expenses and liabilities incurred, and all advances made, by the Trustee and each predecessor Trustee, except as a result of negligence or bad faith) and of the Bondholders allowed in such Proceedings;

(ii) unless prohibited by applicable law and regulations, to vote on behalf of the Holders of Bonds in any election of a trustee, a standby trustee or Person performing similar functions in any such Proceedings;

(iii) to collect and receive any money or other property payable or deliverable on any such claims and to distribute all amounts received with respect to the claims of the Bondholders and of the Trustee on their behalf; and

(iv) to file such proofs of claim and other documents as may be necessary or advisable in order to have the claims of the Trustee or the Holders allowed in any judicial proceedings relative to the Issuer, its creditors and its property;

and any trustee, receiver, liquidator, custodian or other similar official in any such Proceeding is hereby authorized by each of such Bondholders to make payments to the Trustee, and, in the event that the Trustee shall consent to the making of payments directly to such Bondholders, to pay to the Trustee such amounts as shall be sufficient to cover reasonable compensation to the

Trustee, each predecessor Trustee and their agents, attorneys and counsel, and all other expenses and liabilities incurred, and all advances made, by the Trustee and each predecessor Trustee except as a result of negligence or bad faith.

(e) Nothing herein shall be deemed to authorize the Trustee to authorize or consent to or vote for or accept or adopt on behalf of any Bondholder any plan of reorganization, arrangement, adjustment or composition affecting the Bonds or the rights of any Holder thereof or to authorize the Trustee to vote in respect of the claim of any Bondholder in any such proceeding except, as aforesaid, to vote for the election of a trustee in bankruptcy or similar Person.

(f) All rights of action and of asserting claims under this Indenture, or under any of the Bonds, may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other Proceedings, and any such action or proceedings instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment, subject to the payment of the expenses, disbursements and compensation of the Trustee, each predecessor Trustee and their agents and attorneys, shall be for the ratable benefit of the Holders of the Bonds.

(g) In any Proceedings brought by the Trustee (and also any Proceedings to which the Trustee shall be a party involving the interpretation of this Indenture), the Trustee shall be held to represent all the Holders of the Bonds, and it shall not be necessary to make any Bondholder a party to any such Proceedings.

**Section 5.04 Remedies.** (a) If an Event of Default (other than an Event of Default under Section 5.01(g)) occurs and is continuing, the Trustee may do one or more of the following (subject to Section 5.05):

(i) institute Proceedings in its own name and as trustee of an express trust for the collection of all amounts then payable on the Bonds or under this Indenture, whether by declaration or otherwise, enforce any judgment obtained, and collect from the Issuer and any other obligor upon such Bonds money adjudged due;

(ii) institute Proceedings from time to time for the complete or partial foreclosure of this Indenture with respect to the Collateral;

(iii) exercise any remedies of a secured party under the Delaware UCC or the Statute or any other applicable law and take any other appropriate action to protect and enforce the rights and remedies of the Trustee and the Holders;

(iv) sell the Collateral or any portion thereof or rights or interest therein, at one or more public or private sales called and conducted in any manner permitted by law; and

(v) exercise all rights, remedies, powers, privileges and claims of the Issuer against the Seller, the Administrator, the Servicer [or any Swap Counterparty] under or in connection with the Sale Agreement, the Administration Agreement or the Servicing Agreement, as provided in Section 3.19(b);

but the Trustee may not sell or otherwise liquidate any portion of the Collateral following an Event of Default, other than an Event of Default described in Section 5.01(a), 5.01(b) or 5.01(c), unless (A) the Holders of all of the Outstanding Amount of the Bonds consent thereto, (B) the proceeds of such sale or liquidation distributable to the Bondholders are sufficient to discharge in full all amounts then due and unpaid upon such Bonds for Principal and Interest, or (C) the Trustee determines that the Collateral will not continue to provide sufficient funds for all payments on the Bonds as they would have become due if the Bonds had not been declared due and payable and the Trustee obtains the consent of Holders of 66 2/3% of the Outstanding Amount of the Bonds. In determining such sufficiency or insufficiency with respect to clause (B) and (C), the Trustee may, but need not, obtain and rely upon an opinion of an Independent investment banking or accounting firm of national reputation as to the feasibility of such proposed action and as to the sufficiency of the Collateral for such purpose.

(b) If an Event of Default under Section 5.01(g) occurs and is continuing, the Trustee, for the benefit of the Holders, shall be entitled and empowered to the extent permitted by applicable law to institute or participate in Proceedings reasonably necessary to compel performance of or to enforce the State Pledge and to collect any monetary damages incurred by the Holders or the Trustee as a result of any such Event of Default, and may prosecute any such Proceeding to final judgment or decree. Such remedy shall be the only remedy that the Trustee may exercise if the only Event of Default that has occurred and is continuing is an Event of Default under Section 5.01(g).

Section 5.05 Optional Preservation of the Collateral. If the Bonds have been declared to be due and payable under Section 5.02 following an Event of Default and such declaration and its consequences have not been rescinded and annulled, the Trustee may, but need not, elect, as provided in Section 5.11(c) to maintain possession of the Collateral and not sell or liquidate the same and apply proceeds as if there had been no declaration of acceleration. It is the desire of the parties hereto and the Bondholders that there be at all times sufficient funds for the payment of Principal of and Interest on the Bonds, and the Trustee shall take such desire into account when determining whether or not to maintain possession of the Collateral or sell or liquidate the same. In determining whether to maintain possession of the Collateral or sell or liquidate the same, the Trustee may, but need not, obtain and rely upon an opinion of an Independent investment banking or accounting firm of national reputation as to the feasibility of such proposed action and as to the sufficiency of the Collateral for such purpose.

Section 5.06 Limitation of Proceedings. (a) No Holder of any Bond shall have any right to institute any Proceeding, judicial or otherwise, or to avail itself of any remedies provided in the Statute, with respect to this Indenture, or for the appointment of a receiver Or trustee, or for any other remedy hereunder, unless:

(i) such Holder has previously given written notice to the Trustee of a continuing Event of Default;

(ii) the Holders of not less than 25% of the Outstanding Amount of the Bonds have made written request to the Trustee to institute such Proceeding in respect of such Event of Default in its own name as Trustee hereunder;

(iii) such Holder or Holders have offered to the Trustee security or indemnity reasonably satisfactory to the Trustee against the costs, expenses and liabilities to be incurred in complying with such request;

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

(v) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of a majority of the Outstanding Amount of the Bonds;

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

(b) In the event the Trustee shall receive conflicting or inconsistent requests and indemnity from two or more groups of Holders, each representing less than a majority of the Outstanding Amount of the Bonds, the Trustee in its sole discretion may determine what action, if any, shall be taken, notwithstanding any other provisions of this Indenture.

**Section 5.07 Unconditional Rights of Bondholders To Receive Principal and Interest.** Notwithstanding any other provisions in this Indenture, the Holder of any Bond shall have the right, which is absolute and unconditional, and shall not be impaired without the consent of each such Holder, (a) to receive payment of (i) the Interest, if any, on such Bond on the due dates thereof expressed in such Bond or in this Indenture, (ii) the unpaid Principal, if any, of such Bonds on the Final Maturity Date therefor or (iii) in the case of redemption, receive payment of the unpaid Principal, if any, and Interest, if any, on such Bond on the Redemption Date and (b) to institute suit for the enforcement of any such payment; and such right shall not be impaired without the consent of such Holder.

**Section 5.08 Restoration of Rights and Remedies.** If the Trustee or any Bondholder has instituted any Proceeding to enforce any right or remedy under this Indenture and such Proceeding has been discontinued or abandoned for any reason or has been determined adversely to the Trustee or to such Bondholder, then and in every such case the Issuer, the Trustee and the Bondholders shall, subject to any determination in such Proceeding, be restored severally and respectively to their former positions, and thereafter all rights and remedies of the Trustee and the Bondholders shall continue as though no such Proceeding had been instituted.

**Section 5.09 Rights and Remedies Cumulative.** No right or remedy herein conferred upon or reserved to the Trustee or to the Bondholders is exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.



Section 5.10 Delay or Omission Not a Waiver. No delay or omission of the Trustee or any Bondholder to exercise any right or remedy accruing upon any Default or Event of Default shall impair any such right or remedy or constitute a waiver of any such Default or Event of Default or an acquiescence therein. Every right and remedy given by this Article V or by law to the Trustee or to the Bondholders may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Bondholders, as the case may be.

Section 5.11 Control by Bondholders. The Holders of a majority of the Outstanding Amount of the Bonds (or, if less than all Classes are affected, the affected Classes) shall have the right to direct the time, method and place of conducting any Proceeding for any remedy available to the Trustee with respect to the Bonds of such Classes or exercising any trust or power conferred on the Trustee with respect to such Classes; but:

- (a) such direction shall not be in conflict with any rule of law or with this Indenture;
- (b) subject to Section 5.04 any direction to the Trustee to sell or liquidate the Collateral shall be by the Holders of Bonds representing all of the Outstanding Amount of the Bonds;
- (c) if the conditions set forth in Section 5.05 have been satisfied and the Trustee elects to retain the Collateral pursuant to such Section and not to sell or liquidate the same, then any direction to the Trustee by Holders of Bonds representing less than all of the Outstanding Amount of the Bonds to sell or liquidate the Collateral shall be of no force and effect;
- (d) the Trustee may take any other action deemed proper by the Trustee that is not inconsistent with such direction;
- (e) subject to Section 6.01, the Trustee need not take any action that it determines might involve it in liability for which it reasonably believes it will not be adequately indemnified against the costs, expenses and liabilities which might be incurred by it in complying with this request; and
- (f) the Trustee need not take any action that it determines might materially and adversely affect the rights of any Bondholders not consenting to such action.

Section 5.12 Waiver of Past Defaults. Prior to the declaration of the acceleration of the maturity of the Bonds as provided in Section 5.02, the Holders of a majority of the Outstanding Amount of the Bonds, with the written consent of the Commission, may waive any past Default or Event of Default and its consequences except a Default (a) in payment of Principal of or Interest on any of the Bonds or (b) in respect of a covenant or provision hereof which cannot be modified or amended without the consent of the Holder of each Bond of all Classes affected. In the case of any such waiver, the Issuer, the Trustee and the Holders of the Bonds shall be restored to their former positions and rights hereunder; such Default shall cease to exist and be deemed to have been cured and not to have occurred, and any Event of Default arising therefrom shall be deemed to have been cured and not to have occurred, for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other Default or Event of Default or impair any right consequent thereto.

Section 5.13 Undertaking for Costs. All parties to this Indenture agree, and each Bondholder and Bond Owner, by accepting a Bond or a beneficial interest therein, shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken, suffered or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but this Section 5.13 shall not apply to any suit instituted by (a) the Trustee, (b) any Bondholder, or group of Bondholders, in each case holding in the aggregate more than 10% of the Outstanding Amount of the Bonds or (c) any Bondholder for the enforcement of the payment of (i) Interest on any Bond on or after the due dates expressed in such Bond and in this Indenture, (ii) the unpaid Principal, if any, of any Bond on or after the Final Maturity Date therefor or (iii) in the case of redemption, the unpaid Principal of and Interest on any Bond on or after the Redemption Date therefor.

Section 5.14 Waiver of Stay or Extension Laws. The Issuer covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead or in any manner whatsoever, claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, that may affect the covenants or the performance of this Indenture; and the Issuer (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

Section 5.15 Action on Bonds. The Trustee's right to seek and recover judgment on the Bonds or under this Indenture shall not be affected by the seeking, obtaining or application of any other relief under or with respect to this Indenture. Neither the Lien of this Indenture nor any rights or remedies of the Trustee or the Bondholders shall be impaired by the recovery of any judgment by the Trustee against the Issuer or by the levy of any execution under such judgment upon any portion of the Collateral or upon any of the assets of the Issuer.

## ARTICLE VI

### THE TRUSTEE

Section 6.01 Duties and Liabilities of Trustee. (a) If an Event of Default has occurred and is continuing, the Trustee shall exercise the rights and powers vested in it by this Indenture and use the same degree of care and skill in their exercise as a prudent Person would exercise or use under the circumstances in the conduct of such Person's own affairs.

(b) Except during the continuance of an Event of Default:

(i) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(ii) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; provided, however that the Trustee shall examine the certificates and opinions to determine whether or not they conform to the requirements of the Indenture.

(c) The Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

(i) this clause (c) does not limit the effect of clause (b) of this Section 6.01;

(ii) the Trustee shall not be liable for any error of judgment made in good faith by an Authorized Officer unless it is proved that the Trustee was negligent in ascertaining the pertinent facts; and

(iii) the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 5.11.

(d) Every provision of this Indenture that in any way relates to the Trustee is subject to clauses (a) and (b) of this Section 6.01.

(e) The Trustee shall not be liable for interest on any money received by it except as provided in this Indenture or as the Trustee may agree in writing with the Issuer.

(f) Money held in trust by the Trustee need not be segregated from other funds held by the Trustee except to the extent required by law or this Indenture, the Sale Agreement, the Servicing Agreement [or any Swap].

(g) No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur financial liability in the performance of any of its duties hereunder or in the exercise of any of its rights or powers, if it shall have reasonable grounds to believe that repayments of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(h) Every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section 6.01.

(i) Under no circumstances shall the Trustee be liable for any indebtedness of the Issuer, the Servicer or the Seller evidenced by or arising under the Bonds or any Basic Document.

Section 6.02 Rights of Trustee. (a) The Trustee may rely on any document believed by it to be genuine and to have been signed or presented by the proper Person. The Trustee need not investigate any fact or matter stated in the document.

(b) Before the Trustee acts or refrains from acting, it may require an Issuer Officer's Certificate or an Issuer Opinion of Counsel. The Trustee shall not be liable for any action it

takes or omits to take in good faith in reliance on an Issuer Officer's Certificate or an Issuer Opinion of Counsel.

(c) The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys or a custodian or nominee, and the Trustee shall not be responsible for any misconduct or negligence on the part of, or for the supervision of, any such agent attorney, custodian, or nominee appointed with due care by it thereunder.

(d) The Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers, and which does not constitute willful misconduct, negligence or bad faith.

(e) The Trustee may consult with counsel, and the advice or opinion of counsel with respect to legal matters relating to this Indenture and the Bonds shall be full and complete authorization and protection from liability in respect to any action taken, omitted or suffered by it hereunder in good faith and in accordance with the advice or opinion of such counsel.

Section 6.03 Individual Rights of Fiduciaries. Subject (as to the Trustee) to Sections 6.11 and 6.12, each Fiduciary in its individual or any other capacity may become the owner or pledgee of Bonds and may otherwise deal with the Issuer or its Affiliates with the same rights it would have if it were not a Fiduciary.

Section 6.04 Trustee's Disclaimer. The Trustee shall not be responsible for and makes no representation as to the validity or adequacy of this Indenture or the Bonds. The Trustee shall not be accountable for the Issuer's use of the proceeds from the Bonds, and the Trustee shall not be responsible for any statement of the Issuer in this Indenture or in any document issued in connection with the sale of the Bonds or in the Bonds other than the Trustee's certificate of authentication. The Trustee shall not be responsible for the form, character, genuineness, sufficiency, value or validity of any of the Collateral, or for or in respect of the validity or sufficiency of the Bonds (other than the certificate of authentication for the Bonds) or the Basic Documents and the Trustee shall in no event assume or incur any liability, duty or obligation to any Holder, other than as expressly provided for in this Indenture. The Trustee shall not be liable for the default or misconduct of the Issuer, the Seller, the Servicer, [and Swap Counterparty] or the Member or any Manager of the Issuer under any Basic Document or otherwise, and the Trustee shall have no obligation or liability to perform the obligations of the Issuer.

Section 6.05 Notice of Defaults. If a Default occurs and is continuing and is known to an Authorized Officer of the Trustee, the Trustee shall mail to each Rating Agency, to the Commission and to each Holder of Bonds notice of the Default within 90 days after it occurs. Except in the case of a Default in payment of Principal of or Interest on any Bond, the Trustee may withhold the notice if and so long as a committee of its Authorized Officers in good faith determines that withholding the notice is in the interests of Bondholders.

Section 6.06 Reports by Trustee to Holders. (a) So long as Bonds are Outstanding and the Trustee is the Bond Registrar and Paying Agent, within the prescribed period of time for tax

reporting purposes after the end of each calendar year, the Trustee shall mail to each relevant current or former Holder a statement concerning certain information in its possession for the purposes of the Holder's preparation of its federal and state income tax returns.

(b) On or prior to each Payment Date or Special Payment Date therefor, the Trustee will deliver to each Holder of Bonds as of the Record Date for such Payment Date or Special Payment Date and the Commission a statement as provided and prepared by the Servicer which will include (to the extent applicable) the following information as to the Bonds with respect to such Payment Date, Special Payment Date or the period since the previous Payment Date, as applicable:

(i) the amount paid to Holders in respect of principal, such amount to be expressed as a dollar amount per thousands of dollars of original principal amount thereof;

(ii) the amount paid to Holders in respect of interest, such amount to be expressed as a dollar amount per thousands of dollars of original principal amount thereof;

(iii) the aggregate Outstanding Amount of the Bonds, after giving effect to payments to be made in respect of principal reported under (i) above;

(iv) the difference, if any, between the amount specified in subsection (iii) above and the principal amount scheduled to be outstanding on that Payment Date according to the Expected Amortization Schedule;

(v) the amount, if any, on deposit in the Capital Subaccount as of such Payment Date, after giving effect to payments to be made on such Payment Date and the Required Capital Amount;

(vi) the amount, if any, on deposit in the Reserve Subaccount as of such Payment Date, after giving effect to payments to be made on such Payment Date;

(vii) [the amount to be paid to any Swap Counterparty on such Payment Date as and to the extent provided in any Swap;]

(viii) the amount paid or to be paid to the Trustee since the preceding Payment Date, after giving effect to the payments to be made on such Payment Date;

(ix) the amount paid or to be paid to the Servicer since the preceding Payment Date, after giving effect to the payments to be made on such Payment Date; and

(x) any other transfers and payments made pursuant to this Indenture, after giving effect to the payments to be made on such Payment Date.

(c) The Issuer shall send a copy of each of the Certificate of Compliance delivered to it pursuant to Section 3.04 of the Servicing Agreement with respect to the Series 2006 Storm-Recovery Property and the Annual Accountant's Report delivered to it pursuant to Section 3.05

of the Servicing Agreement with respect to the Series 2006 Storm-Recovery Property to the Rating Agencies and the Commission. A copy of such certificate and report may be obtained by any Bondholder by a request in writing to the Trustee.

Section 6.07 Compensation and Indemnity. (a) The Issuer shall pay to the Trustee from time to time reasonable compensation for its services. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust. The Issuer shall reimburse the Trustee for all reasonable out-of-pocket expenses, disbursements and advances incurred or made by it, including costs of collection, in addition to the compensation for its services. Such expenses shall include the reasonable compensation and expenses, disbursements and advances of the Trustee's agents, counsel, accountants and experts. The Issuer shall indemnify and hold harmless the Trustee from and against any and all costs, damages, expenses, losses, liabilities or other amounts whatsoever (including counsel fees) incurred by the Trustee in connection with the administration of this trust, the enforcement of this trust and all of the Trustee's rights, powers and duties under this Indenture and the performance by the Trustee of the duties and obligations of the Trustee pursuant to this Indenture. The Trustee shall notify the Issuer promptly of any claim for which it may seek indemnity. Failure by the Trustee to so notify the Issuer shall not relieve the issuer of its obligations hereunder. The Issuer shall defend the claim and the Trustee may have separate counsel. The Issuer shall pay the fees and expenses of such counsel for the Trustee.

(b) The Issuer need not reimburse any expense or indemnify against any loss, liability or expense incurred by the Trustee (i) through the Trustee's own willful misconduct, negligence or bad faith or (ii) to the extent the Trustee was reimbursed for or indemnified against any such loss, liability or expense by the Seller pursuant to the Sale Agreement or by the Servicer pursuant to the Servicing Agreement.

(c) When the Trustee incurs expenses after the occurrence of a Default specified in Section 5.01(e) or 5.01(f) with respect to the Issuer, the expenses are intended to constitute expenses of administration under Title 11 of the United States Code or any other applicable federal or state bankruptcy, insolvency or similar law.

Section 6.08 Replacement of Trustee. (a) No resignation or removal of the Trustee shall become effective until the acceptance of appointment by the successor Trustee pursuant to this Section. The Trustee may resign at any time upon 30 days' prior written notice by so notifying the Issuer. The Issuer may remove the Trustee with or without cause at any time, with prior notice to the Rating Agencies, upon 30 days' prior written notice, and shall remove the Trustee if:

- (i) the Trustee fails to comply with Section 6.11;
- (ii) the Trustee is adjudged bankrupt or insolvent;
- (iii) a receiver or other public officer takes charge of the Trustee or its property; or
- (iv) the Trustee otherwise becomes incapable of acting.

(b) If a vacancy exists in the office of Trustee, the Issuer shall promptly appoint a successor Trustee.

(c) In addition, the Holders of a majority in Outstanding Amount of the Bonds may remove the Trustee by so notifying the Issuer and the Trustee and such Holders may appoint a successor Trustee.

(d) A successor Trustee shall deliver a written acceptance of its appointment to the Retiring Trustee and to the Issuer. Thereupon the resignation or removal of the Retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. No resignation or removal of the Trustee shall become effective until the acceptance of the appointment by a successor Trustee. The successor Trustee shall mail a notice of its succession to Bondholders. The Retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee.

(e) If a successor Trustee does not take office within 60 days after the Retiring Trustee resigns or is removed, the Retiring Trustee, the Issuer or the Holders of a majority in Outstanding Amount of the Bonds may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(f) If the Trustee fails to comply with Section 6.11 any Bondholder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

(g) Notwithstanding the replacement of the Trustee pursuant to this Section 6.08, the Issuer's obligations under Section 6.07 shall continue for the benefit of the Retiring Trustee.

Section 6.09 Successor Trustee by Merger. (a) If the Trustee consolidates with, merges or converts into, or transfers all or substantially all its corporate trust business or assets to, another corporation or banking association, the resulting, surviving or transferee corporation or banking association shall, without any further act, be the successor Trustee; provided, however, that such corporation or banking association must be otherwise qualified and eligible under Section 6.11. Notice of any such event shall be promptly given to each Rating Agency by the successor Trustee.

(b) In case at the time such successor or successors by merger, conversion, consolidation or transfer shall succeed to the trusts created by this Indenture any of the Bonds shall have been authenticated but not delivered, any such successor to the Trustee may adopt the certificate of authentication of any Retiring Trustee, and deliver such Bonds so authenticated; and in case at that time any of the Bonds shall not have been authenticated, any successor to the Trustee may authenticate such Bonds either in the name of any Retiring Trustee hereunder or in the name of the successor to the Trustee; and in all such cases such certificates shall have the full force and effect granted by the Bonds or by this Indenture and this force and effect shall be equal to any certificate issued by the Trustee.

Section 6.10 Appointment of Co-Trustee or Separate Trustee. (a) Notwithstanding any other provisions of this Indenture, at any time, for the purpose of meeting any legal requirement of any jurisdiction in which any part of the Collateral may at the time be located, the Trustee

shall have the power and may execute and deliver all instruments to appoint one or more Persons to act as a co-trustee or co-trustees, or separate trustee or separate trustees, of all or any part of the Collateral, and to vest in such Persons, in such capacity and for the benefit of the Bondholders, such title to the Collateral, or any part hereof, and, subject to the other provisions of this Section 6.10 such powers, duties, obligations, rights and trusts as the Trustee may consider necessary or desirable. No co-trustee or separate trustee hereunder shall be required to meet the terms of eligibility as a successor trustee under Section 6.11 and no notice to Bondholders of the appointment of any co-trustee or separate trustee shall be required under Section 6.08. Notice of any such appointment shall be promptly given to each Rating Agency and to the Commission by the Trustee.

(b) Every separate trustee and co-trustee shall, to the extent permitted by law, be appointed and act subject to the following provisions and conditions:

(i) all rights, powers, duties and obligations conferred or imposed upon the Trustee shall be conferred or imposed upon and exercised or performed by the Trustee and such separate trustee or co-trustee jointly (it being understood that such separate trustee or co-trustee is not authorized to act separately without the Trustee joining in such act), except to the extent that under any law of any jurisdiction in which any particular act or acts are to be performed the Trustee shall be incompetent or unqualified to perform such act or acts, in which event such rights, powers, duties and obligations (including the holding of title to the Collateral or any portion thereof in any such jurisdiction) shall be exercised and performed singly by such separate trustee or co trustee, but solely at the direction of the Trustee;

(ii) no trustee hereunder shall be personally liable by reason of any act or omission of any other trustee hereunder; and

(iii) the Trustee may at any time accept the resignation of or remove any separate trustee or co-trustee.

(c) Any notice, request or other writing given to the Trustee shall be deemed to have been given to each of the then separate trustees and co-trustees, as effectively as if given to each of them. Every instrument appointing any separate trustee or co-trustee shall refer to this Indenture and the conditions of this Article VI. Each separate trustee and co-trustee, upon its acceptance of the trusts conferred, shall be vested with the estates or property specified in its instrument of appointment, either jointly with the Trustee or separately, as may be provided therein, subject to all the provisions of this Indenture, specifically including every provision of this Indenture relating to the conduct of, affecting the liability of, or affording protection to, the Trustee. Every such instrument shall be filed with the Trustee.

(d) Any separate trustee or co-trustee may at any time constitute the Trustee, its agent or attorney-in-fact with full power and authority, to the extent not prohibited by law, to do any lawful act under or in respect of this Agreement on its behalf and in its name. If any separate trustee or co-trustee shall die, become incapable of acting, resign or be removed, all of its estates, properties, rights, remedies and trusts shall vest in and be exercised by the Trustee, to the extent permitted by law, without the appointment of a new or successor trustee.



Section 6.11 Eligibility; Disqualification. The Trustee shall at all times satisfy the requirements of TIA Section 310(a) and Section 26(a)(i) of the Investment Company Act. The Trustee shall have a combined capital and surplus of at least \$50,000,000 as set forth in its most recent published annual report of condition and it shall have a long-term debt rating of "BBB-" or better by Standard & Poor's, "Baa3" or better by Moody's and "BBB-" or better by Fitch. The Trustee shall comply with TIA Section 310(b), including the optional provision permitted by the second sentence of TIA Section 310(b)(9); and there shall be excluded from the operation of TIA Section 310(b)(1) any indenture or indentures under which other securities of the Issuer are outstanding if the requirements for such exclusion set forth in TIA Section 310(b)(1) are met.

Section 6.12 Preferential Collection of Claims Against Issuer. The Trustee shall comply with TIA Section 311(a), excluding any creditor relationship listed in TIA Section 311(b). A Trustee who has resigned or been removed shall be subject to TIA Section 311(a) to the extent indicated.

Section 6.13 Representations and Warranties of the Trustee. The Trustee hereby represents and warrants that:

- (a) the Trustee is a \_\_\_\_\_ validly existing in good standing under the laws of \_\_\_\_\_;
- (b) the Trustee has full power, authority and legal right to execute, deliver and perform this Indenture and the Basic Documents to which the Trustee is a party and has taken all necessary action to authorize the execution, delivery and performance by it of this Indenture and such Basic Documents; and
- (c) the Indenture is an enforceable obligation of the Trustee.

Section 6.14 Rights of the Fiduciaries. The Fiduciaries shall be afforded under each Supplemental Indenture the same rights, protections, immunities and indemnities afforded each of them under the original Indenture as if specifically set forth therein.

## ARTICLE VII

### BONDHOLDERS' LISTS AND REPORT

Section 7.01 Issuer to Furnish Trustee Names and Addresses of Bondholders. Should the Trustee not be the Registrar or, if the Bonds are issued as Definitive Bonds, the Issuer shall cause to be furnished to the Trustee (a) not more than five days after the earlier of (i) each Record Date and (ii) three months after the last Record Date, a list, in such form as the Trustee may reasonably require, of the names and addresses of the Holders of Bonds as of such Record Date, (b) at such other times as the Trustee may request in writing, within 30 days after receipt by the Issuer of any such request, a list of similar form and content as of a date not more than 10 days prior to the time such list is furnished.

Section 7.02 Preservation of Information; Communications to Bondholders. (a) The Trustee shall preserve, in as current a form as is reasonably practicable, the names and addresses of the Holders of Bonds contained in the most recent list furnished to the Trustee as provided in

Section 7.01 and the names and addresses of Holders of Bonds received by the Trustee in its capacity as Registrar. The Trustee may destroy any list furnished to it as provided in such Section 7.01 upon receipt of a new list so furnished.

(b) Bondholders may communicate with other Bondholders pursuant to Section 312(b) of the TIA, with respect to their rights under this Indenture or under the Bonds.

(c) The Issuer, the Trustee and the Registrar shall have the protection of Section 312(c) of the TIA.

Section 7.03 Reports by Issuer. (a) The Issuer shall:

(i) file with the Trustee and the Commission within 15 days after the Issuer is required to file the same with the SEC, copies of the annual reports and of the information, documents and other reports (or copies of such portions of any of the foregoing as the SEC may from time to time by rules and regulations prescribe) which the Issuer may be required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act; and these filings shall be deemed to have occurred with respect to all documents that are available to the public on the EDGAR filing system;

(ii) file with the Trustee, the Commission and the SEC, in accordance with rules and regulations prescribed from time to time by the SEC, such additional information, documents and reports with respect to compliance by the Issuer with the conditions and covenants of this Indenture as may be required from time to time by such rules and regulations; and these filings shall be deemed to have occurred with respect to all documents that are available to the public on the EDGAR filing system; and

(iii) supply to the Trustee and the Commission (and the Trustee shall transmit by mail to all Bondholders described in TIA Section 313(c)), such summaries of any information, documents and reports required to be filed by the Issuer pursuant to clauses (i) and (ii) of this Section 7.03(a) as may be required by rules and regulations prescribed from time to time by the SEC.

(b) Unless the Issuer otherwise determines, the fiscal year of the Issuer shall end on December 31 of each year.

Section 7.04 Reports by Trustee. (a) If required by TIA Section 313(a), within 60 days after the end of each fiscal year of the Issuer, commencing not more than 12 months after the issuance of the Bonds, the Trustee shall mail to each Holder of Bonds as required by TIA Section 313(c) a brief report dated as of such date that complies with TIA Section 313(a). The Trustee also shall comply with TIA Section 313(b).

(b) A copy of each report at the time of its mailing to Bondholders shall be filed or furnished by the Trustee with the SEC and each stock exchange, if any, on which the Bonds are listed (to the extent required by the rules of the SEC or such exchange). The Issuer shall notify the Trustee if and when the Bonds are listed on any stock exchange.

Section 7.05 Provision of Servicer Reports. Upon the written request of any Bondholder to the Trustee addressed to the Corporate Trust Office, the Trustee shall provide such Bondholder with a copy of any report or certificate provided by the Servicer referred to in Section 3.01 of the Servicing Agreement, a copy of the Certificate of Compliance referred to in Section 3.03 of the Servicing Agreement, a copy of the Annual Accountant's Report referred to in Section 3.04 of the Servicing Agreement or a copy of any report or certificate provided by the Servicer under any Basic Document.

## ARTICLE VIII

### ACCOUNTS, DISBURSEMENTS AND RELEASES

Section 8.01 Collection of Money. Except as otherwise expressly provided herein, the Trustee may demand payment or delivery of, and shall receive and collect, directly and without intervention or assistance of any fiscal agent or other intermediary, all money and other property payable to or receivable by the Trustee pursuant to this Indenture. The Trustee shall apply all such money received by it as provided in this Indenture. Except as otherwise expressly provided in this Indenture, if any default occurs in the making of any payment or performance under any agreement or instrument that is part of the Collateral, the Trustee may take such action as may be appropriate to enforce such payment or performance, including the institution and prosecution of appropriate Proceedings. Any such action shall be without prejudice to any right to claim a Default or Event of Default under this Indenture and any right to proceed thereafter as provided in Article V.

Section 8.02 Collection Account. (a) (i) On or prior to the Closing Date for the Bonds issued hereunder, the Trustee shall open, at the Trustee's Corporate Trust Office, or at another Eligible Institution, one or more segregated trust accounts in the Trustee's name for the benefit of the Holders (collectively, the "Collection Account"). The Collection Account shall initially be divided into Subaccounts, which need not be separate bank accounts: a general subaccount (the "General Subaccount") a capital subaccount (a "Capital Subaccount"); a reserve subaccount (the "Reserve Subaccount"); and a class subaccount for any Class of Bonds which has a floating rate of Interest (each, a "Class Subaccount"). Prior to depositing funds or U.S. Government Obligations in the Collection Account pursuant to Section 4.01 or 4.02, the Issuer shall establish a defeasance subaccounts (the "Defeasance Subaccount") for which funds shall be deposited, as subaccount of the Collection Account. All amounts in the Collection Account not allocated to any other Subaccount shall be allocated to the General Subaccount. Prior to the Initial Payment Date, all amounts in the Collection Account (other than funds deposited into the Capital Subaccount, up to the Required Capital Amount) shall be allocated to the General Subaccount. [All payments received by the Trustee from any Swap Counterparty at any time shall be deposited in the related Class Subaccount.] All references to the Collection Account shall be deemed to include reference to all Subaccounts contained therein. Withdrawals from and deposits to each of the foregoing Subaccounts of the Collection Account shall be made as set forth in Sections 4.01, 4.02, 4.03 and 8.02. Only the Trustee shall have access to the Collection Account for the purpose of making deposits in and withdrawals from the Collection Account in accordance with this Indenture. Funds in the Collection Account shall not be commingled by the Issuer or the Trustee with any other money. All money deposited from time to time in the Collection Account, all deposits therein pursuant to this Indenture, and all investments made in

Eligible Investments with such money, including all income or other gain from such investments, shall be held by the Trustee in the Collection Account as part of the Collateral.

(ii) Notwithstanding any other provision of this Indenture, the Collection Account shall be an Eligible Securities Account and shall be established only with a securities intermediary (as defined in Section 8-102(1)(n) of the Florida UCC) that agrees with the Trustee that (A) the Collection Account shall be a securities account of the Trustee, (B) all property credited to the Collection Account shall be treated as a financial asset, (C) such securities intermediary shall treat the Trustee as entitled to exercise the rights that comprise each financial asset credited to the Collection Account, (D) such securities intermediary shall comply with entitlement orders originated by the Trustee without the further consent of any other person or entity, (E) such securities intermediary shall not agree with any person other than the Trustee to comply with entitlement orders originated by such other person, (F) the Collection Account and all property credited to it shall not be subject to any Lien, security interest, right of set-off in favor of such securities intermediary or anyone claiming through it (other than the Trustee), and (G) such agreement shall be governed by the laws of the State. The Collection Account shall be under the control (within the meaning of Section 8-106 of the Florida UCC) of the Trustee. If at any time the Collection Account ceases to be an Eligible Securities Account, the Trustee shall, within 10 days, establish a new Collection Account as an Eligible Securities Account.

(b) All or a portion of the funds in the Collection Account shall be invested in Eligible Investments and reinvested by the Trustee upon Issuer Order; except that each Defeasance Subaccount shall be invested only in U.S. Government Obligations deposited by the Issuer with the Trustee pursuant to Section 4.01 or 4.02 except as provided in Section 8.02(d)(xi). All income or other gain from investment of money in the Collection Account shall be deposited by the Trustee in the Collection Account, and any loss resulting from such investments shall be charged to the Collection Account, except that any such gain or loss from investments of money in the Capital Subaccount shall be deposited to or credited to the Capital Subaccount. The Issuer shall not direct the Trustee to make any investment of any funds or to sell any investment held in the Collection Account unless the security interest granted and perfected in such account will continue to be perfected in such investment or the proceeds of such sale, in either case without any further action by any Person; and in connection with any direction to the Trustee to make any such investment or sale, if requested by the Trustee, the Issuer shall deliver to the Trustee an Issuer Opinion of Counsel, acceptable to the Trustee, to such effect. Subject to Section 6.01(c) the Trustee shall not in any way be held liable for the selection of Eligible Investments or for investment losses incurred thereon except for losses attributable to the Trustee's failure to make payments on such Eligible Investments issued by the Trustee, in its commercial capacity as principal obligor and not as Trustee, in accordance with their terms. The Trustee shall have no liability in respect of losses incurred as a result of the liquidation of any Eligible Investment prior to its stated maturity or the failure of the Issuer to provide timely written investment direction. The Trustee shall have no obligation to invest or reinvest any amounts held hereunder in the absence of written investment direction pursuant to an Issuer Order; but if (i) the Issuer shall have failed to give investment directions for any funds on deposit in the Collection Account to the Trustee by 11:00 a.m. (New York City time) (or such other time as may be agreed by the Issuer and Trustee) on any Business Day, or (ii) a Default or

Event of Default shall have occurred and be continuing but the Bonds shall not have been declared due and payable pursuant to Section 5.02 then the Trustee shall, to the fullest extent practicable, invest and reinvest funds in the Collection Account in one or more Eligible Investments of the kind described in clause (e) of the definition thereof.

(c) Any Storm-Recovery Charges remitted by the Servicer to the Trustee pursuant to the Servicing Agreement, any Indemnity Amounts remitted to the Trustee by the Seller or the Servicer or otherwise received by the Trustee or the Issuer, [any amounts paid by a Swap Counterparty pursuant to a Swap with respect to the Bonds (or any Class of Bonds)] and any other proceeds of Collateral received by the Servicer, the Issuer or the Trustee, shall be deposited in the General Subaccount.

(d) On each Payment Date, by 12:00 noon (New York City time), or if such day is not a Business Day, on the following Business Day, the Trustee shall, at the direction of the Servicer, apply all amounts on deposit in the General Subaccount of the Collection Account and any investment earnings on the Subaccounts in the Collection Account and in the following priority:

(i) to the Trustee (A) all amounts due and owing the Trustee (or the Allocable Share of such Operating Expenses, if Additional Storm Recovery Bonds are Outstanding) as of such Payment Date (excluding, in each case, any Indemnity Amounts) up to a maximum of \$\_\_\_\_\_ for any annual period and (B) so long as any such payment will not result in an Event of Default, any Indemnity Amounts, up to a maximum of \$\_\_\_\_\_ in the aggregate for the then current and all prior Payment Dates;

(ii) to the Administrator, the administration fee payable under the Administration Agreement (or the Allocable Share of such Operating Expenses, if Additional Storm Recovery Bonds are Outstanding) shall be paid up to a maximum of \$\_\_\_\_\_ for any annual period and to the Independent Managers, their fees in an amount equal to \$\_\_\_\_\_ for such Payment Date, together with any unpaid fees for any prior period;

(iii) to the Servicer, of the Servicing Fee for such Payment Date and all unpaid Servicing Fees from prior Payment Dates (or the Allocable Share of such Operating Expenses, if Additional Storm Recovery Bonds are Outstanding) shall be paid to the Servicer;

(iv) so long as no Event of Default has occurred and is continuing or would be caused by such payment, all Operating Expenses (including the Allocable Share of all Operating Expenses not directly attributable to the Bonds or the trusts administered hereunder) other than distributions in accordance with clauses (d)(i), (ii) and (iii) above shall be paid to the Persons entitled thereto, except that the amount paid on such Payment Date pursuant to this clause (d)(iv) may not exceed \$\_\_\_\_\_ in the aggregate;

(v) an amount equal to the sum of (1) the Interest then due and owing on such Payment Date [and (2) any amount in respect of periodic payments that are required to be made to any Swap Counterparty on any Swap with respect to the Bonds (or any Class)];

(vi) payment of the principal due and payable on each Class of the Bonds as a result of (1) Final Legal Maturity, (2) any Redemption price pursuant to Section 10.01 or 10.02, (3) any acceleration under Section 5.02, (4) payment of the principal due and payable on each Class of Bonds according to the Expected Amortization Schedule, [and (5) any Swap Termination Payments that result from (a) the failure of the Issuer to pay within the applicable grace period as a result of insufficient collection of transition charges, (b) any breach of any Swap by the Issuer or the Trustee where the applicable Swap Counterparty is not the defaulting party or the solely affected party, (c) any Issuer bankruptcy under the terms of the related Swap, (d) any merger or consolidation of the Issuer where no successor assumes the liabilities under the related Swap, (e) any failure or termination of the security interest under this Indenture or (f) termination of any Swap due to (1) a tax event, (2) any illegality, (3) a tax event upon merger, (4) any acceleration of the Bonds under Section 5.02 following an event of default or (5) a change in the applicable laws that makes any Swap unenforceable;]

(vii) payment of any amounts payable to any other credit enhancement providers with respect to the Bonds;

(viii) all remaining unpaid Operating Expenses (or the Allocable Share of such Operating Expenses if Additional Storm Recovery Bonds are Outstanding) and Indemnity Amounts shall be paid to the Persons entitled thereto;

(ix) any amount necessary to replenish any shortfalls in the Capital Subaccount below the Required Capital Amount shall be allocated to the Capital Subaccount;

(x) [after the payment of the Bonds in full, any other payments required to be paid under any Swap as specified in the related Swap shall be paid to the respective Swap Counterparty, excluding such payments made pursuant to clauses (d)(v) or (vi) above;]

(xi) provided that no Event of Default has occurred and is continuing, all interest earnings on amounts in the Capital Subaccount shall be paid to the Issuer free from the Lien of this Indenture;

(xii) the balance, if any, shall be allocated to the Reserve Subaccount; and

(xiii) following repayment of all Outstanding Bonds [and all amounts due under any Swap] as provided therein, the balance, if any, shall be released to the Issuer free from the Lien of this Indenture.

(e) "Pro Rata" means with respect to the Bonds or any Class of Bonds, the ratio (i) in the case of clause (d)(v) above, the numerator of which is the aggregate amount of Interest payable [or net amount payable to a Swap Counterparty under any Swap] with respect to the Bonds or such Class on such Payment Date and the denominator of which is the sum of the aggregate amounts of Interest payable [and aggregate of the net amounts payable under all Swaps] with respect to the Bonds or such Class; and (ii) in the case of other clauses in (d) above, the numerator of which is the aggregate amount of Principal scheduled to be paid or payable on such Payment Date with respect to all Bonds or any Class of Bonds on such Payment Date and

the denominator of which is the sum of the aggregate amounts of Principal scheduled to be paid or payable with respect to all Outstanding Classes on such Payment Date.

(f) If, on any Payment Date, funds on deposit in the General Subaccount are insufficient to make the payments and allocations contemplated by subclauses (d)(i) through (vii), (ix), (x) and (xi) and above for the Bonds, the Trustee shall, at the direction of the Servicer, draw from amounts on deposit in the following Subaccounts in the following order up to the amount of such shortfall, in order to make such payments and allocations:

(i) from the Reserve Subaccount, Pro Rata, for payments and allocations contemplated by subclauses (d)(i) through (vii), (ix), (x) and (xi);

(ii) from the Capital Subaccount, Pro Rata, for payments and allocations contemplated by subclauses (d)(i) through (vi), (ix) and (x).

(g) Notwithstanding any other provision in this Indenture to the contrary, upon an acceleration of the maturity of the Bonds pursuant to Section 5.02, the aggregate amount of Principal of and Interest accrued on each Bond shall be payable, without priority of Interest over Principal or of Principal over Interest and without regard to Class, in the proportion that the aggregate amount of Principal of and Interest accrued on such Bond bears to the aggregate amount of Principal of and Interest accrued on all Bonds.

Section 8.03 Release of Collateral. (a) All money and other property withdrawn from the Collection Account by the Trustee for payment to the Issuer as provided in this Indenture in accordance with Section 8.02 shall be deemed released from this Indenture when so withdrawn and applied in accordance with the provisions of Article VIII, without further notice to, or release or consent by, the Trustee.

(b) Other than as provided for in clause (a) above, the Trustee shall release property from the Lien of this Indenture only as and to the extent permitted by the Basic Documents and only upon receipt of an Issuer Request accompanied by an Issuer Officer's Certificate, an Issuer Opinion of Counsel and Independent Certificates in accordance with TIA Sections 314(c) and 314(d)(i) meeting the applicable requirements of Section 11.01, or an Issuer Opinion of Counsel in lieu of such Independent Certificates to the effect that the TIA does not require any such Independent Certificate.

(c) Subject to the payment of its fees and expenses pursuant to Section 6.07, the Trustee may, and when required by this Indenture shall, execute instruments to release property from the Lien of this Indenture, or convey the Trustee's interest in the same, in a manner and under circumstances that are not inconsistent with this Indenture. No party relying upon an instrument executed by the Trustee as provided in this Article VIII shall be bound to ascertain the Trustee's authority, inquire into the satisfaction of any conditions precedent or see to the application of any money.

(d) Subject to Section 8.03(b), the Trustee shall, at such time as there are no Bonds Outstanding and all sums due the Trustee pursuant to Section 6.07 have been paid, release any remaining portion of the Collateral that secured the Bonds from the Lien of this Indenture and

release to the Issuer or any other Person entitled thereto any funds or investments then on deposit in or credited to the Collection Account.

Section 8.04 Issuer Opinion of Counsel. The Trustee shall receive at least five days notice when requested by the Issuer to take any action pursuant to Section 8.03, accompanied by copies of any instruments involved, and the Trustee shall also require, as a condition to such action, an Issuer Opinion of Counsel, in form and substance reasonably satisfactory to the Trustee, stating the legal effect of any such action, outlining the steps required to complete the same, and concluding that all conditions precedent to the taking of such action have been complied with and such action will not materially and adversely impair the security for the Bonds or the rights of the Bondholders in contravention of this Indenture; which Issuer Opinion of Counsel shall not be required to express an opinion as to the fair value of the Collateral. Counsel rendering any such opinion may rely, without independent investigation, on the accuracy and validity of any certificate or other instrument delivered to the Trustee in connection with any such action.

Section 8.05 Reports by Independent Accountants. The Issuer shall appoint a firm of Independent certified public accountants of recognized national reputation for purposes of preparing and delivering the reports or certificates of such accountants required by this Indenture. Upon any resignation by such firm, the Issuer shall promptly appoint a successor thereto that shall also be a firm of Independent certified public accountants of recognized national reputation. If the Issuer shall fail to appoint a successor to a firm of Independent certified public accountants that has resigned within 15 days after such resignation, the Trustee shall promptly notify the Issuer of such failure in writing. If the Issuer shall not have appointed a successor within 10 days thereafter, the Trustee shall promptly appoint a successor firm of Independent certified public accountants of recognized national reputation. The fees of each firm of Independent certified public accountants shall be payable by the Issuer.

## ARTICLE IX

### SUPPLEMENTAL INDENTURES

Section 9.01 Supplemental Indentures Without Consent of Bondholders. (a) Without the consent of the Holders [or, except as provided in subsection (c) below, any Swap Counterparty] but with prior notice to the Rating Agencies, the Issuer and the Trustee, when authorized by an Issuer Order, at any time and from time to time, may enter into one or more indentures supplemental hereto, in form reasonably satisfactory to the Trustee, for any of the following purposes:

(i) to correct or amplify the description of the Collateral, or better to assure, convey and confirm unto the Trustee the Collateral, or to subject to the Lien of this Indenture, additional property;

(ii) to evidence the succession, in compliance with the applicable provisions hereof, of another person to the Issuer, and the assumption by any applicable successor of the covenants of the Issuer herein and in the Bonds;



(iii) to add to the covenants of the Issuer, for the benefit of the Bondholders, or to surrender any right or power herein conferred upon the Issuer;

(iv) to convey, transfer, assign, mortgage or pledge any property to the Trustee for the benefit of the Bondholders, any Swap Counterparty (as provided by the related Swap) and the Trustee;

(v) to cure any ambiguity, to correct or supplement any provision herein which may be inconsistent with any other provision herein or in any offering document used in connection with the initial offer and sale of Bonds or to make any other provisions with respect to matters or questions arising under this Indenture which will not be inconsistent with other provisions of this Indenture; so long as (i) such action does not, as evidenced by an Issuer Opinion of Counsel, adversely affect in any material respect the interests of any Bondholder and (ii) the Rating Agency Condition has been satisfied;

(vi) to provide for the acceptance of the appointment by a successor Trustee and to add to or change any of the provisions of this Indenture as shall be necessary to facilitate the administration of the trusts hereunder by more than one Trustee, pursuant to the requirements of Article VI;

(vii) to modify, eliminate or add to the provisions of this Indenture to such extent as shall be necessary to provide for Definitive Bonds or to effect the qualification of this indenture under the TIA or under any similar federal statute hereafter enacted and to add to this Indenture such other provisions as may be expressly required by the TIA;

(viii) to set forth the terms of any additional Bonds that has not theretofore been authorized by a Supplemental Indenture, if the Rating Agency Condition has been satisfied;

(ix) [to provide for any Swap with respect to any Class of Variable Rate Bonds or to provide for credit enhancement with respect to any Class with specified credit enhancement; if:

(A) such action does not, as evidenced by an Opinion of Counsel, adversely affect in any material respect the interests of any Bondholder and

(B) the Rating Agency Condition has been satisfied;] or

(x) to authorize the appointment of any Fiduciary for any Class of Bonds required or advisable in connection with the listing of any Class on any stock exchange, and otherwise to amend this Indenture to incorporate any changes requested or required by any governmental authority, stock exchange authority or Fiduciary for any Class in connection with that listing;

provided, however, that no such supplemental indenture (i) may materially adversely affect the interest of any Bondholder and (ii) will be permitted unless an Opinion of Counsel is delivered to the Trustee to the effect that such supplemental indenture will not cause the Issuer to be characterized for federal income tax purposes as an association or publicly traded partnership

taxable as a corporation or otherwise have any material adverse impact on the federal income taxation of any Bonds Outstanding or any Bondholder. A supplemental indenture shall be deemed not to materially adversely affect the interests of any Bondholder if (i) the Person requesting such supplemental indenture obtains and delivers to the Trustee an Opinion of Counsel to that effect or (ii) the Rating Agency Condition is satisfied. The Trustee is hereby authorized to join in the execution of any such supplemental indenture and to make any further appropriate agreements and stipulations that may be therein contained.

(b) The Trustee is hereby authorized to join in the execution of any such Supplemental Indenture and to make any further appropriate agreements and stipulations that may be therein contained.

(c) [Notwithstanding the foregoing, no indenture supplemental hereto shall materially and adversely affect any Swap Counterparty without the consent of such Swap Counterparty affected thereby if so provided with respect to the related Swap].

Section 9.02 Supplemental Indentures With Consent of Bondholders. (a) The Issuer and the Trustee, when authorized by an Issuer Order, also may, upon satisfaction of the Rating Agency Condition (in each case, accompanied by the form of the proposed supplemental indenture) and with the consent of the Holders of not less than a majority of the Outstanding Amount of each Class to be affected, by Act of such Holders delivered to the Issuer and the Trustee, enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, this Indenture or of modifying in any manner the rights of the Holders under this Indenture; but no such Supplemental Indenture shall, without the consent of the Holder of each Outstanding Bond of each Class [and each Swap Counterparty (if so provided with respect to the related Swap)] affected thereby:

(i) change the date of payment of any installment of Principal or Interest on any Bond, or reduce the principal amount thereof, the Interest Rate thereon or the Redemption Price with respect thereto, [change the provisions of any Swap relating to the amount], calculation or timing of payments, change the provisions of this Indenture and any related applicable Supplemental Indenture relating to the application of collections on, or the proceeds of the sale of, the Collateral to payment of Principal or Interest, or change the currency in which, any Bond or the Interest thereon is payable;

(ii) impair the right to institute suit for the enforcement of this Indenture requiring the application of funds available therefor, as provided in Article V to the payment of any such amount due on the Bonds on or after the respective due dates thereof (or, in the case of redemption, on or after the Redemption Date);

(iii) reduce the percentage of the Outstanding Amount of the Bonds or of a Class thereof, the consent of the Holders of which is required for any such Supplemental Indenture, or the consent of the Holders of which is required for any waiver of compliance with this Indenture or defaults hereunder and their consequences provided for in this Indenture or modify or alter the proviso to the definition of "Outstanding";

(iv) reduce the portion of the Outstanding Amount required to direct the Trustee to direct the Issuer to sell or liquidate the Collateral pursuant to Section 5.04 or to preserve the Collateral pursuant to Section 5.05.

(v) reduce the percentage of the Outstanding Amount of a Class of Bonds, the consent of the Holders of which is required for any amendments to the Sale Agreement, the Administration Agreement, the Servicing Agreement [or any Swap];

(vi) modify any of the provisions of this Indenture in such manner so as to affect the amount of any payment of Interest or Principal payable on any Bond on any Payment Date or change the Redemption Dates, Expected Amortization Schedule or Final Maturity Date of any Class;

(vii) decrease Required Capital Amount with respect to the Bonds;

(viii) decrease the portion of the aggregate principal amount of Bonds required to amend the sections of this Indenture which specify the applicable portion thereof necessary to amend this Indenture or any other Basic Documents; or

(ix) permit the creation of any Lien ranking prior to or on a parity with the Lien of this Indenture with respect to any part of the Collateral or, except as otherwise contemplated herein, terminate the Lien of this Indenture on any property at any time subject hereto or deprive any Holder of the security provided by the Lien of this Indenture.

(b) It shall not be necessary for any Act of Bondholders under this Section 9.02 to approve the particular form of any proposed Supplemental Indenture, but it shall be sufficient if such Act shall approve the substance thereof.

(c) Promptly after the execution by the Issuer and the Trustee of any Supplemental Indenture pursuant to this Section 9.02 the Trustee shall mail to the Holders [and any Swap Counterparty] to which such Supplemental Indenture relates a notice setting forth in general terms the substance of such Supplemental Indenture. Any failure of the Trustee to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental indenture.

Section 9.03 Commission Condition. Notwithstanding anything to the contrary in Section 9.01 or 9.02 no Supplemental Indenture shall be effective except upon satisfaction of the conditions precedent in this Section 9.03.

(a) At least 15 days prior to the effectiveness of any such Supplemental Indenture and after obtaining the other necessary approvals set forth in Section 9.01 or as applicable, except for the consent of the Trustee and the Holders of the Bonds if the consent of the Holders is required or sought by the Trustee in connection with such supplemental indenture, the Servicer shall have delivered to the Commission's executive director and general counsel written notification of any proposed Supplemental Indenture, which notification shall contain:

(i) a reference to Docket No. [     ];

(ii) a Officer's Certificate signed by the Servicer stating that the proposed Supplemental Indenture has been approved by all parties to this Agreement or, if the consent of the Holders of the Bonds is required or being sought by the Trustee, that the Supplemental Indenture has been approved by all parties to this agreement other than the Holders, subject to the consent of the Holders; and

(iii) a statement identifying the person to whom the Commission or its staff is to address any response to the proposed Supplemental Indenture or to request additional time;

(b) If the Commission or its staff; within fifteen days (subject to extension as provided in Section 9.03(c) of receiving a notification complying with Section 9.03(a) shall have delivered to the office of the person specified in Section 9.03(a)(iii) a written statement that the Commission might object to the proposed Supplemental Indenture, then such proposed Supplemental Indenture shall not be effective unless and until the Commission subsequently delivers a written statement in writing that it does not object to such proposed Supplemental Indenture.

(c) If the Commission or its staff; within fifteen days of receiving a notification complying with Section 9.03(a) shall have delivered to the office of the person specified in Section 9.03(a)(iii) written statement requesting an additional amount of time not to exceed thirty days in which to consider such Supplemental Indenture, then such proposed Supplemental Indenture shall not be effective if, within such extended period, the Commission shall have delivered to the office of the person specified in Section 9.03(a)(iii) a written statement as described in Section 9.03(b) unless and until the Commission subsequently delivers a written statement in writing that it does not object to such proposed Supplemental Indenture.

(d) If the Commission or its staff shall not have delivered written notice that the Commission might object to such proposed Supplemental Indenture within the time periods described in Section 9.03(b) or Section 9.03(c) whichever is applicable, then the Commission shall be conclusively deemed not to have any objection to the proposed Supplemental Indenture and such Supplemental Indenture may subsequently become effective upon satisfaction of the other conditions specified in Section 9.01 or 9.02.

(e) Following the delivery of a notice to the Commission by the Servicer under Section 9.03(a), the Servicer and the Issuer shall have the right at any time to withdraw from the Commission further consideration of a proposed Supplemental Indenture.

Section 9.04 Execution of Supplemental Indentures. In executing, or permitting the additional trusts created by, any Supplemental Indenture or the modifications thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and subject to Sections 6.01 and 6.02, shall be fully protected in relying upon, an Issuer Opinion of Counsel stating that the execution of such Supplemental Indenture is authorized or permitted by this Indenture. The Trustee may, but shall not be obligated to, enter into any such Supplemental Indenture that affects the Trustee's own rights, duties, liabilities or immunities under this Indenture or otherwise.

Section 9.05 Effect of Supplemental Indenture. Upon the execution of any Supplemental Indenture pursuant hereto, this Indenture shall be and be deemed to be modified and amended in accordance therewith, and the respective rights, limitations of rights, obligations, duties, liabilities and immunities under this Indenture of the Trustee, the Issuer, the Holders [and any Swap Counterparty} shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all the terms of any such Supplemental Indenture shall be and be deemed to be part of this Indenture for all purposes.

Section 9.06 Conformity with Trust Indenture Act. Every amendment of this Indenture and every Supplemental Indenture executed pursuant to this Article IX shall conform to the requirements of the TIA as then in effect so long as this Indenture shall then be qualified under the TIA.

Section 9.07 Reference in Bonds to Supplemental Indentures. Bonds authenticated and delivered after the execution of any Supplemental Indenture pursuant to this Article IX may, and if required by the Trustee shall, bear a notation in form approved by the Trustee as to any matter provided for in such Supplemental Indenture. If the Issuer or the Trustee shall so determine, new Bonds so modified as to conform, in the opinion of the Trustee and the Issuer, to any such Supplemental Indenture may be prepared and executed by the Issuer and authenticated and delivered by the Trustee in exchange for Outstanding Bonds.

## ARTICLE X

### REDEMPTION OF BONDS

Section 10.01 [Optional Redemption by Issuer]. The Issuer may, at its option, redeem all, but not less than all, of the Bonds on any Payment Date if, after giving effect to payments that would otherwise be made on such Payment Date, the Outstanding Amount of the Bonds has been reduced to less than 5% of the initial Principal Balance of the Bonds. The redemption price in any case shall be equal to the Outstanding Amount to be redeemed plus accrued and unpaid Interest thereon at the Interest Rate to the Redemption Date. If the Issuer elects to redeem the Bonds pursuant to this Section 10.01 it shall furnish notice of such election to (a) the Trustee, not later than 25 days prior to the Redemption Date for such redemption and (b) the Rating Agencies, not later than 10 days prior to such Redemption Date, whereupon all such Bonds shall be due and payable on such Redemption Date upon the furnishing of a notice complying with Section 10.03 to each Holder of the Bonds pursuant to this Section 10.01.]

Section 10.02 [Optional and Mandatory Redemption by Issuer]. [To come at time of pricing]].

Section 10.03 [Form of Redemption Notice]. (a) Notice of redemption under Sections 10.01 or 10.02 shall be given by the Trustee by first-class mail, postage prepaid, mailed not less than five days nor more than 45 days prior to the Redemption Date to each Holder of Bonds to be redeemed, as of the close of business on the Record Date preceding the applicable Redemption Date at such Holder's address appearing in the Bond Register.

(b) All notices of redemption shall state:

- (i) the Redemption Date;
- (ii) the amount of such Bonds to be redeemed;
- (iii) the Redemption Price; and
- (iv) the place where such Bonds are to be surrendered for payment of the Redemption Price (which shall be the office or agency of the Issuer to be maintained as provided in Section 3.02).

(c) Notice of redemption of the Bonds to be redeemed shall be given by the Trustee in the name and at the expense of the Issuer. Failure to give notice of redemption, or any defect therein, to any Holder of any Bond selected for redemption shall not impair or affect the validity of the redemption of any other Bond. Notice of optional redemption shall be irrevocable once given.]

Section 10.04 [Payment of Redemption Price. If notice of redemption has been duly mailed or duly waived by the Holders of all Bonds called for redemption, then the Bonds called for redemption shall be payable on the applicable Redemption Date at the applicable Redemption Price. No further Interest will accrue on the principal amount of any Bonds called for redemption after the Redemption Date, and the Holders of such Bonds will have no rights with respect thereto, if payment of the Redemption Price has been duly provided for on or before the Redemption Date declared therefor. The Holders of the Bonds shall be entitled to payment of Interest on the Redemption Price accrued at the related Interest Rates to the extent the Issuer fails to provide for the Redemption Price on the Redemption Date. Payment of the Redemption Price shall be made by the Trustee to or upon the order of the Holders of the Bonds called for redemption upon surrender of such Bonds, and the Bonds so redeemed shall cease to be of further effect and the Lien hereunder shall be released with respect to such Bonds.]

## ARTICLE XI

### MISCELLANEOUS

Section 11.01 Compliance Certificates and Opinions. (a) Upon any application or request by the Issuer to the Trustee to take any action under this Indenture, the Issuer shall furnish to the Trustee (i) an Issuer Officer's Certificate stating that all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with, (ii) an Issuer Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent, if any, have been complied with and (iii) (if required by the TIA) an Independent Certificate from a firm of certified public accountants meeting the applicable requirements of this Section 11.01 except that, in the case of any such application or request as to which the furnishing of such documents is specifically required by this Indenture, no additional certificate or opinion need be furnished.

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

(i) statement that each signatory of such certificate or opinion has read or has caused to be read such covenant or condition and the definitions herein relating thereto;

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

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

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

Section 11.02 Form of Documents Delivered to Trustee. (a) In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents. Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

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

(c) Whenever in this Indenture, in connection with any application or certificate or report to the Trustee, it is provided that the Issuer shall deliver any document as a condition of the granting of such application, or as evidence of the Issuer's compliance with any term hereof, it is intended that the truth and accuracy, at the time of the granting of such application or at the effective date of such certificate or report (as the case may be), of the facts and opinions stated in such document shall in such case be conditions precedent to the right of the Issuer to have such application granted or to the sufficiency of such certificate or report. The foregoing shall not, however, be construed to affect the Trustee's right to rely upon the truth and accuracy of any statement or opinion contained in any such document as provided in Article VI.

Section 11.03 Acts of Bondholders. (a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Bondholders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Bondholders in person or by agents duly appointed in writing; and except as herein otherwise expressly provided such action shall become effective when such instrument or instruments are delivered to the Trustee, and, where it is hereby expressly required, to the Issuer. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Bondholders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and (subject to Section 6.01) conclusive in favor of the Trustee and the Issuer, if made in the manner provided in this Section 11.03.

(b) The fact and date of the execution by any person of any such instrument or writing may be proved in any manner that the Trustee deems sufficient.

(c) The ownership of Bonds shall be proved by the Bond Register.

(d) Any request, demand, authorization, direction, notice, consent, waiver or other action by the Holder of any Bonds shall bind the Holder of every Bond issued upon the registration thereof or in exchange therefor or in lieu thereof, in respect of anything done, omitted or suffered to be done by the Trustee or the Issuer in reliance thereon, whether or not notation of such action is made upon such Bond.

Section 11.04 Notices, etc., to Trustee, Issuer and Rating Agencies. (a) Any request, demand, authorization, direction, notice, consent, waiver or Act of Bondholders or other documents provided or permitted by this Indenture to be made upon, given or furnished to or filed with:

(i) the Trustee by any Bondholder or by the Issuer, or

(ii) the Issuer by the Trustee or by any Bondholder, or

(iii) the Commission by the Seller, the Issuer or the Trustee shall be sufficient if in English and in writing, and sent by United States first-class mail, reputable overnight courier service, facsimile transmission or electronic mail (confirmed by telephone, United States first-class mail or reputable overnight courier service in the case of notice by facsimile transmission or electronic mail) or any other customary means of communication, and any such request, demand, authorization, direction, notice, consent, waiver or Act shall be effective when delivered or transmitted, or if mailed, five days after deposit in the United States first-class mail with proper postage for first-class mail prepaid, in the case of the Trustee, addressed to the Trustee at its Corporate Trust Office, in the case of the Commission, addressed to the Commission at \_\_\_\_\_, Florida, \_\_\_\_\_, Attention: \_\_\_\_\_ and in the case of the Issuer, addressed to: Issuer, \_\_\_\_\_ Florida \_\_\_\_\_, Attention: \_\_\_\_\_, or at any other address previously furnished in writing to the Trustee by the Issuer. The issuer shall promptly transmit any notice received by it from the Bondholders to the Trustee.



(b) Notices required to be given to the Rating Agencies by the Issuer, the Trustee or a Manager shall be in writing, delivered personally, via facsimile transmission, by reputable overnight courier or by first-class mail, postage prepaid, to: (i) in the case of Moody's: Moody's Investors Service, Inc., Attention: ABS Monitoring Department, 99 Church Street, New York, New York 10007; (ii) in the case of Standard & Poor's: Standard & Poor's Ratings Services, 55 Water Street, New York, NY 10041, Attention: Asset Backed Surveillance Department and (iii) in the case of Fitch: Fitch, Inc., 1 State Street Plaza, New York, New York 10004, Attention: ABS Surveillance.

Section 11.05 Notices to Bondholders; Waiver. (a) Where this Indenture provides for notice to Bondholders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and delivered by first-class mail, postage prepaid, to each Bondholder affected by such event, at the address of such Bondholder as it appears on the Bond Register, not later than the latest date, and not earlier than the earliest date, prescribed for the giving of such notice. In any case where notice to Bondholders is given by mail, neither the failure to mail such notice nor any defect in any notice so mailed to any particular Bondholder shall affect the sufficiency of such notice with respect to other Bondholders, and any notice that is mailed in the manner herein provided shall conclusively be presumed to have been duly given.

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

(c) In case, by reason of the suspension of regular mail service as a result of a strike, work stoppage or similar activity, it shall be impractical to deliver notice in accordance with clause (a) of this Section 11.05 to the Holders when such notice is required to be given pursuant to this Indenture, then any manner of giving such notice as shall be reasonably satisfactory to the Trustee shall be deemed to be a sufficient giving of such notice.

(d) Where this Indenture provides for notice to the Rating Agencies, failure to give such notice shall not affect any other rights or obligations created hereunder, and shall not under any circumstance constitute a Default or Event of Default.

Section 11.06 Issuer Obligation. No recourse may be taken, directly or indirectly, with respect to the obligations of the Issuer or the Trustee on the Bonds or under this Indenture or any certificate or other writing delivered in connection herewith or therewith, against (i) the Member or any Manager, employee or agent of the Issuer or (ii) any stockholder, officer, director, employee or agent of the Trustee (it being understood that none of the Trustee's obligations are in its individual capacity).

Section 11.07 Alternative Payment and Notice Provisions. Notwithstanding any provision of this Indenture or any of the Bonds to the contrary, the Issuer may enter into any agreement with any Holder of a Bond providing for a method of payment, or notice by the Trustee or any Paying Agent to such Holder, that is different from the methods provided for in this Indenture for such payments or notices. The Issuer will furnish to the Trustee a copy of each

such agreement and the Trustee will cause payments to be made and notices to be given in accordance with such agreements.

Section 11.08 Conflict with Trust Indenture Act. (a) If any provision hereof limits, qualifies or conflicts with another provision hereof that is required to be included in this Indenture by any of the provisions of the TIA, such required provision shall control.

(b) The provisions of TIA Sections 310 through 317 that impose duties on any person (including the provisions automatically deemed included herein unless expressly excluded by this Indenture) are a part of and govern this Indenture, whether or not physically contained herein.

Section 11.09 No Petition. The Trustee, by entering into this Indenture, and each Bondholder or Bond Owner, by accepting a Bond or a beneficial interest therein, hereby covenants and agrees (or shall be deemed to have covenanted and agreed) that it shall not at any time institute against the Issuer, or join in the institution against the Issuer of, or acquiesce, petition or otherwise invoke or cause the Issuer to invoke the process of any court or government authority for the purpose of commencing or sustaining a case against the Issuer under any federal or state bankruptcy, insolvency or similar law or appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official of the Issuer or any substantial part of the property of the Issuer or ordering the winding up or liquidation of the affairs of the Issuer.

Section 11.10 Successors and Assigns. (a) All covenants and agreements in this Indenture and the Bonds by the Issuer shall bind its successors and permitted assigns, whether so expressed or not.

(b) All agreements of the Trustee in this indenture shall bind its successors.

(c) The Trustee shall provide prior notice to the Rating Agencies of any assignment of the obligations under this Agreement.

Section 11.11 Severability. In case any provision in this Indenture or in the Bonds shall be invalid, illegal or unenforceable, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 11.12 Benefits of Indenture. Nothing in this Indenture or in the Bonds, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, the Bondholders, [and any Swap Counterparty], any benefit or any legal or equitable right, remedy or claim under this Indenture.

Section 11.13 Governing Law. THIS INDENTURE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REFERENCE TO ITS CONFLICT OF LAW PROVISIONS, AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS, PROVIDED THAT THE LAWS OF THE STATE OF FLORIDA SHALL GOVERN THE CREATION, ATTACHMENT, PERFECTION AND ENFORCEMENT OF THE SECURITY INTEREST HEREUNDER IN THE INTANGIBLE TRANSITION PROPERTY UNDER THE STATUTE.

Section 11.14 Legal Holidays. In any case where the date on which any payment is due shall not be a Business Day, then payment need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on the date on which nominally due, and no Interest shall accrue for the period from and after any such nominal date.

Section 11.15 Additional Information. The Trustee shall provide to each Rating Agency any relevant information that such Rating Agency may reasonably request from time to time that the Trustee possesses or can acquire through commercially reasonable efforts and without unreasonable expense.

Section 11.16 Counterparts. This Indenture may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

Section 11.17 Limitations on Recourse. There shall be full recourse to the Issuer and its assets for the liabilities of the Issuer under this Indenture and the Basic Documents, but in no event shall any holder of equity in or Affiliate of the Issuer, or any officer, director, or holder of any equity interest in the Issuer or any Affiliate of the Issuer be liable for any obligations of the Issuer under the Basic Documents for any reason (including, without limitation, based on Section 2.01(c) of the Sale Agreement). Nothing contained in this Section shall be construed to limit the obligations for which the Seller has expressly committed itself under the terms of the Sale Agreement or for which the Servicer has expressly committed itself under the terms of the Servicing Agreement.

IN WITNESS WHEREOF, the Issuer and the Trustee have caused this Indenture to be duly executed and delivered by a Manager and an officer, respectively, thereof, each thereunto duly authorized, all as of the day and year first above written.

[SPE],

as Issuer, and as agent of Gulf Power  
for purposes of the Alternative Grant

By: \_\_\_\_\_

Name:

Title:       Manager

[BANK]

as Trustee

By: \_\_\_\_\_

Name:

Title:

Exhibit A

FORM OF BOND

[To be provided]

Schedule A  
EXPECTED AMORTIZATION SCHEDULE

[To be provided]

MASTER DEFINITIONS





Florida Public Service Commission  
Docket No. \_\_\_\_\_  
GULF POWER COMPANY  
Witness: Jay Kim  
Exhibit No. \_\_\_\_ (JK-1)  
Schedule 11  
Form of Sale Agreement

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**STORM-RECOVERY PROPERTY SALE AGREEMENT**

**between**

**[SPE], LLC,  
as Issuer,**

**and**

**GULF POWER COMPANY,  
as Seller**

**Dated as of \_\_\_\_\_, 2006**

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This STORM-RECOVERY PROPERTY SALE AGREEMENT, dated as of [\_\_\_\_], 2006, is between [SPE], LLC, a Delaware limited liability company, as issuer (the "Issuer"), and GULF POWER COMPANY, a Florida corporation, as seller hereunder (in such capacity, the "Seller").

WITNESSETH:

WHEREAS, the Issuer desires to purchase certain Storm-Recovery Property created pursuant to the Statute and the Financing Order (hereafter, the "Series 2006 Storm-Recovery Property");

WHEREAS, the Seller is willing to sell the Series 2006 Storm-Recovery Property to the Issuer;

WHEREAS, the Issuer, in order to finance the purchase of the Series 2006 Storm-Recovery Property, will issue the Bonds under the Indenture;

WHEREAS, the Issuer, to secure its obligations under the Bonds and the Indenture, will pledge its right, title and interest and grant a security interest in, to and under the Series 2006 Storm-Recovery Property to the Trustee for the benefit of the Bondholders.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the parties hereto agree as follows:

ARTICLE ONE

DEFINITIONS

(a) Definitions and Rules of Construction. Capitalized terms used herein and not otherwise defined herein have the meanings assigned to them in Appendix A hereto. This Agreement shall be construed in accordance with the Rules of Construction set forth in Appendix A hereto.

ARTICLE TWO

CONVEYANCE OF STORM-RECOVERY PROPERTY

Section 2.01. Conveyance of Storm-Recovery Property.

(a) In consideration of the Issuer's payment to the Seller of the Series 2006 Purchase Price by wire transfer of funds immediately available on the date hereof, subject to the conditions specified in Section 2.02, the Seller does hereby irrevocably sell, transfer, assign and otherwise convey to the Issuer, without recourse (subject to the obligations of the Seller herein), all right, title and interest of the Seller in, to and under the Series 2006 Storm-Recovery Property identified in the Bill of Sale delivered pursuant to Section 2.02(a) on or prior to the Closing Date

(such sale, transfer, assignment and conveyance of the Series 2006 Storm-Recovery Property to include, to the fullest extent permitted by the Statute, the Florida UCC and the Delaware UCC, the assignment of all revenues, collections, claims, rights, payments, money or proceeds of or arising from the Storm-Recovery Charges related to the Series 2006 Storm-Recovery Property, as the same may be adjusted from time to time, it being understood that such Series 2006 Storm-Recovery Property does not include the right to any revenues, collections, claims, rights, payments, money or proceeds of or arising from the Storm Bond Tax Charges). Such sale, transfer, assignment and conveyance of the Series 2006 Storm-Recovery Property is hereby expressly stated to be a sale or other absolute transfer and, pursuant to Section 366.8260(5)(c) of the Statute and the Financing Order, shall constitute a sale and absolute transfer of all of the Seller's right, title and interest, in, to and under, and not a borrowing secured by, the Series 2006 Storm-Recovery Property. The preceding sentence is the statement referred to in Section 366.8260(5)(c) of the Statute. The Seller agrees and confirms that upon payment of the Series 2006 Purchase Price and the execution and delivery of this Agreement and the related Bill of Sale, the Seller shall have no right, title or interest in, to or under the Series 2006 Storm-Recovery Property.

(b) Subject to the conditions specified in Section 2.02, the Issuer does hereby purchase the Series 2006 Storm-Recovery Property from the Seller for an amount equal to the Series 2006 Purchase Price. The Seller and the Issuer each acknowledge and agree that the purchase price for the Series 2006 Storm-Recovery Property sold pursuant to this Agreement is equal to its fair market value at the time of sale.

(c) Notwithstanding the foregoing, if but only if, contrary to the agreement and intent of the parties and the Financing Order, any sale, transfer, assignment and conveyance of the Series 2006 Storm-Recovery Property is determined by a court not to be a sale and absolute transfer as contemplated by the parties hereto and by the Statute, then

(i) (A) the Seller hereby appoints the Issuer as Seller's Agent for purposes of this clause (c)(i), (B) the Issuer shall be deemed to have issued and sold the Bonds for and on behalf of the Seller as Seller's Agent in accordance with the Statute, the Financing Order, the Indenture and the Underwriting Agreement, and (C) the Issuer shall be deemed to have granted and does hereby grant, as of the date hereof, for and on behalf of the Seller as Seller's Agent, a valid and enforceable lien and first priority security interest in the Series 2006 Storm-Recovery Property to the Trustee for the benefit of the Bondholders, in accordance with the Statute or the Financing Order and the Indenture in connection with the issuance of the Bonds, but if a court of competent jurisdiction determines that the provision in this clause (c)(i) does not create a valid and enforceable lien, then

(ii) such sale, transfer, assignment and conveyance shall be treated as a pledge of such Series 2006 Storm-Recovery Property and the Seller shall be deemed to have granted, and does hereby grant, as of the date hereof a security interest to the Issuer in such Series 2006 Storm-Recovery Property to secure a payment obligation incurred by the Seller in the amount paid by the Issuer for the Series 2006 Storm-Recovery Property.

Section 2.02. Conditions to Conveyance of Storm-Recovery Property. The obligation of the Seller to sell, and the obligation of the Issuer to purchase, the Series 2006 Storm-Recovery Property upon the Closing Date shall be subject to and conditioned upon the satisfaction or waiver of each of the following conditions:

(a) on or prior to the Closing Date, the Seller shall deliver to the Issuer a duly executed Bill of Sale identifying the Series 2006 Storm-Recovery Property to be conveyed as of that date, substantially in the form of Exhibit A hereto;

(b) as of the Closing Date, no breach by the Seller of its representations, warranties or covenants in this Agreement shall exist and the Seller shall have delivered to the Issuer and the Trustee an Officer's Certificate to such effect and no Servicer Default shall have occurred and be continuing;

(c) as of the Closing Date:

(i) the Issuer shall have sufficient funds available to pay the purchase price for the Series 2006 Storm-Recovery Property to be conveyed on such date, and

(ii) all conditions set forth in the Indenture to the issuance of the Bonds intended to provide such funds shall have been satisfied or waived;

(d) on or prior to the Closing Date, the Seller shall have taken all actions required under the Statute, the Financing Order, the Florida UCC and the Delaware UCC, including any filings under the Statute, the Florida UCC and the Delaware UCC, to transfer to the Issuer ownership of the Series 2006 Storm-Recovery Property to be conveyed on such date, free and clear of all Liens other than Liens created by the Issuer pursuant to the Indenture, and the Issuer shall have taken any action required for the Issuer to grant to the Trustee a first priority perfected security interest in the Collateral and maintain such security interest as of such date;

(e) the Seller shall have delivered to the Issuer such Opinions of Counsel as the Issuer shall request;

(f) the Seller shall have delivered to the Trustee and the Issuer an Officer's Certificate confirming the satisfaction of each condition precedent specified in this Section 2.02; and

(g) the Seller shall have received the Series 2006 Purchase Price in funds immediately available.

### ARTICLE THREE

#### REPRESENTATIONS AND WARRANTIES OF SELLER

As of the Closing Date, the Seller makes the following representations and warranties on which the Issuer has relied and will rely in acquiring the Series 2006 Storm-Recovery Property.

The following representations and warranties are made under existing law as in effect as of the Closing Date. The Seller shall not be in breach of any representation or warranty herein as a result of a change in law occurring after the Closing Date. The representations and warranties shall survive the sale of the Series 2006 Storm-Recovery Property to the Issuer and the pledge thereof to the Trustee pursuant to the Indenture; provided, however, that such representations and warranties shall cease to be in effect one year following the repayment or redemption of all of the Bonds.

Section 3.01. Organization and Good Standing. The Seller is a corporation duly organized and in good standing under the laws of the State of Florida, with corporate power and authority to own its properties and conduct its business as currently owned and such business as presently conducted.

Section 3.02. Due Qualification. The Seller is duly qualified to do business as a foreign corporation in good standing or equivalent status, and has obtained all necessary licenses and approvals, in all jurisdictions, other than Florida, in which the ownership or lease of property or the conduct of its business requires such qualifications, licenses or approvals (except where the failure to so qualify and to obtain such licenses and approvals would not be reasonably likely to have a material adverse effect on the Seller's business, operations, assets, revenues, properties or prospects).

Section 3.03. Power and Authority. The Seller has the corporate power and authority to execute and deliver this Agreement and to carry out its terms; the Seller has full corporate power and authority to own the Series 2006 Storm-Recovery Property and sell and assign the Series 2006 Storm-Recovery Property to the Issuer, and the Seller has duly authorized such sale and assignment to the Issuer by all necessary corporate action; and the execution, delivery and performance of this Agreement has been duly authorized by the Seller by all necessary corporate action.

Section 3.04. Binding Obligation. This Agreement constitutes a legal, valid and binding obligation of the Seller enforceable against the Seller in accordance with its terms, subject to bankruptcy, receivership, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally from time to time in effect and to general principles of equity (regardless of whether considered in a proceeding in equity or at law).

Section 3.05 No Violation. The consummation of the transactions contemplated by this Agreement and the fulfillment of the terms hereof do not conflict with, result in any breach of any of the terms and provisions of, or constitute (with or without notice or lapse of time) a default under, the Mortgage Bond Indenture, the articles of incorporation or by-laws of the Seller, or any other material indenture, agreement or other instrument to which the Seller is a party or by which it is bound; nor result in the creation or imposition of any Lien upon any of its properties pursuant to the terms of any such indenture, agreement or other instrument (except as contemplated in the Indenture and as set forth in Section 4.02 of this Agreement); nor violate any law or any order, rule or regulation applicable to the Seller of any court or of any federal or state regulatory body, administrative agency or other governmental instrumentality having jurisdiction over the Seller or its properties. The Series 2006 Storm-Recovery Property is not subject to any

Lien thereon, including under the Mortgage Bond Indenture, other than the Liens created pursuant to the Indenture and the Statute.

Section 3.06. No Proceedings. Except as disclosed in Schedule 3.06 and to the Seller's knowledge, there are no proceedings or investigations pending or, to the Seller's knowledge, threatened, before any court, federal or state regulatory body, administrative agency or other governmental instrumentality having jurisdiction over the Seller or its properties:

(a) asserting the invalidity of any of the Basic Documents, the Bonds, the Statute or the Financing Order;

(b) seeking to prevent the issuance of the Bonds or the consummation of any of the transactions contemplated by the Basic Documents;

(c) challenging the Seller's treatment of the Bonds as debt of the Seller for federal and state tax purposes; or

(d) seeking any determination or ruling that could reasonably be expected to materially and adversely affect the performance by the Seller of its obligations under, or the validity or enforceability of, the Basic Documents, the Bonds or the Financing Order.

Section 3.07. Approvals. Except for the filing of financing statements under the Statute and financing statements and continuation statements under the Statute and under the Florida UCC and Delaware UCC, no approval, authorization, consent, order or other action of, or filing with, any court, federal or state regulatory body, administrative agency or other governmental instrumentality is required in connection with the execution and delivery by the Seller of this Agreement, the performance by the Seller of the transactions contemplated hereby or the fulfillment by the Seller of the terms hereof, except those that have been obtained or made and those that the Seller, in its capacity as Servicer under the Servicing Agreement, is required to make in the future pursuant to the Servicing Agreement and post closing filings required in connection therewith.

Section 3.08. Storm-Recovery Property.

(a) *Information*. All historical data used for the purpose of calculating the initial Storm-Recovery Charges in the Initial Schedule of Charges Letter are true and correct, and the assumptions used in such calculations are reasonable and made in good faith.

(b) *Effect of Transfer*. The sale, transfer, assignment and conveyance herein contemplated constitutes a sale or other absolute transfer, of all right, title and interest of the Seller in, to and under the Series 2006 Storm-Recovery Property from the Seller to the Issuer; upon execution and delivery of this Agreement and the related Bill of Sale, the Seller will have no right, title or interest in, to or under the Series 2006 Storm-Recovery Property; and the Series 2006 Storm-Recovery Property would not be part of the estate of the Seller as debtor in the event of the filing of a bankruptcy petition by or against the Seller under any bankruptcy law.



(c) *Transfer Filings.* The Seller is the sole owner of the Series 2006 Storm-Recovery Property sold to the Issuer on the Closing Date; and the Series 2006 Storm-Recovery Property will have been validly sold, assigned, transferred and conveyed to the Issuer free and clear of all Liens other than Liens created by the Issuer pursuant to the Indenture. All actions or filings, including filings with the Florida Secured Transactions Registry under the Statute and with the Delaware Secretary of State (Uniform Commercial Code Section) under the Delaware UCC, necessary in any jurisdiction to give the Issuer a valid first priority perfected ownership interest in the Series 2006 Storm-Recovery Property and to grant to the Trustee a first priority perfected security interest in the Series 2006 Storm-Recovery Property, free and clear of all Liens of the Seller or any other Person have been taken or made.

(d) *Financing Order Irrevocable; Process Valid; No Litigation; Etc.*

(i) The Financing Order has been issued by the Commission in accordance with the Statute, and such order and the process by which it was issued comply with all applicable laws, rules and regulations. The Financing Order has become effective pursuant to the Statute and is, and as of the date of issuance of any Bonds will be, in full force and effect and final and non-appealable.

(ii) As of the Closing Date, the Bonds will be entitled to the protections provided by the Statute and, in accordance with the Statute, the Financing Order is not subject to impairment and the right to impose, collect and adjust the Storm-Recovery Charge authorized therein has become irrevocable and not subject to reduction, impairment or adjustment, except for the Periodic Adjustments to the Storm-Recovery Charges provided for in the Financing Order.

(iii) (A) Under the Statute, the State of Florida may not take or permit any action that would impair the value of the Series 2006 Storm-Recovery Property, reduce or alter, except for Periodic Adjustments allowed under the Financing Order, or impair the Storm-Recovery Charges to be imposed, collected, and remitted for the benefit of Bondholders, until any Principal, Interest, or other charges incurred or contracts to be performed in connection with the Bonds held by Bondholders are paid or performed in full; and

(B) under the contract clauses of the State of Florida and the United States constitutions, the State of Florida, including the Commission, could not take any action that substantially impairs the rights of the Bondholders unless such action is a reasonable exercise of the State of Florida's sovereign powers and of a character reasonable and appropriate to further a legitimate public purpose, and, under the takings clauses of the State of Florida and the United States constitutions, the State of Florida could not repeal or amend the Statute or take any other action in contravention of its pledge in Section 366.8260(11) of the Statute if such action constitutes a permanent appropriation of the property interest of Bondholders in the Series 2006 Storm-Recovery Property and deprives the Bondholders of their reasonable expectations arising from their investments in Bonds, unless just compensation, as determined by a court of competent jurisdiction, is provided to Bondholders; provided, that nothing in subparagraphs (A) or

(B) shall preclude any such limitation or alteration if full compensation is made by law for the protection of the Storm-Recovery Charges, and of the holders of the Bonds or any assignee or party entering into a contract with the Seller.

(iv) There is no order by any court providing for the revocation, alteration, limitation or other impairment of the Statute, the Financing Order, the Series 2006 Storm-Recovery Property or the Storm-Recovery Charges related thereto, or any rights arising under any of them, or that seeks to enjoin the performance of any obligations under the Financing Order, which in any way is adverse to the position of the Bondholders.

(v) No other approval, authorization, consent, order or other action of, or filing with, any court, federal or state regulatory body, administrative agency or other governmental instrumentality is required in connection with the creation or transfer of the Series 2006 Storm-Recovery Property, except those that have been obtained or made and those that the Seller, in its capacity as Servicer under the Servicing Agreement, is required to make in the future pursuant to the Servicing Agreement and post closing filings required in connection therewith.

(vi) The voters of the State of Florida have no right of referendum or initiative to amend, repeal or revoke the Statute in a manner that would impair the security of the Bondholders.

(e) *Creation of Storm-Recovery Property.*

(i) For purposes of the Statute, the Series 2006 Storm-Recovery Property constitutes a present property right that will continue to exist until the Bonds issued pursuant to the Financing Order are paid in full and all Financing Costs of the Bonds have been recovered in full; and

(ii) the Series 2006 Storm-Recovery Property sold by the Seller to the Issuer pursuant to this Agreement consists of (A) the irrevocable right of the Seller under the Financing Order to impose, collect and receive Storm-Recovery Charges in the amount necessary to provide for full recovery of Principal of and Interest on the Bonds, together with other Financing Costs; (B) the right under the Financing Order to obtain Periodic Adjustments of the Storm-Recovery Charges; and (C) all revenues, collections, payments, money and proceeds arising out of the rights and interests described in (A) and (B); provided, however, that the Series 2006 Storm-Recovery Property does not include any right to any revenues, collections, claims, rights, payments, money or proceeds of or arising from the Storm Bond Tax Charges.

Section 3.09. Solvency. After giving effect to the sale of the Series 2006 Storm-Recovery Property hereunder, the Seller:

(a) is solvent and expects to remain solvent;

(b) is adequately capitalized to conduct its business and affairs considering its size and the nature of its business and intended purposes;

(c) is not engaged and does not expect to engage in a business for which its remaining property represents an unreasonably small portion of its capital;

(d) reasonably believes that it will be able to pay its debts as they become due; and

(e) is able to pay its debts as they mature and does not intend to incur, nor believe that it will incur, indebtedness that it will not be able to repay at its maturity.

Section 3.10. Limitations on Representations and Warranties. Notwithstanding the above, the Seller makes no representation or warranty that any amounts actually collected arising from the Storm-Recovery Charges will in fact be sufficient to meet payment obligations on the Bonds or that the assumptions made in calculating the Storm-Recovery Charges will in fact be realized.

## ARTICLE FOUR

### COVENANTS OF THE SELLER

Section 4.01. Seller's Existence. Subject to Section 5.02 of this Agreement, so long as any of the Bonds are Outstanding, the Seller shall keep in full force and effect its existence as a corporation and remain in good standing or equivalent status under the laws of the jurisdiction of its organization, and shall obtain and preserve its qualification to do business in each jurisdiction in which such qualification is or will be necessary to protect the validity and enforceability of this Agreement and each other instrument or agreement to which the Seller is a party necessary to the proper administration of this Agreement and the transactions contemplated hereby.

Section 4.02. No Liens or Conveyances. Except for the conveyances hereunder, the Seller shall not sell, pledge, assign or transfer to any other Person, or grant, create, incur, assume or suffer to exist any Lien on, any of the Series 2006 Storm-Recovery Property, whether now existing or hereafter created, or any interest therein. The Seller shall not at any time assert any Lien against or with respect to any Series 2006 Storm-Recovery Property, and shall defend the right, title and interest of the Issuer and the Trustee, as assignee of the Issuer, in, to and under the Series 2006 Storm-Recovery Property, whether now existing or hereafter created, against all claims of third parties claiming through or under the Seller.

Section 4.03. Use of Proceeds. The Seller shall use proceeds from the sale of the Series 2006 Storm-Recovery Property in accordance with the Financing Order.

Section 4.04. Delivery of Collections. If the Seller receives collections of the Storm-Recovery Charge with respect to the Series 2006 Storm-Recovery Property or the proceeds thereof, the Seller shall pay the Servicer all payments received by the Seller in respect thereof as soon as practicable after receipt thereof by the Seller, but in no event later than two Business Days after such receipt.

Section 4.05. Notice of Liens. The Seller shall notify the Issuer and the Trustee promptly after becoming aware of any Lien on any Series 2006 Storm-Recovery Property other than the conveyances hereunder or under the Indenture.

Section 4.06. Compliance with Law. The Seller shall materially comply with its organizational or governing documents and all laws, treaties, rules, regulations and determinations of any governmental instrumentality applicable to the Seller, except to the extent that failure to so comply would not adversely affect the Issuer's or the Trustee's interests in the Series 2006 Storm-Recovery Property under any of the Basic Documents or the Seller's performance of its material obligations hereunder.

Section 4.07. Covenants Related to Storm-Recovery Property.

(a) So long as any of the Bonds are Outstanding, the Seller shall:

(i) treat the Bonds as debt of the Issuer and not the Seller, except for financial accounting or tax reporting purposes;

(ii) disclose in its financial statements that it is not the owner of the Series 2006 Storm-Recovery Property and that the assets of the Issuer are not available to pay creditors of the Seller or any of its Affiliates (other than the Issuer);

(iii) disclose the effects of all transactions between the Seller and the Issuer in accordance with generally accepted accounting principles; and

(iv) not own or purchase any Bonds.

(b) The Seller agrees that upon the sale by the Seller of the Series 2006 Storm-Recovery Property to the Issuer pursuant to this Agreement:

(i) to the fullest extent permitted by law, including the Statute and applicable Commission Regulations, the Issuer shall have all of the rights originally held by the Seller with respect to the Series 2006 Storm-Recovery Property, including the right to collect any amounts payable by any Customer in respect of such Series 2006 Storm-Recovery Property, notwithstanding any objection or direction to the contrary by the Seller; and

(ii) any payment by any Customer to the Issuer shall discharge such Customer's obligations in respect of such Series 2006 Storm-Recovery Property to the extent of such payment, notwithstanding any objection or direction to the contrary by the Seller.

(c) So long as any of the Bonds are Outstanding,

(i) in all proceedings relating directly or indirectly to the Series 2006 Storm-Recovery Property the Seller shall: (A) affirmatively certify and confirm that it has sold the Series 2006 Storm-Recovery Property to the Issuer (other than for financial accounting or tax reporting purposes), and (B) not make any statement or reference in respect of the Series 2006 Storm-Recovery Property that is inconsistent with the ownership thereof by the Issuer (other than as required for financial accounting or tax reporting purposes);

(ii) the Seller shall not take any action in respect of the Series 2006 Storm-Recovery Property except as contemplated by the Basic Documents; and

(iii) the Seller shall not sell Storm-Recovery Property under a Subsequent Financing Order in connection with the issuance of additional storm-recovery bonds unless the Rating Agency Condition shall have been satisfied.

Section 4.08. Protection of Title. The Seller shall execute and file such filings, and cause to be executed and filed such filings, and take all such actions, all in such manner and in such places as may be required by law fully to preserve, maintain, and protect the interests of the Issuer and the Trustee in the Series 2006 Storm-Recovery Property, including all filings (if any) required under the Statute and the Florida UCC and Delaware UCC relating to the transfer of the ownership of the Series 2006 Storm-Recovery Property by the Seller to the Issuer and the pledge of the Series 2006 Storm-Recovery Property by the Issuer to the Trustee. The Seller shall deliver (or cause to be delivered) to the Issuer and the Trustee file-stamped copies of, or filing receipts for, any document filed as provided above, as soon as available following such filing. The Seller shall institute any action or proceeding necessary to compel the performance by the Commission or the State of Florida of any of their material obligations or duties under the Statute and the Financing Order, and the Seller agrees to take such legal or administrative actions, including defending against or instituting and pursuing legal actions and appearing or testifying at hearings or similar proceedings, as may be reasonably necessary:

(a) to attempt to protect the Issuer and the Bondholders from claims, state actions or other actions or proceedings of third parties which, if successfully pursued, would result in a breach of any representation set forth in Article Three; or

(b) to attempt to block or overturn any attempts to cause a repeal of, modification of or supplement to the Statute or the Financing Order or the rights of Bondholders by legislative enactment or constitutional amendment that would be adverse to the Issuer, the Trustee or the Bondholders.

The costs of any such actions or proceedings shall be reimbursed by the Issuer to the Seller from amounts on deposit in the Collection Account as an Operating Expense. The Seller's obligations pursuant to this Section 4.08 shall survive and continue notwithstanding that the payment of Operating Expenses pursuant to the Indenture may be delayed (it being understood and agreed that the Seller may be required to temporarily advance its own funds to satisfy its obligations hereunder). The Seller designates the Issuer as its agent and attorney-in-fact to execute any filings of financing statements, continuation statements or other instruments required

of the Issuer pursuant to this Section 4.08 it being understood that the Issuer shall have no obligation to execute any such instruments.

Section 4.09. Taxes. So long as any of the Bonds are Outstanding, the Seller shall, and shall cause each of its subsidiaries to, pay all material taxes, assessments and governmental charges imposed upon it or any of its properties or assets or with respect to any of its franchises, business, income or property before any penalty accrues thereon if the failure to pay any such taxes, assessments and governmental charges would, after any applicable grace periods, notices or other similar requirements, result in a Lien on the Series 2006 Storm-Recovery Property; provided, that no such tax need be paid if the Seller or one of its Affiliates is contesting the same in good faith by appropriate proceedings promptly instituted and diligently conducted and if the Seller or such Affiliate has established appropriate reserves as shall be required in conformity with generally accepted accounting principles.

Section 4.10. Alternative Energy Suppliers. So long as any of the Bonds are Outstanding, the Seller shall take reasonable efforts to assure that no AES bills or collects Storm-Recovery Charges on behalf of the Issuer unless required by applicable law or regulation and, to the extent permitted by applicable law or regulation, the Rating Agency Condition is satisfied. Any expenses incurred by Seller in complying with its obligations under this Section 4.10 will be reimbursed by Issuer and shall be Operating Expenses.

Section 4.11. Filings Pursuant to Financing Order. The Seller shall comply with all filing requirements, including any making post closing filings, in accordance with the Financing Order.

## ARTICLE FIVE

### ADDITIONAL UNDERTAKINGS OF THE SELLER

The Seller hereby undertakes the obligations contained in this Article Five and agrees that the Issuer shall have the right to assign its rights with respect to such obligations to the Trustee for the benefit of the Bondholders.

#### Section 5.01. Liability the Seller; Indemnities.

(a) The Seller shall be liable in accordance herewith only to the extent of the obligations specifically undertaken by the Seller under this Agreement.

(b) The Seller shall indemnify the Issuer and the Trustee, for itself and on behalf of the Bondholders, and each of the Issuer's and the Trustee's respective officers, directors, managers, employees and agents for, and defend and hold harmless each such Person from and against, any and all taxes (other than any taxes imposed on Bondholders as a result of their ownership of Bonds) that may at any time be imposed on or asserted against any such Person under existing law as of the Closing Date as a result of the sale and assignment of the Series 2006 Storm-Recovery Property by the Seller to the Issuer, the acquisition or holding of the Series 2006 Storm-Recovery Property by the Issuer or the issuance and sale by the Issuer of the Bonds,

including any sales, gross receipts, general corporation, single business, personal property, privilege, franchise or license taxes, but excluding any taxes imposed as a result of a failure of such person to properly withhold or remit taxes imposed with respect to payments on any Bond, it being understood that the Bondholders shall be entitled to enforce their rights against the Seller under this Section 5.01(b) solely through a cause of action brought for their benefit by the Trustee.

(c) The Seller shall indemnify the Issuer and the Trustee for itself and on behalf of the Bondholders, and each of the Issuer's and the Trustee's respective officers, directors, managers, employees and agents for, and defend and hold harmless each such Person from and against, (i) any and all amounts of Principal of and Interest on the Bonds not paid when due or when scheduled to be paid in accordance with their terms and the amount of any deposits to the Issuer required to have been made in accordance with the terms of the Basic Documents which are not made when so required, in each case as a result of the Seller's breach of any of its representations, warranties or covenants contained in this Agreement, and (ii) any and all Losses that may be imposed on or asserted against any such Person, other than any liabilities, obligations or claims for or payments of Principal of or Interest on the Bonds, together with any reasonable costs and expenses actually incurred by such Person, as a result of the Seller's material breach of any of its representations, warranties or covenants contained in this Agreement, provided, that, with respect to a material breach of a covenant, Seller has first had a 30-day opportunity to cure such breach beginning with the receipt of a notice of breach from Issuer and has failed to cure such breach within such period.

(d) Notwithstanding Section 5.01(b) and (c), the Seller shall not be liable for any Losses resulting solely from a downgrade in the ratings on the Bonds or for any consequential, incidental or indirect damages, including any loss of market value of the Bonds, resulting from any downgrade of the ratings of the Bonds.

(e) Indemnification under this Section 5.01 shall survive the resignation or removal of the Trustee and the termination of this Agreement and shall include reasonable fees and expenses of investigation and litigation (including reasonable attorneys' fees and expenses actually incurred). The Seller shall not indemnify any party under this Section 5.01 for any changes in law after the Closing Date.

(f) The indemnification obligation of the Seller under this Section 5.01 shall be pari passu with all other general unsecured obligations of the Seller.

Section 5.02. Merger or Other Succession to, and Assumption of, the Obligations of the Seller. Any Person:

(a) into which the Seller may be merged or consolidated and which succeeds to all or the major part of the electric distribution business of the Seller,

(b) which results from the division of the Seller into two or more Persons and which succeeds to all or the major part of the electric distribution business of the Seller,

(c) which may result from any merger or consolidation to which the Seller shall be a party and which succeeds to all or the major part of the electric distribution business of the Seller,

(d) which may succeed to the properties and assets of the Seller substantially as a whole and which succeeds to all or the major part of the electric distribution business of the Seller, or

(e) which may otherwise succeed to all or the major part of the electric distribution business of the Seller,

which Person in any of the foregoing cases executes an agreement of assumption to perform every obligation of the Seller under this Agreement, shall be the successor to the Seller hereunder without the execution or filing of any document or any further act by any of the parties to this Agreement; provided, however, that:

(i) immediately after giving effect to such transaction, no representation or warranty made pursuant to Article Three shall have been breached and no Servicer Default, and no event that, after notice or lapse of time, or both, would become a Servicer Default, shall have occurred and be continuing;

(ii) the Seller shall have delivered to the Issuer and the Trustee an Officer's Certificate and an Opinion of Counsel each stating that such consolidation, merger or succession and such agreement of assumption comply with this Section 5.02 and that all conditions precedent, if any, provided for in this Agreement relating to such transaction have been complied with;

(iii) the Seller shall have delivered to the Issuer and the Trustee an Opinion of Counsel either

(A) stating that, in the opinion of such counsel, all filings to be made by the Seller or the Seller, in its capacity as Servicer, including filings under the Statute and filings under the Delaware UCC and any other jurisdiction, that are necessary or advisable fully to preserve and protect fully the respective interests of the Issuer and the Trustee in the Series 2006 Storm-Recovery Property have been executed and filed, and reciting the details of such filings, or

(B) stating that, in the opinion of such counsel, no such action is necessary to preserve and protect such interests;

(iv) the Rating Agencies shall have received prior written notice of such transaction; and

(v) the Seller shall have delivered to the Issuer and the Trustee an opinion of Independent tax counsel (as selected by, and in form and substance reasonably satisfactory to, the Seller, and which may be based on a ruling from the Internal Revenue



Service) to the effect that, for federal income tax purposes, such consolidation or other succession to, and assumption of, the obligations of the Seller will not result in a material adverse federal income tax consequence to the Seller, the Issuer, the Trustee or the holders of the Outstanding Bonds.

The Seller shall not consummate any transaction referred to in clauses (a), (b), (c), (d), or (e) above except upon execution of the above described agreement of assumption and compliance with subclauses (i), (ii), (iii), (iv), and (v) of clause (e). When any Person acquires the properties and assets of the Seller substantially as a whole and becomes the successor to the Seller in accordance with the terms of this Section 5.02 then upon the satisfaction of all of the other conditions of this Section 5.02, the Seller shall automatically and without further notice be released from its obligations hereunder.

Section 5.03. Limitation on Liability of the Seller and Others. The Seller and any director, officer, employee or agent of the Seller may rely in good faith on the advice of counsel or on any document of any kind, *prima facie* properly executed and submitted by any Person, respecting any matters arising hereunder. Subject to Section 4.08 and except as expressly provided herein, the Seller shall not be under any obligation to appear in, prosecute or defend any legal action in accordance with this Agreement and that in its opinion may involve it in any expense or liability.

## ARTICLE SIX

### MISCELLANEOUS PROVISIONS

#### Section 6.01. Amendment.

(a) This Agreement may be amended by the Seller and the Issuer, with the consent of the Trustee and the satisfaction of the Rating Agency Condition. Promptly after the execution of any such amendment or consent, the Issuer shall furnish written notification of the substance of such amendment or notification to each of the Rating Agencies. Prior to the execution of any amendment to this Agreement, the Issuer and the Trustee shall be entitled to receive and rely upon an Opinion of Counsel stating that the execution of such amendment is authorized or permitted by this Agreement. The Issuer and the Trustee may, but shall not be obligated to, enter into any such amendment which affects their own rights, duties or immunities under this Agreement or otherwise.

(b) Notwithstanding anything to the contrary in this section, no amendment or modification of this Agreement shall be effective except upon satisfaction of the conditions precedent in this paragraph (b).

(i) At least 15 days prior to the effectiveness of any such amendment or modification and after obtaining the other necessary approvals set forth in Section 6.01(a) (except that the consent of the Trustee may be subject to the consent of Holders if such consent is required under the Indenture by the Trustee in connection with such amendment or modification), the Servicer shall have delivered to the Commission's

executive director and general counsel written notification of any proposed amendment, which notification shall contain:

(A) a reference to Docket No. [\_\_\_\_\_];

(B) an officer's certificate stating that the proposed amendment or modification has been approved by all parties to this Agreement; and

(C) a statement identifying the person to whom the Commission or its staff is to address any response to the proposed amendment or to request additional time;

(ii) If the Commission or its staff within 15 days (subject to extension as provided in subparagraph (iii) of receiving a notification complying with subparagraph (i) shall have delivered to the office of the person specified in clause (i)(C) above a written statement that the Commission might object to the proposed amendment or modification, then such proposed amendment or modification shall not be effective unless and until the Commission subsequently delivers a written statement that it does not object to such proposed amendment or modification.

(iii) If the Commission or its staff shall have, within 15 days of receiving a notification complying with subparagraph (i) delivered to the office of the person specified in clause (i)(C), a written statement requesting an additional amount of time not to exceed 30 days in which to consider such proposed amendment or modification, then such proposed amendment or modification shall not be effective if, within such extended period, the Commission shall have delivered to the office of the person specified in clause (i)(C) a written statement as described in subparagraph (ii) unless and until the Commission subsequently delivers a written statement that it does not object to such proposed amendment or modification.

(iv) If the Commission or its staff shall not have delivered written notice that the Commission might object to such proposed amendment or modification within the time periods described in subparagraphs (ii) or (iii), whichever is applicable, then the Commission shall be conclusively deemed not to have any objection to the proposed amendment or modification and such amendment or modification may subsequently become effective upon satisfaction of the other conditions specified in Section 6.01(a).

(v) Following the delivery of a notice to the Commission by the Servicer under paragraph (ii) the Servicer and the Issuer shall have the right at any time to withdraw from the Commission further consideration of any proposed amendment.

Section 6.02. Notices. Unless otherwise specifically provided herein, all notices, directions, consents and waivers required under the terms and provisions of this Agreement shall be in English and in writing, and any such notice, direction, consent or waiver may be given by United States first-class mail, reputable overnight courier service, facsimile transmission or electronic mail (confirmed by telephone, United States first-class mail or reputable overnight

courier service in the case of notice by facsimile transmission or electronic mail) or any other customary means of communication, and any such notice, direction, consent or waiver shall be effective when delivered or transmitted, or if mailed, five days after deposit in the United States first-class mail with proper postage for first-class mail prepaid:

(a) in the case of the Seller, at Gulf Power Company, Attention: Treasurer, One Energy Place, Pensacola, Florida 32520;

(b) in the case of the Issuer, at [\_\_\_\_\_] , Attention: [\_\_\_\_\_];

(c) in the case of Moody's, at Moody's Investors Service, Inc., ABS Monitoring Department, 99 Church Street, New York, New York 10007;

(d) in the case of Standard & Poor's, at Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10041, Attention: Asset Backed Surveillance Department;

(e) in the case of Fitch, at Fitch, Inc., 1 State Street Plaza, New York, New York 10004, Attention: ABS Surveillance;

(f) in the case of the Trustee, at the address provided for notices or communications to the Trustee in the Indenture;

(g) in the case of the Commission, at [\_\_\_\_\_] , Florida, [\_\_\_\_\_] Attention: [\_\_\_\_\_]

or, as to each of the foregoing, at such other address as shall be designated by written notice to the other parties.

Section 6.03. Assignment by Seller. Subject to Section 5.02, this Agreement may not be assigned by the Seller.

Section 6.04. Assignment to Trustee. The Seller hereby acknowledges and agrees that nothing in this Agreement impairs the pledge, assignment and grant of a security interest by the Issuer to the Trustee pursuant to the Indenture for the benefit of the Bondholders of all right, title and interest of the Issuer in, to and under the Series 2006 Storm-Recovery Property and the proceeds thereof and the assignment of any or all of the Issuer's rights hereunder to the Trustee.

Section 6.05. Limitations on Rights of Others. The provisions of this Agreement are solely for the benefit of the Seller, the Issuer, the Commission and the Trustee, on behalf of itself and the Bondholders, and nothing in this Agreement, whether express or implied, shall be construed to give to any other Person any legal or equitable right, remedy or claim in the Collateral or under or in respect of this Agreement or any covenants, conditions or provisions contained herein.

Section 6.06. Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such

prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 6.07. Separate Counterparts. This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

Section 6.08. Headings. The headings of the various Articles and Sections herein are for convenience of reference only and shall not define or limit any of the terms or provisions hereof.

Section 6.09. Governing Law. THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF FLORIDA, WITHOUT REFERENCE TO ITS CONFLICT OF LAWS PROVISIONS, AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.

Section 6.10. Nonpetition Covenant. Notwithstanding any prior termination of this Agreement or the Indenture, the Seller hereby covenants and agrees that it shall not, prior to the date which is one year and one day after the termination of the Indenture and the payment in full of the Bonds, any other amounts owed under the Indenture, including, without limitation, any amounts owed to third-party credit enhancers, and any amounts owed under any Interest Rate Swap Agreement, acquiesce, petition or otherwise invoke or cause the Issuer to invoke the process of any court or government authority for the purpose of commencing or, sustaining a case against, the Issuer under any federal or state bankruptcy, insolvency or similar law or appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official of the Issuer or any substantial part of the property of the Issuer, or ordering the winding up or liquidation of the affairs of the Issuer.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their respective duly authorized officers as of the date and year first above written.

[SPE], LLC, as Issuer

By: \_\_\_\_\_  
Name:  
Title:

GULF POWER COMPANY, as Seller

By: \_\_\_\_\_  
Name:  
Title:

EXHIBIT A

BILL OF SALE

For good and valuable consideration the receipt of which is hereby acknowledged, Gulf Power Company, a Florida corporation (the "Seller"), does hereby sell, assign, transfer and convey to [SPE], LLC, a Delaware limited liability company (the "Issuer"), without recourse except as provided in the Sale Agreement referred to below, all of the Seller's right, title and interest in, to and under the Series 2006 Storm-Recovery Property, which sale, assignment, transfer and conveyance of the Series 2006 Storm-Recovery Property shall include, as provided in the Statute, the sale, assignment, transfer and conveyance of all of the Seller's right, title and interest in, to and under all revenues, collections, payments, money or proceeds arising under or with respect to the Storm-Recovery Charges related to the Series 2006 Storm-Recovery Property, as such Storm-Recovery Charges may be adjusted from time to time in accordance with the Statute and the Financing Order, to have and to hold the same unto the Issuer and to the successors and assigns of the Issuer, forever, it being understood that such Series 2006 Storm-Recovery Property does not include the right to any revenues, collections, claims, rights, payments, money or proceeds of or arising from the Storm Bond Tax Charges).

The foregoing sale, transfer, assignment and conveyance of the Series 2006 Storm-Recovery Property is hereby expressly stated to be a sale or other absolute transfer and, pursuant to Section 366.8260(5)(c) of the Statute and Financing Order, shall constitute a sale and absolute transfer of all of the Seller's right, title and interest in, to and under, and not a borrowing secured by, the Series 2006 Storm-Recovery Property. The preceding sentence is the statement referred to in Section 366.8260(5)(c) of the Statute and in the Financing Order.

Capitalized terms used herein and not defined shall have the meanings set forth in the Storm-Recovery Property Sale Agreement dated as of \_\_\_\_\_, 2006 (the "Sale Agreement") between the Issuer and the Seller, as the same may be amended or supplemented from time to time.

This Bill of Sale is governed by the laws of the State of Florida.

IN WITNESS WHEREOF, the Seller has duly executed and delivered this Bill of Sale  
this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

GULF POWER COMPANY, as Seller

By: \_\_\_\_\_  
Name:  
Title:

Accepted this \_\_\_\_\_ day of  
\_\_\_\_\_, \_\_\_\_\_

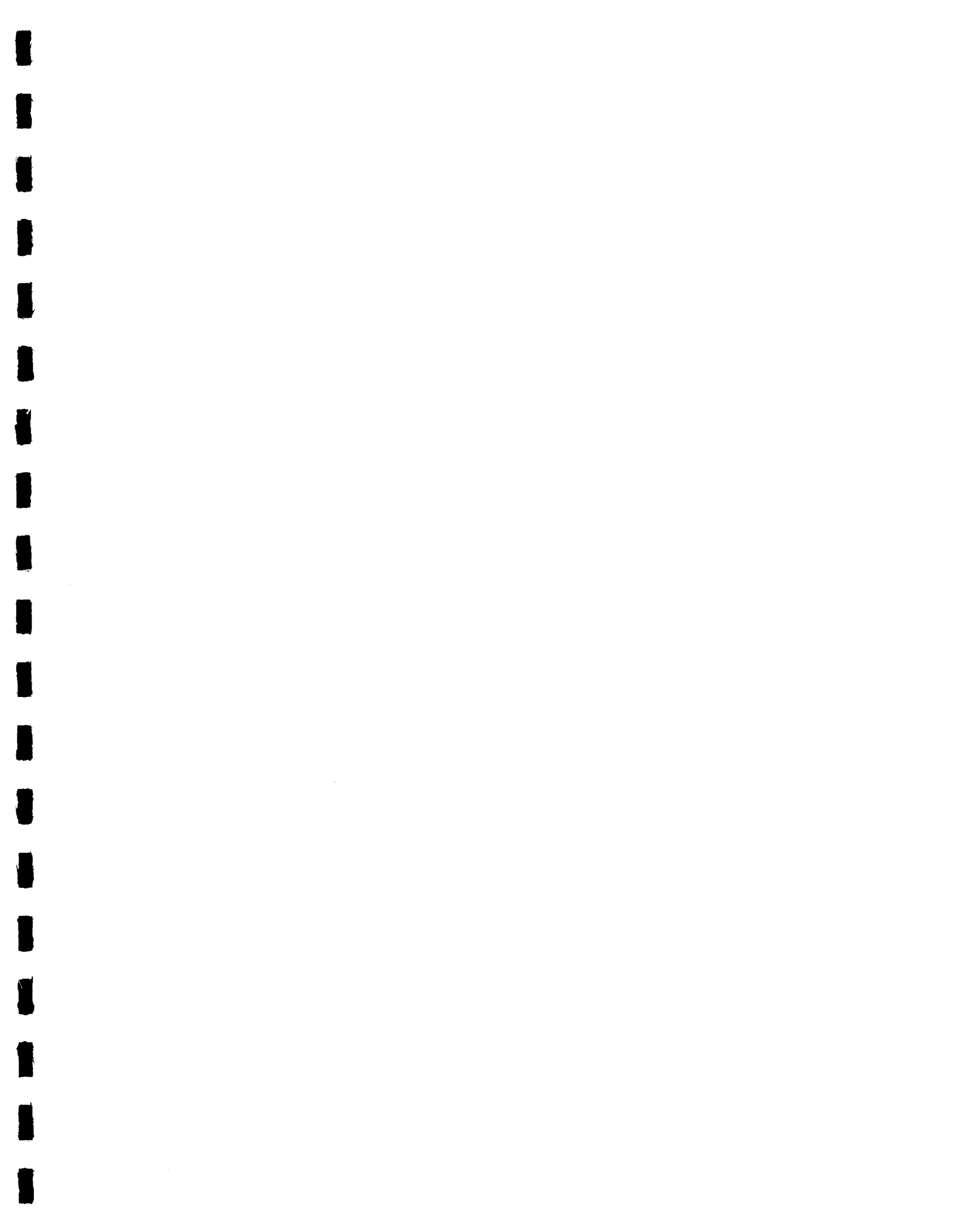
[SPE], LLC

By: \_\_\_\_\_  
Name:  
Title:

SCHEDULE 3.06



APPENDIX A  
MASTER DEFINITIONS  
[ATTACHED]



Florida Public Service Commission

Docket No. \_\_\_\_\_

GULF POWER COMPANY

Witness: Jay Kim

Exhibit No. \_\_\_\_ (JK-1)

Schedule 12

Form of Servicing Agreement

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STORM-RECOVERY PROPERTY SERVICING AGREEMENT

Between

[SPE], LLC,  
as Issuer

and

GULF POWER COMPANY,  
as Servicer

Dated as of \_\_\_\_\_, 2006

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This STORM-RECOVERY PROPERTY SERVICING AGREEMENT, dated as of \_\_\_\_\_, 2006 (this "Agreement"), is between [SPE], LLC, a Delaware limited liability company, as issuer (the "Issuer"), and GULF POWER COMPANY, a Florida corporation, as the servicer of the Storm-Recovery Property hereunder (the "Servicer").

WITNESSETH:

WHEREAS the Servicer is willing to service the Storm-Recovery Property purchased from the Seller by the Issuer from time to time; and

WHEREAS the Issuer, in connection with ownership of Storm-Recovery Property, desires to engage the Servicer to carry out the functions described herein.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the parties hereto agree as follows:

ARTICLE ONE

DEFINITIONS

Section 1.01 Definitions and Rules of Construction. Capitalized terms used but not otherwise defined herein have the meanings assigned to them in Appendix A hereto. This Agreement shall be construed in accordance with the Rules of Construction set forth in Appendix A hereto.

ARTICLE TWO

APPOINTMENT AND AUTHORIZATION

Section 2.01 Appointment of Servicer; Acceptance of Appointment. Subject to Section 6.06 and Article Seven, the Issuer hereby appoints the Servicer, and the Servicer hereby accepts such appointment, to perform the Servicer's obligations pursuant to this Agreement on behalf of and for the benefit of the Issuer or any assignee thereof in accordance with the terms of this Agreement and applicable law. This appointment and the Servicer's acceptance thereof may not be revoked except in accordance with the express terms of this Agreement.

Section 2.02 Authorization. With respect to all or any portion of the Storm-Recovery Property, the Servicer shall be, and hereby is, authorized and empowered by the Issuer to:

(a) execute and deliver, on behalf of itself, the Issuer, or both, as the case may be, any and all instruments, documents or notices; and

(b) on behalf of itself, the Issuer, or both, as the case may be, make any filing and participate in proceedings of any kind with any governmental authorities, including with the Commission.

The Issuer shall furnish the Servicer with such documents as have been prepared by the Servicer for execution by the Issuer, and with such other documents as may be in the Issuer's possession, as necessary or appropriate to enable the Servicer to carry out its servicing and administrative duties hereunder. Upon the written request of the Servicer, the Issuer shall furnish the Servicer with any powers of attorney or other documents necessary or appropriate to enable the Servicer to carry out its duties hereunder.

Section 2.03 Dominion and Control Over the Storm-Recovery Property.

Notwithstanding any other provision herein, the Servicer and the Issuer agree that the Issuer is the owner of the Storm-Recovery Property and shall have dominion and control over the Storm-Recovery Property, and the Servicer, in accordance with the terms hereof, is acting solely as the servicing agent of the Issuer with respect to the Storm-Recovery Property. The Servicer hereby recognizes the security interest of the Trustee in the Series 2006 Storm-Recovery Property granted pursuant to the Indenture and agrees to hold the proceeds thereof in trust for the Issuer and the Trustee. The Servicer hereby agrees that it shall not take any action that is not authorized by this Agreement, the Statute, the Financing Order or any Subsequent Financing Order, if applicable, that is not consistent with its customary procedures and practices, or that shall impair the rights of the Issuer with respect to the Storm-Recovery Property, in each case unless such action is required by law or court or regulatory order.

ARTICLE THREE

BILLING SERVICES

Section 3.01 Duties of Servicer. The Servicer, as agent for the Issuer, shall have the following duties:

(a) Duties of Servicer Generally.

(i) General Duties. The Servicer's duties in general shall include: management, servicing and administration of the Storm-Recovery Property; obtaining meter reads, calculating electricity and demand usage, billing, collection and posting of all payments in respect of the Storm-Recovery Property; responding to inquiries by Customers, the Commission or any federal, local or other state governmental authorities with respect to the Storm-Recovery Property; delivering Bills or arranging for delivery of Bills to Customers, accounting for the billing and collection of the Storm-Recovery Charges, investigating and handling delinquencies, processing and depositing collections and making periodic remittances; furnishing periodic reports to the Issuer, the Commission, the Trustee and the Rating Agencies; and taking all necessary action in connection with Periodic Adjustments as set forth herein. Without limiting the generality of this Section 3.01(a)(i), in furtherance of the foregoing, the Servicer hereby agrees that it shall also have, and shall materially comply with, the duties and responsibilities relating to data acquisition, usage and bill calculation, billing, customer service functions, collection, payment processing and remittance set forth in Annex I hereto.

(ii) Commission Regulations Control. Notwithstanding anything to the contrary in this Agreement, the duties of the Servicer set forth in this Agreement shall

be qualified and limited in their entirety by the Statute, the Financing Order, any Subsequent Financing Order, if applicable, and any Commission Regulations as in effect at the time such duties are to be performed.

(b) Reporting Functions.

(i) Monthly Servicer Certificate. With respect to each Series of Storm-Recovery Bonds, not later than 15 days after the end of each month after such Series of Storm-Recovery Bonds are issued (excluding \_\_\_\_\_, \_\_\_\_\_), or if such day is not a Servicer Business Day, the next succeeding Servicer Business Day, the Servicer shall deliver a written report substantially in the form of Exhibit C hereto (the "Monthly Servicer Certificate") to the Issuer, the Trustee and the Rating Agencies.

(ii) Semiannual Servicer Certificate. With respect to each Series of Storm-Recovery Bonds, not later than the Servicer Business Day immediately preceding each Payment Date, the Servicer shall deliver a written report substantially in the form of Exhibit D hereto (the "Semiannual Servicer Certificate") to the Issuer, the Trustee and the Rating Agencies. [If Bonds are paid quarterly, Quarterly Certificate may be used instead.]

(iii) Other Information. With respect to each Series of Storm-Recovery Bonds, upon the reasonable request of the Issuer, the Commission, the Trustee or any Rating Agency, the Servicer shall provide to such Issuer, the Commission, the Trustee or the Rating Agencies, as the case may be, any public financial information in respect of the Servicer, or any material information regarding the Storm-Recovery Property to the extent it is reasonably available to the Servicer, as may be reasonably necessary and permitted by law for the Issuer, the Commission, the Trustee, or the Rating Agencies to monitor the Servicer's performance hereunder. In addition, so long as any of the Storm-Recovery Bonds of any Series are Outstanding, the Servicer shall provide to the Issuer, the Commission and to the Trustee, within a reasonable time after written request therefor, any information available to the Servicer or reasonably obtainable by it that is necessary to calculate the Storm-Recovery Charges.

**Section 3.02 Servicing and Maintenance Standards.** On behalf of the Issuer, the Servicer shall: (a) manage, service, administer and make collections in respect of the Storm-Recovery Property with reasonable care and in material compliance with applicable law and regulations, including all material Commission Regulations and guidelines, using the same degree of care and diligence that the Servicer exercises with respect to similar assets for its own account and, if applicable, for others; (b) follow customary standards, policies and procedures for the industry in performing its duties as Servicer; (c) use reasonable efforts, consistent with its customary servicing procedures, to bill and collect the Storm-Recovery Charges; (d) calculate the Storm-Recovery Charges in accordance with the Statute and the Financing Order and any Subsequent Financing Order, if applicable; (e) file Delaware UCC continuation statements to maintain the perfected security interest of the Trustee in the applicable Storm-Recovery Property and use reasonable efforts to otherwise enforce and maintain the Trustee's rights in respect of such Storm-Recovery Property; and (f) comply in all material respects with all laws and regulations applicable to and binding on it relating to the Storm-Recovery Property. The Servicer shall follow such customary and usual practices and procedures as it shall deem



necessary or advisable in its servicing of all or any portion of the Storm-Recovery Property, which, in the Servicer's judgment, may include the taking of legal action, at the Issuer's expense. Any expenses incurred by the Servicer in order to comply with this section shall be in addition to the compensation set forth in Section 6.07.

**Section 3.03 Alternative Energy Suppliers.** So long as any of the Storm-Recovery Bonds are Outstanding, the Seller shall take reasonable efforts to assure that no AES bills or collects Storm-Recovery Charges on behalf of the Issuer unless required by applicable law or regulation and, to the extent permitted by applicable law or regulation, the Rating Agency Condition is satisfied. Upon the reasonable request of the Issuer, the Trustee, or any Rating Agency, an AES shall provide to the Issuer, the Trustee or the Rating Agencies, as the case may be, any public financial information in respect of such AES, or any material information regarding the Storm-Recovery Property to the extent it is reasonably available to such AES, as may be reasonably necessary and permitted by law for the Issuer, the Trustee or the Rating Agencies to monitor such AES' performance hereunder. In addition, so long as any of the Storm-Recovery Bonds are Outstanding, an AES shall provide to the Issuer and to the Trustee, within a reasonable time after written request therefor, any information available to the AES or reasonably obtainable by it that is necessary to calculate the Storm-Recovery Charges. Any expenses incurred by the Servicer in order to comply with this section shall be in addition to the compensation set forth in Section 6.07.

**Section 3.04 Certificate of Compliance.** With respect to each Series of Storm-Recovery Bonds, the Servicer shall deliver to the Issuer, the Commission, the Trustee and the Rating Agencies on or before March 31 of each year, commencing \_\_\_\_\_ to and including the March 31 succeeding the Retirement Date, an Officer's Certificate substantially in the form of Exhibit A hereto (a "Certificate of Compliance") stating that: (i) a review of the activities of the Servicer during the twelve months ended the preceding December 31 (or, in the case of the first Certificate of Compliance to be delivered on or before \_\_\_\_\_, the period of time from the date of this Agreement until December 31, \_\_\_\_\_) and of its performance under this Agreement has been made under such Authorized Officer's supervision, and (ii) to such Authorized Officer's knowledge, based on such review, the Servicer has fulfilled all of its obligations in all material respects under this Agreement throughout such twelve months (or, in the case of the Certificate of Compliance to be delivered on or before \_\_\_\_\_, the period of time from the date of this Agreement until December 31, \_\_\_\_\_), or, if there has been a default in the fulfillment of any such relevant obligation, specifying each such default known to such Authorized Officer and the nature and status thereof.

**Section 3.05 Annual Report by Independent Public Accountants.**

(a) With respect to each Series of Storm-Recovery Bonds, the Servicer shall cause a firm of independent certified public accountants (which may provide other services to the Servicer) to prepare, and the Servicer shall deliver to the Issuer, the Commission, the Trustee and the Rating Agencies, a report addressed to the Servicer (the "Annual Accountant's Report"), which may be included as part of the Servicer's customary auditing activities, for the information and use of the Issuer, the Trustee and the Rating Agencies, on or before March 31 of each year, beginning \_\_\_\_\_ to and including the \_\_\_\_\_ succeeding the Retirement Date, to the effect that such firm has performed an attestation of certain assertions made by management of

the Servicer in connection with the Servicer's compliance with its obligations under this Agreement during the preceding 12 months ended December 31 (or, in the case of the first Annual Accountant's Report to be delivered on or before \_\_\_\_\_ the period of time from the date of this Agreement until December 31, \_\_\_\_), identifying the results of such procedures and including any material exceptions noted. In each case, the assertions made by management of the Servicer and so examined shall be based on the Servicing Criteria set forth in paragraph (d) of Rule 1122 of Regulation AB, as promulgated by the SEC for ongoing reporting requirements under the Exchange Act.

(b) The Annual Accountant's Report shall also indicate that the accounting firm providing such report is independent of the Servicer within the meaning of the Code of Professional Ethics of the American Institute of Certified Public Accountants.

Section 3.06 Opinions of Counsel. The Servicer shall deliver to the Issuer, the Commission and to the Trustee:

(a) promptly after the execution and delivery of this Agreement and of each Sale Agreement and of each amendment hereto or thereto, an Opinion of Counsel either:

(i) to the effect that, in the opinion of such counsel, all filings under the Statute and Delaware UCC filings that are necessary to perfect the interests of the Trustee in the applicable Storm-Recovery Property, to the extent perfection can be achieved by filing under the Statute and the Delaware UCC, have been executed and filed, and reciting the details of such filings or referring to prior Opinions of Counsel in which such details are given, or

(ii) to the effect that, in the opinion of such counsel, no such action is necessary to perfect such interest; and

(b) within 90 days after the beginning of each calendar year beginning with the first calendar year beginning more than three full calendar months after the Closing Date, an Opinion of Counsel, dated as of a date during such 90-day period, either:

(i) to the effect that, in the opinion of such counsel, all filings under the Statute and all Delaware UCC filings have been executed and filed that are necessary to perfect the interest of the Trustee in the applicable Storm-Recovery Property, to the extent perfection can be achieved by filing under the Statute and the Delaware UCC, and reciting the details of such filings or referring to prior Opinions of Counsel in which such details are given, or

(ii) to the effect that, in the opinion of such counsel, no such action is necessary to perfect such interest.

Each Opinion of Counsel referred to in clause (a) or (b) above shall specify any action necessary (as of the date of such opinion) to be taken in the following year to preserve and protect such interest.

## ARTICLE FOUR

### SERVICES RELATED TO PERIODIC ADJUSTMENTS, REMITTANCES AND RECONCILIATIONS

Section 4.01 Periodic Adjustments. With respect to each Series of Storm-Recovery Bonds, from time to time, until the Retirement Date, the Servicer shall identify the need for Periodic Adjustments and shall take reasonable action to obtain and implement such Periodic Adjustments, all in accordance with the following:

(a) Expected Amortization Schedule. The Expected Amortization Schedule for the Bonds is attached hereto as Exhibit E. In connection with the issuance by the Issuer of any Series of Additional Bonds, the Servicer, on or prior to the Series Issuance Date for any Series of Additional Bonds, shall revise Exhibit E to add the Expected Amortization Schedule relating to each new Series of Storm-Recovery Bonds setting forth, as of each Payment Date through the scheduled retirement of the Storm-Recovery Bonds, the aggregate amount of Storm-Recovery Bonds of that Series, expected to be outstanding on such Payment Date.

(b) Routine True-Up Adjustments.

(i) With respect to each Series of Storm-Recovery Bonds, the Servicer shall file a Routine True-Up Adjustment Request with the Commission substantially in the form of Exhibit B hereto (the "Routine True-Up Adjustment Request") on or before \_\_\_\_\_ and \_\_\_\_\_ of each year. For the purpose of preparing a Routine True-Up Adjustment Request pursuant to this Section 4.01(b)(i), the Servicer shall: (A) update the assumptions underlying the calculation of the Storm-Recovery Charges, including electric energy and demand usage volume (based upon the most recent base rate or other rate filing), the rate of charge-offs and estimated expenses and fees of the Issuer to the extent not fixed, in each case for the upcoming or then current Remittance Period (as applicable); (B) calculate the Bond Revenue Requirement for such Series of Storm-Recovery Bonds upon such updated assumptions; and (C) determine the Storm-Recovery Charges to be charged during such Remittance Period (or the remainder of such Remittance Period) based upon such requirements and determine the Storm Bond Tax Charges to be charged during such Remittance Period.

(ii) If the Storm-Recovery Bonds of any Series are Outstanding on or after the final scheduled maturity of such Series, the Servicer may also file quarterly Routine True-Up Adjustments with the Commission as and when the Servicer reasonably determines, in its sole discretion, that such quarterly filings are necessary to meet the Bond Revenue Requirement for the then current Remittance Period. Each such quarterly filing shall be made no later than [ ] days prior to the commencement of any calendar quarter.

(iii) The Servicer shall take reasonable actions and make reasonable efforts to secure any Periodic Adjustments in clauses (i) and (ii) above (each, a "Routine True-Up Adjustment"). If the Commission determines that there is any mathematical

error in any Routine True-Up Adjustment Request, the Servicer will promptly refile a corrected Routine True-Up Adjustment Request.

(c) Non-Routine True-Up Adjustments.

(i) Whenever the Servicer files for a base rate case or any other rate case which would result in a change in the allocation of responsibility for the Storm-Recovery Charge and the Storm Bond Tax Charges, the Servicer shall file a Non-Routine True-Up Adjustment Request with the Commission designating the adjustments to the Storm-Recovery Charge and the Storm Bond Tax Charges for each Series of Storm-Recovery Bonds which would result from such change of allocation (a "Non-Routine True-Up Adjustment"), subject to the review and approval of the Commission pursuant to the Financing Order or the Subsequent Financing Order, if applicable.

(ii) The Servicer shall take reasonable actions and make reasonable efforts to secure any Non-Routine True-Up Adjustments.

(iii) The Servicer shall implement any resulting adjustments to the model and any resulting revised Storm-Recovery Charges as of the effective date of the Non-Routine True-Up Adjustment Request.

(d) Notification of Adjustment Requests. Whenever the Servicer files an Adjustment Request with the Commission, the Servicer shall send a copy of such filing to the Issuer, the Trustee and the Rating Agencies concurrently therewith. If any Routine True-Up Adjustment Request does not become effective on the applicable date as provided in such filing and in accordance with the Financing Order or the Subsequent Financing Order, if applicable, the Servicer shall notify the Issuer, the Trustee and the Rating Agencies by the end of the second Servicer Business Day after such applicable date.

Section 4.02. Limitation of Liability.

(a) The Issuer and the Servicer expressly agree and acknowledge that:

(i) In connection with any Periodic Adjustment, the Servicer is acting solely in its capacity as the servicing agent of the Issuer hereunder.

(ii) Neither the Servicer nor the Issuer shall be responsible in any manner for, and shall have no liability whatsoever as a result of, any action, decision, ruling or other determination made or not made, or any delay (other than any delay resulting from the Servicer's failure to file the requests required by Section 4.01 in a timely and correct manner or other material breach by the Servicer of its duties under this Agreement that materially and adversely affects the Periodic Adjustments), by the Commission in any way related to the Storm-Recovery Property or in connection with any Periodic Adjustment, the subject of any filings under Section 4.01.

(iii) The Servicer shall have no liability whatsoever relating to the calculation of the Storm-Recovery Charges and the adjustments thereto (including any

Non-Routine True-Up Adjustment), including as a result of any inaccuracy of any of the assumptions made in such calculation regarding expected electric energy or demand usage volumes, the rate of charge-offs, estimated expenses and fees of the Issuer, so long as the Servicer has not acted in a grossly negligent manner in connection therewith, nor shall the Servicer have any liability whatsoever as a result of any Person, including the Storm-Recovery Bondholders, not receiving any payment, amount or return anticipated or expected in respect of any Storm-Recovery Bond generally, except only to the extent that the Servicer is liable under Section 6.02.

(b) Notwithstanding the foregoing, this Section 4.02 shall not relieve the Servicer of any liability under Section 6.02 for any misrepresentation by the Servicer under Section 6.01 or, subject to clause (a) above, for any breach by the Servicer of its obligations under this Agreement.

Section 4.03. Remittances.

(a) The Servicer shall prepare annually a Collections Curve for each Billing Month, based on actual Storm-Recovery Charge Collections experience from the prior 12 months. On each Remittance Date, the Servicer will remit to the Trustee for each of the five preceding Billing Months, an amount equal to the amount of Storm-Recovery Charge Collections estimated to have been received during the calendar month preceding the Remittance Date, based on the applicable Collections Curve then in effect for those five preceding Billing Months. Prior to or simultaneous with each Remittance to the General Subaccount of the Collection Account pursuant to this Section 4.03, the Servicer shall provide written notice to the Trustee of each such Remittance (including the exact dollar amount to be remitted and the Billing Months to which such Collections Curve Payments correspond) in the form of Exhibit C hereto.

(b) On or before each Reconciliation Date, the Servicer shall determine whether there exists a Remittance Shortfall or a Remittance Excess by comparing the actual Storm-Recovery Charge Collections to the Collection Curve Payments previously made to the Trustee in respect of each of the 12 Billing Months beginning the Billing Month that is 17 months prior to the Billing Month in which such Reconciliation Date occurs (or from the first Series Issuance Date, if less than 17 months have elapsed). In the event that there is a Remittance Shortfall with respect to the applicable Billing Months, the Servicer shall pay the Remittance Shortfall to the Trustee for deposit into the General Subaccount of the Collection Account on that Reconciliation Date. In the event that there is a Remittance Excess with respect to the applicable Billing Months, the Servicer may (i) reduce the amount that the Servicer is required to remit to the Trustee for deposit in the General Subaccount of the Collection Account on the following Remittance Date (and, if necessary, succeeding Remittance Dates) by the amount of the Remittance Excess or (ii) require the Trustee to pay to the Servicer from the General Subaccount of the Collection the amount of the Remittance Excess.

(c) The Servicer agrees and acknowledges that it holds all Storm-Recovery Charge Collections collected by it for the benefit of the Issuer and that it will remit all Collection Curve Payments in accordance with this Section 4.03 without any surcharge, fee, offset, charge or other deduction except (i) as set forth in Section 4.03(b) and (ii) as set forth in Annex I.

## ARTICLE FIVE

### CUSTODY OF THE STORM-RECOVERY PROPERTY

Section 5.01. Custody of Storm-Recovery Property Records. To assure uniform quality in servicing the Storm-Recovery Property and to reduce administrative costs, the Issuer hereby revocably appoints the Servicer, and the Servicer hereby accepts such appointment, to act as the agent of the Issuer and the Trustee as custodian of the Storm-Recovery Property Records, all of which are the sole property of the Issuer and which are hereby constructively delivered to the Trustee, as pledgee of the Issuer with respect to all Storm-Recovery Property.

#### Section 5.02. Duties of Servicer as Custodian.

(a) Safekeeping. The Servicer shall hold the Storm-Recovery Property Records on behalf of the Issuer and maintain such accurate and complete accounts, records and computer systems pertaining to the Storm-Recovery Property Records on behalf of the Issuer and the Trustee as shall enable the Issuer to comply with this Agreement, the Indenture and any Additional Indenture. In performing its duties as custodian, the Servicer shall act with reasonable care, using that degree of care and diligence that the Servicer exercises with respect to comparable assets that the Servicer services for itself or, if applicable, for others. The Servicer shall promptly report to the Issuer, the Commission and the Trustee any material failure on its part to hold the Storm-Recovery Property Records and maintain its accounts, records and computer systems as herein provided and promptly take appropriate action to remedy any such failure. Nothing herein shall be deemed to require an initial review or any periodic review by the Issuer or the Trustee of the Storm-Recovery Property Records. The Servicer's duties to hold the Storm-Recovery Property Records on behalf of the Issuer set forth in this Section 5.02, to the extent such Storm-Recovery Property Records have not been previously transferred to a Successor Servicer pursuant to Article Seven, shall terminate one year and one day after the earlier of the date on which (i) the Servicer is succeeded by a Successor Servicer in accordance with Article Seven and (ii) no Storm-Recovery Bonds are Outstanding.

(b) Maintenance of and Access to Records. The Servicer shall maintain at all times records and accounts that will clearly identify Storm-Recovery Charges as having been billed on behalf of the Issuer. The Servicer shall maintain the Storm-Recovery Property Records at Gulf Power Company, One Energy Place, Pensacola, Florida 32520, or at such other office as shall be specified to the Issuer, the Commission and the Trustee by written notice at least 30 days prior to any change in location. The Servicer shall make available for inspection to the Issuer, the Commission and the Trustee or their respective duly authorized representatives, attorneys or auditors the Storm-Recovery Property Records at such times during normal business hours as the Issuer or the Trustee shall reasonably request and which do not unreasonably interfere with the Servicer's normal operations. Nothing in this Section 5.02(b) shall affect the obligation of the Servicer to observe any applicable law (including any Commission Regulations) prohibiting disclosure of information regarding the Customers, and the failure of the Servicer to provide access to such information as a result of such obligation shall not constitute a breach of this Section 5.02(b).

(c) Release of Documents. Upon instruction from the Trustee in accordance with the Indenture, the Servicer shall release any Storm-Recovery Property Records to the Trustee, the Trustee's agent or the Trustee's designee, as the case may be, at such place or places as the Trustee may designate, as soon as practicable.

(d) Defending Storm-Recovery Property Against Claims. The Servicer shall institute and maintain any action or proceeding necessary to compel performance by the Commission or the State of any of their obligations or duties under the Statute, the Financing Order or any Subsequent Financing Order, if applicable, and the Servicer agrees to take such legal or administrative actions, including defending against or instituting and pursuing legal actions and appearing or testifying at hearings or similar proceedings, as may be reasonably necessary to attempt to block or overturn any attempts to cause a repeal of, modification of or supplement to the Statute, the Financing Order or any Subsequent Financing Order, if applicable, or the rights of holders of Storm-Recovery Property by legislative enactment, constitutional amendment or other means that would be adverse to Storm-Recovery Bondholders. The costs of any such action shall be payable as an Operating Expense (in addition to Servicer's ongoing fees) in accordance with the priorities set forth in Section 8.02 of the Indenture and any Additional Indenture. The Servicer's obligations pursuant to this Section 5.02 shall survive and continue notwithstanding the fact that the payment of Operating Expenses pursuant to Section 8.02 of the Indenture and any Additional Indenture may be delayed; provided, that, the Servicer is obligated to institute and maintain such action or proceedings only if it is being reimbursed on a current basis for its costs and expenses in taking such actions in accordance with Section 8.02 of the Indenture and any Additional Indenture, and is not required to advance its own funds to satisfy these obligations.

Section 5.03. Instructions. For so long as any Storm-Recovery Bonds remain Outstanding, the Servicer shall be deemed to have received proper instructions with respect to the Storm-Recovery Property Records upon its receipt of written instructions signed by an Authorized Officer of the Trustee.

Section 5.04. Effective Period and Termination. The Servicer's appointment as custodian shall become effective as of the Closing Date and shall continue in full force and effect until a successor servicer has assumed such obligations in accordance with Section 7.04 hereof.

## ARTICLE SIX

### THE SERVICER

Section 6.01. Representations and Warranties of Servicer. The Servicer makes the following representations and warranties as of the Series Issuance Date for the applicable Series of Storm-Recovery Bonds, on which the Issuer has relied and will rely in acquiring the Storm-Recovery Property applicable to such Series of Storm-Recovery Bonds and in entering into this Agreement or any amendment hereto. The representations and warranties shall survive the execution and delivery of this Agreement, the sale of any of the Storm-Recovery Property to the Issuer and the pledge thereof to the Trustee pursuant to the Indenture or any Additional Indenture; provided, however, that such representations and warranties shall cease to be in effect in

connection with any such Series of Storm-Recovery Bonds one year following the repayment or redemption of all of the Storm-Recovery Bonds of such Series.

(a) Organization and Good Standing. The Servicer is a corporation duly organized and in good standing or equivalent status under the laws of the state of its incorporation, with the corporate power and authority to own its properties and to conduct its business as such properties are currently owned and such business is presently conducted and to execute, deliver and carry out the terms of this Agreement, and has the power, authority and legal right to service the Storm-Recovery Property.

(b) Due Qualification. The Servicer is duly qualified to do business as a foreign corporation in good standing or equivalent status, and has obtained all necessary licenses and approvals in, all jurisdictions, other than Florida, in which the ownership or lease of property or the conduct of its business (including the servicing of the Storm-Recovery Property as required by this Agreement) requires such qualifications, licenses or approvals (except where the failure to so qualify and to obtain such licenses and approvals would not be reasonably likely to have a material adverse effect on the Servicer's business, operations, assets, revenues, properties or prospects or materially and adversely affect the servicing of the Storm-Recovery Property).

(c) Power and Authority. The Servicer has the corporate power and authority to execute and deliver this Agreement and to carry out its terms; and the execution, delivery and performance of this Agreement have been duly authorized by the Servicer by all necessary corporate action.

(d) Binding Obligation. This Agreement constitutes a legal, valid and binding obligation of the Servicer enforceable against the Servicer in accordance with its terms subject to bankruptcy, receivership, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally from time to time in effect and to general principles of equity (regardless of whether considered in a proceeding in equity or at law).

(e) No Violation. The consummation of the transactions contemplated by this Agreement and the fulfillment of the terms hereof will not conflict with, result in any breach of any of the terms and provisions of, or constitute (with or without notice or lapse of time) a default under, the Mortgage Bond Indenture, the articles of incorporation or by-laws of the Servicer, or any other material indenture, agreement or other instrument to which the Servicer is a party or by which it is bound; or result in the creation or imposition of any Lien upon any of its properties pursuant to the terms of any such indenture, agreement or other instrument (except as contemplated in the Indenture and as set forth in Section 4.02 of the Sale Agreement); or violate any law or any order, rule or regulation applicable to the Servicer of any court or of any federal or state regulatory body, administrative agency or other governmental instrumentality having jurisdiction over the Servicer or its properties.

(f) Approvals. Except for filings with the Commission for adjusting the Storm-Recovery Charges pursuant to this Agreement, or filing of financing statements under the Statute and the Delaware UCC, no approval, authorization, consent, order or



other action of, or filing with, any court, federal or state regulatory body, administrative agency or other governmental instrumentality is required in connection with the execution and delivery by the Servicer of this Agreement, the performance by the Servicer of the transactions contemplated hereby or the fulfillment by the Servicer of the terms hereof, except those that have been obtained or made.

(g) No Proceedings. Except as set forth in Exhibit F and to the Servicer's knowledge, there are no proceedings or investigations pending or, to the Servicer's knowledge, threatened against the Servicer before any court, federal or state regulatory body, administrative agency or other governmental instrumentality having jurisdiction over the Servicer or its properties:

(i) seeking to prevent the issuance of such Series of Storm-Recovery Bonds or the consummation of any of the transactions contemplated by this Agreement or any of the other Basic Documents or, if applicable, any Additional Basic Documents;

(ii) seeking any determination or ruling that might materially and adversely affect the performance by the Servicer of its obligations under, or the validity or enforceability against the Servicer of, this Agreement or any of the other Basic Documents or, if applicable, any Additional Basic Documents; or

(iii) relating to the Servicer and which might materially and adversely affect the federal or State income, gross receipts or franchise tax attributes of the Storm-Recovery Bonds.

(h) Reports and Certificates. Each report and certificate delivered in connection with any filing made to the Commission by the Servicer on behalf of the Issuer with respect to the Storm-Recovery Charges or Periodic Adjustments will constitute a representation and warranty by the Servicer that each such report or certificate, as the case may be, is true and correct in all material respects. To the extent any such report or certificate is based in part upon or contains assumptions, forecasts or other predictions of future events, the representation and warranty of the Servicer with respect thereto will be limited to the representation and warranty that such assumptions, forecasts or other predictions of future events are reasonable based upon historical performance and the facts known to the Servicer on the date such report or certificate is delivered.

Section 6.02. Indemnities of Servicer; Release of Claims.

(a) The Servicer shall be liable in accordance herewith only to the extent of the obligations specifically undertaken by the Servicer under this Agreement.

(b) The Servicer shall indemnify the Indemnified Persons, and defend and hold harmless each such Indemnified Person from and against, any and all Losses that may be imposed upon, incurred by or asserted against any such Indemnified Person as a result of:

(i) the Servicer's willful misconduct, bad faith or gross negligence that results in a Servicer Default; and

(ii) the Servicer's material breach of any of its representations or warranties in this Agreement that results in a Servicer Default;

Notwithstanding the foregoing, the Servicer shall not be liable for any Losses resulting from the willful misconduct or gross negligence of any Indemnified Person or resulting from a breach of a representation or warranty made by such Indemnified Person in any of the Basic Documents or, if applicable, any Additional Basic Documents, that gives rise to the Servicer's breach.

Promptly after receipt by an Indemnified Person of notice of its involvement in any action, demand, proceeding or investigation, such Indemnified Person shall, if a claim for indemnification in respect thereof is to be made against the Servicer under this Section 6.02, notify the Servicer in writing of such involvement. Failure by an Indemnified Person to so notify the Servicer shall relieve the Servicer from the obligation to indemnify and hold harmless such Indemnified Person under this Section 6.02 only to the extent that the Servicer has actually been prejudiced as a result of such failure. With respect to any action, proceeding or investigation brought by a third party for which indemnification may be sought under this Section 6.02, the Servicer shall be entitled to assume the defense of any such action, proceeding or investigation. Upon assumption by the Servicer of the defense of any such action, proceeding or investigation, the Indemnified Person shall have the right to participate in such action or proceeding and to retain its own counsel (including local counsel), and the Servicer shall bear the reasonable fees, costs and expenses of such separate counsel. The Indemnified Person shall not settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in respect of which indemnification may be sought under this Section 6.02 (whether or not the Servicer is an actual or potential party to such claim or action) unless the Servicer agrees in writing to such settlement, compromise or consent and such settlement, compromise or consent includes an unconditional release of the Servicer from all liability arising out of such claim, action, suit or proceeding.

(c) The Servicer shall indemnify the Trustee and its respective officers, directors and agents for, and defend and hold harmless each such Person from and against, any and all Losses that may be imposed upon, incurred by or asserted against any such Person as a result of the acceptance or performance of the trusts and duties contained herein and in the Indenture, except to the extent that any such Loss is due to the willful misconduct, bad faith or gross negligence of the Trustee. The foregoing indemnity is extended to the Trustee solely in its individual capacity and not for the benefit of the Storm-Recovery Bondholders or any other Person. Such amounts with respect to the Trustee shall be deposited and distributed in accordance with the Indenture or Additional Indenture, as applicable.

(d) Any Servicer that is not subject to retail electric rate regulation by the Commission shall indemnify electric ratepayers in the historic service territory of Gulf Power for any and all Losses (including, but not limited to, increased Storm-Recovery Charges) that may be imposed upon or incurred by such retail electric ratepayers as a result of:

(i) the Servicer's willful misconduct, bad faith or gross negligence that results in a Servicer Default; and

(ii) the Servicer's material breach of any of its representations or warranties in this Agreement that results in a Servicer Default;

(e) The Commission shall be entitled to enforce Section 6.02(d) for the benefit of retail electric ratepayers in the historic service territory of Gulf Power. If so directed by the Commission, any successor Servicer that is not subject to retail electric rate regulation by the Commission and that is obligated to make payments pursuant to Section 6.02(d) shall make such payments either to the Trustee, for deposit to the Collection Account and for allocation to the Reserve Subaccount therein, or to such other person or account as shall be specified by the Commission.

(f) The Servicer's indemnification obligations under Section 6.02(b) and (c) for events occurring prior to the removal or resignation of the Trustee or the termination of this Agreement shall survive the resignation or removal of the Trustee or the termination of this Agreement and shall include reasonable costs, fees and expenses of investigation and litigation (including the Issuer's and the Trustee's reasonable attorneys' fees and expenses actually incurred).

(g) Except to the extent expressly provided for in the Basic Documents or, if applicable, any Additional Basic Documents (including the Servicer's claims with respect to the Servicing Fees and the Seller's claim for payment of the purchase price of the Storm-Recovery Property), the Servicer hereby releases and discharges the Released Parties from any and all actions, claims and demands whatsoever, which the Servicer shall or may have against any such Released Party relating to the Storm-Recovery Property or the Servicer's activities with respect thereto other than any actions, claims and demands arising out of the willful misconduct, bad faith or gross negligence of the Released Parties.

Section 6.03. Merger or Other Succession to, and Assumption of, the Obligations of the Servicer. Any Person:

(a) into which the Servicer may be merged or consolidated and which succeeds to all or the major part of the electric distribution business of the Servicer,

(b) which results from the division of the Servicer into two or more Persons and which succeeds to all or the major part of the electric distribution business of the Servicer,

(c) which may result from any merger or consolidation to which the Servicer shall be a party and which succeeds to all or the major part of the electric distribution business of the Servicer,

(d) which may succeed to the properties and assets of the Servicer substantially as a whole and which succeeds to all or the major part of the electric distribution business of the Servicer, or

(e) which may otherwise succeed to all or the major part of the electric distribution business of the Servicer,

which Person in any of the foregoing cases executes an agreement of assumption to perform every obligation of the Servicer under this Agreement, shall be the successor to the Servicer hereunder without the execution or filing of any document or any further act by any of the parties to this Agreement; but that:

(i) immediately after giving effect to such transaction, no representation or warranty made pursuant to Section 6.01 shall have been breached and no Servicer Default, and no event that, after notice or lapse of time, or both, would become a Servicer Default, shall have occurred and be continuing;

(ii) the Servicer shall have delivered to the Issuer, the Commission, the Trustee and the Rating Agencies an Officer's Certificate and an Opinion of Counsel each stating that such consolidation, merger or succession and such agreement of assumption comply with this Section 6.03 and that all conditions precedent, if any, provided for in this Agreement relating to such transaction have been complied with;

(iii) the Servicer shall have delivered to the Issuer, the Trustee, the Commission and the Rating Agencies an Opinion of Counsel either:

(A) stating that, in the opinion of such counsel, all filings to be made by the Servicer, including filings under the Statute and Delaware UCC filings, that are necessary fully to preserve and protect the interests of the Trustee in the applicable Storm-Recovery Property have been executed and filed and reciting the details of such filings, or

(B) stating that, in the opinion of such counsel, no such action is necessary to preserve and protect such interests; and

(iv) the Rating Agencies shall have received prior written notice of such transaction;

The Servicer shall not consummate any transaction referred to in clauses (a), (b), (c), (d) or (e) above except upon execution of the above described agreement of assumption and compliance with subclauses (i), (ii), (iii), and (iv) of clause (e) above. When any Person acquires the properties and assets of the Servicer substantially as a whole and becomes the successor to the Servicer in accordance with the terms of this Section 6.03 then upon the satisfaction of all of the other conditions of Section 5.04 and of this Section 6.03, the Servicer shall automatically and without further notice be released from its obligations hereunder.

Section 6.04. Assignment of Servicer's Obligations. The Servicer may not assign its obligations hereunder to any successor unless either (i) the Rating Agency Condition and any other condition specified in the Financing Order or any Subsequent Financing Order, if applicable, have been satisfied, or (ii) the Servicer is replaced by a successor pursuant to Section 6.03.

Section 6.05. Limitation on Liability of Servicer and Others. The Servicer shall not be liable to the Issuer or the Trustee, except as provided under this Agreement, for any action taken or for refraining from the taking of any action pursuant to this Agreement or for errors in judgment but, that this provision shall not protect the Servicer against any liability that would otherwise be imposed by reason of willful misconduct, bad faith or gross negligence in the performance of its duties or by reason of reckless disregard of obligations and duties under this Agreement. The Servicer and any director, officer, employee or agent of the Servicer may rely in good faith on the advice of counsel reasonably acceptable to the Trustee or on any document of any kind, *prima facie* properly executed and submitted by any Person, respecting any matters arising under this Agreement.

The Servicer shall not be under any obligation to appear in, prosecute or defend any legal action except as expressly provided by this Agreement or related to its obligation to pay indemnification.

Section 6.06. Gulf Power Not To Resign as Servicer. Subject to the provisions of Sections 6.03 and 6.04, Gulf Power shall not resign from the obligations and duties imposed on it as Servicer under this Agreement except upon a determination that the performance of its duties under this Agreement shall no longer be permissible under applicable law. Notice of any such determination permitting the resignation of Gulf Power shall be communicated to the Issuer, the Commission, the Trustee and each Rating Agency at the earliest practicable time (and, if such communication is not in writing, shall be confirmed in writing at the earliest practicable time), and any such determination shall be evidenced by an Opinion of Counsel to such effect delivered to the Issuer, the Commission and the Trustee concurrently with or promptly after such notice. No such resignation shall become effective until a Successor Servicer has assumed the servicing obligations and duties hereunder of the Servicer in accordance with Section 7.04.

Section 6.07. Servicing Fee.

(a) In consideration for its services hereunder, until the Retirement Date, the Servicing Fee for each Series of Storm-Recovery Bonds shall be [0.15]% of the initial Principal Balance of such Series of Storm-Recovery Bonds per annum payable by the Issuer in semiannual installments in arrears on each Payment Date pursuant to Section 8.02 of the Indenture, by wire transfer of immediately available funds from the Collection Account to an account designated by the Servicer. Upon appointment of a Successor Servicer, the percentage set forth in the preceding sentence shall be adjusted to the market rate for such services at such time, not to exceed [1.25]% of the initial Principal Balance of each Series of Storm-Recovery Bonds, without prior Commission approval. Any portion of the Servicing Fee not paid on such date shall be added to the Servicing Fee payable on the subsequent Payment Date.

(b) The Servicer also shall be entitled to retain as additional compensation (i) any net interest earnings on Storm-Recovery Charges prior to remittance and (ii) all late charges, if any, received from Customers.

(c) The parties hereto agree that the foregoing fees constitute a fair and reasonable price for the obligations to be performed by the Servicer and that such compensation, together

with Servicer expenses paid pursuant to Section 6.08 below, shall constitute an Operating Expense under the Indenture.

Section 6.08. Servicer Expenses. Except as provided in Sections 3.02 and 3.03 and except for fees and disbursements made for attorneys, accountants or other professional services retained by the Issuer to meet its obligations under the Basic Documents and, if applicable, any Additional Indenture or Subsequent Sale Agreement, and which such services are separately invoiced to the Issuer, the Servicer shall be required to pay all expenses incurred by the Servicer in performing its activities hereunder, including taxes imposed on the Servicer and expenses incurred in connection with reports to Storm-Recovery Bondholders and shall not be entitled to any additional payment or reimbursement therefor. In no event, however, shall the Servicer pay any fees or expenses of professional servicer firms or other third parties for services or goods provided to the Issuer including, but not limited to, accounting services and legal services, even if such services are procured by the Servicer.

Section 6.09. Subservicing. The Servicer may at any time appoint a subservicer to perform all or any portion of its obligations as Servicer hereunder subject to the Rating Agency Condition, unless such subservicer is an Affiliate of the Servicer. The Servicer shall notify the Rating Agencies of any appointment of an Affiliate of the Servicer as a subservicer. The Servicer shall remain obligated and be liable to the Issuer, the Trustee and the Storm-Recovery Bondholders for the servicing and administering of the Storm-Recovery Property in accordance with the provisions hereof without diminution of such obligation and liability by virtue of the appointment of such subservicer and to the same extent and under the same terms and conditions as if the Servicer alone were servicing and administering the Storm-Recovery Property. The fees and expenses of the subservicer shall be as agreed between the Servicer and its subservicer from time to time, and none of the Issuer, the Trustee or the Storm-Recovery Bondholders shall have any responsibility therefor. Any such appointment shall not constitute a Servicer resignation under Section 6.06.

Section 6.10. No Servicer Advances. The Servicer shall not make any advances of Interest on or Principal of any Series of Storm-Recovery Bonds.

Section 6.11. Protection of Title. The Servicer shall take such actions and execute and file such filings and cause to be executed and filed such filings, all in such manner and in such places as may be required by law to fully preserve, maintain and protect the interests of the Issuer and the Trustee in the applicable Storm-Recovery Property, including all filings required under the Statute and under the Delaware UCC relating to the transfer of ownership of the Storm-Recovery Property by the Seller to the Issuer or the security interest granted by the Issuer to the Trustee in the applicable Storm-Recovery Property. The Servicer shall deliver (or cause to be delivered) to the Issuer and the Trustee file-stamped copies of, or filing receipts for, any document filed as provided above, as soon as available following such filing.

## ARTICLE SEVEN

### DEFAULT

Section 7.01. Servicer Default. If any one of the following events (each a "Servicer Default") shall occur and be continuing:

- (a) any failure by the Servicer to remit to the Trustee, on behalf of the Issuer, any funds actually collected as part of the Storm-Recovery Property and required to be remitted pursuant to Section 4.03 hereof with respect to any Series of Storm-Recovery Bonds that continues unremedied for a period of five Business Days after written notice of such failure is received by the Servicer and the Commission from the Issuer or the Trustee; or
- (b) any failure by the Servicer duly to observe or perform in any material respect any other covenant or agreement of the Servicer set forth in this Agreement, which failure:
  - (i) materially and adversely affects the Storm-Recovery Property or the rights of the Storm-Recovery Bondholders, and
  - (ii) continues unremedied for a period of 60 days after written notice of such failure has been given to the Servicer by the Issuer, the Commission or by the Trustee or after discovery of such failure by an officer of the Servicer; or
- (c) any representation or warranty made by the Servicer in this Agreement proves to have been incorrect when made, which has a material adverse effect on the Issuer or the Storm-Recovery Bondholders and which material adverse effect continues unremedied for a period of 60 days after the date on which written notice thereof has been given to the Servicer by the Issuer, the Commission or the Trustee or after discovery of such failure by an officer of the Servicer, as the case may be; or
- (d) an Insolvency Event occurs with respect to the Servicer;

then, and in each and every case, so long as the Servicer Default shall not have been remedied, the Trustee may, or at the direction of the holders of a majority of the Outstanding principal amount of the Storm-Recovery Bonds of such Series, by notice then given in writing to the Servicer (a "Termination Notice") terminate all the rights and obligations (other than the indemnification obligations set forth in Section 6.02 and the obligation under Section 7.04 to continue performing its functions as Servicer until a Successor Servicer is appointed) of the Servicer under this Agreement. In addition, upon a Servicer Default, the Issuer and the applicable Trustee shall be entitled to apply to the Commission or any court of competent jurisdiction for sequestration and payment to the applicable Trustee of revenues arising with respect to the applicable Storm-Recovery Property.

On or after the receipt by the Servicer of a Termination Notice, all authority and power of the Servicer under this Agreement, whether with respect to the Storm-Recovery Property, the related Storm-Recovery Charges or otherwise, shall, upon appointment of a Successor Servicer

pursuant to Section 7.04, without further action, pass to and be vested in such Successor Servicer and, without limitation, the Trustee is hereby authorized and empowered to execute and deliver, on behalf of the predecessor Servicer, as attorney-in-fact or otherwise, any and all documents and other instruments, and to do or accomplish all other acts or things necessary or appropriate to effect the purposes of such Termination Notice, whether to complete the transfer of the Storm-Recovery Property Records and related documents, or otherwise. The predecessor Servicer shall cooperate with the Successor Servicer, the Trustee and the Issuer in effecting the termination of the responsibilities and rights of the predecessor Servicer under this Agreement, including the transfer to the Successor Servicer for administration by it of all cash amounts that shall at the time be held by the predecessor Servicer for remittance, or shall thereafter be received by it with respect to the Storm-Recovery Property or the related Storm-Recovery Charges. As soon as practicable after receipt by the Servicer of such Termination Notice, the Servicer shall deliver the Storm-Recovery Property Records to the Successor Servicer. All reasonable costs and expenses (including attorneys fees and expenses) incurred in connection with transferring the Storm-Recovery Property Records to the Successor Servicer and amending this Agreement to reflect such succession as Servicer pursuant to this Section 7.01 shall be paid by the predecessor Servicer upon presentation of reasonable documentation of such costs and expenses. Termination of Gulf Power as Servicer shall not terminate Gulf Power's rights or obligations under the Sale Agreement.

Section 7.02. Notice of Servicer Default. The Servicer shall deliver to the Issuer, the Commission, the Trustee and each Rating Agency promptly after having obtained knowledge thereof, but in no event later than five Business Days thereafter, written notice in an Officer's Certificate of any event or circumstance which, with the giving of notice or the passage of time, would become a Servicer Default under Section 7.01.

Section 7.03. Waiver of Past Defaults. The Trustee, with the consent of the Commission and the holders of the majority of the Outstanding principal amount of the Storm-Recovery Bonds of all Series, may waive in writing any default by the Servicer in the performance of its obligations hereunder and its consequences, except a default in making any required Remittances to the Trustee in accordance with this Agreement. Upon any such waiver of a past default, such default shall cease to exist, and any Servicer Default arising therefrom shall be deemed to have been remedied for every purpose of this Agreement. No such waiver shall extend to any subsequent or other default or impair any right consequent thereto.

Section 7.04. Appointment of Successor.

(a) Upon the Servicer's receipt of a Termination Notice pursuant to Section 7.01 or the Servicer's resignation in accordance with the terms of this Agreement, the predecessor Servicer shall continue to perform its functions as Servicer under this Agreement and shall be entitled to receive the requisite portion of the Servicing Fees, until a Successor Servicer has assumed in writing the obligations of the Servicer hereunder pursuant to an assumption agreement or pursuant to this Section 7.04. In the event of the Servicer's removal or resignation hereunder, the Trustee, as assignee of the Issuer may, and at the direction the holders of a majority of the principal amount of the Outstanding Storm-Recovery Bonds of all Series shall, appoint a Successor Servicer and the Successor Servicer shall accept its appointment by a written assumption in form acceptable to the Issuer and the Trustee. If, within 30 days after the delivery



of the Termination Notice, a new Servicer has not been appointed and accepted such appointment, the Trustee may petition the Commission or a court of competent jurisdiction to appoint a Successor Servicer under this Agreement. A Person shall qualify as a Successor Servicer only if:

- (i) such Person is permitted to perform the duties of the Servicer pursuant to the Statute, the Commission Regulations, the Financing Order or any Subsequent Financing Order, if applicable, and this Agreement;
- (ii) the Rating Agency Condition has been satisfied; and
- (iii) such Person enters into a servicing agreement with the Issuer having substantially the same provisions as this Agreement.

(b) Upon appointment, the Successor Servicer shall be the successor in all respects to the predecessor Servicer under this Agreement and shall be subject to all the responsibilities, duties and liabilities arising thereafter relating thereto placed on the predecessor Servicer and shall be entitled to the Servicing Fee and all the rights granted to the predecessor Servicer by the terms and provisions of this Agreement.

(c) The Successor Servicer may resign only if it is prohibited from serving as such by applicable law.

Section 7.05. Cooperation with Successor. The Servicer covenants and agrees with the Issuer that it will, on an ongoing basis, cooperate with the Successor Servicer and provide whatever information is, and take whatever actions are, reasonably necessary to assist the Successor Servicer in performing its obligations hereunder.

## ARTICLE EIGHT

### MISCELLANEOUS PROVISIONS

#### Section 8.01. Amendments.

(a) This Agreement may be amended by the Servicer and the Issuer, with the consent of the Trustee and the satisfaction of the Rating Agency Condition. Promptly after the execution of any such amendment or consent, the Issuer shall furnish written notification of the substance of such amendment or consent to each of the Rating Agencies. Prior to the execution of any amendment to this Agreement, the Issuer and the Trustee shall be entitled to receive and rely upon an Opinion of Counsel stating that the execution of such amendment is authorized or permitted by this Agreement and the Opinion of Counsel referred to in Section 3.05. The Issuer and the Trustee may, but shall not be obligated to, enter into any such amendment which affects their own rights, duties or immunities under this Agreement or otherwise.

(b) Notwithstanding anything to the contrary in this Section 8.01 no amendment or modification of this Agreement shall be effective except upon satisfaction of the conditions precedent in this paragraph (b).

(i) At least 15 days prior to the effectiveness of any such amendment or modification and after obtaining the other necessary approvals set forth in Section 8.01(a) (except that the consent of the Trustee may be subject to the consent of Storm-Recovery Bondholders if such consent is required or sought by the Trustee in connection with such amendment or modification), the Servicer shall have delivered to the Commission's executive director and general counsel written notification of any proposed amendment, which notification shall contain:

(A) a reference to Docket No. \_\_\_\_\_;

(B) an officer's certificate stating that the proposed amendment or modification has been approved by all parties to this Agreement; and

(C) a statement identifying the person to whom the Commission or its staff is to address any response to the proposed amendment or to request additional time.

(ii) If the Commission or its staff, within 15 days (subject to extension as provided in clause (iii) of receiving a notification complying with subparagraph (i), shall have delivered to the office of the person specified in clause (i)(C) a written statement that the Commission might object to the proposed amendment or modification, then such proposed amendment or modification shall not be effective unless and until the Commission subsequently delivers a written statement that it does not object to such proposed amendment or modification.

(iii) If the Commission or its staff, within 15 days of receiving a notification complying with subparagraph (i), shall have delivered to the office of the person specified in clause (i)(c) a written statement requesting an additional amount of time not to exceed thirty days in which to consider such proposed amendment or modification, then such proposed amendment or modification shall not be effective if, within such extended period, the Commission shall have delivered to the office of the person specified in clause (i)(C) a written statement as described in subparagraph (ii), unless and until the Commission subsequently delivers a written statement that it does not object to such proposed amendment or modification.

(iv) If the Commission or its staff shall not have delivered written notice that the Commission might object to such proposed amendment or modification within the time periods described in subparagraphs (ii) or (iii), whichever is applicable, then the Commission shall be conclusively deemed not to have any objection to the proposed amendment or modification and such amendment or modification may subsequently become effective upon satisfaction of the other conditions specified in Section 8.01(a).

(v) Following the delivery of a notice to the Commission by the Servicer under subparagraph (ii), the Servicer and the Issuer shall have the right at any time to withdraw from the Commission further consideration of any proposed amendment.

Section 8.02. Maintenance of Accounts and Records.

(a) The Servicer shall maintain accounts and records as to the Storm-Recovery Property accurately and in accordance with its standard accounting procedures.

(b) The Servicer shall permit the Trustee and its agents at any time during normal business hours, upon reasonable notice to the Servicer and to the extent it does not unreasonably interfere with the Servicer's normal operations, to inspect, audit and make copies of and abstracts from the Servicer's records regarding the Storm-Recovery Property and the Storm-Recovery Charges. Nothing in this Section 8.02(b) shall affect the obligation of the Servicer to observe any applicable law (including any Commission Regulation) prohibiting disclosure of information regarding the Customers, and the failure of the Servicer to provide access to such information as a result of such obligation shall not constitute a breach of this Section 8.02(b).

Section 8.03. Notices. Unless otherwise specifically provided herein, all notices, directions, consents and waivers required under the terms and provisions of this Agreement shall be in English and in writing, and any such notice, direction, consent or waiver may be given by United States first-class mail, reputable overnight courier service, facsimile transmission or electronic mail (confirmed by telephone, United States first-class mail or reputable overnight courier service in the case of notice by facsimile transmission or electronic mail) or any other customary means of communication, and any such notice, direction, consent or waiver shall be effective when delivered or transmitted, or if mailed, five days after deposit in the United States first-class mail with proper postage for first-class mail prepaid,

(a) in the case of the Servicer, at Gulf Power Company, Attention: Treasurer, One Energy Place, Pensacola, Florida 32520.

(b) in the case of the Issuer, at \_\_\_\_\_, P.O. Box \_\_\_\_\_, Florida, \_\_\_\_\_, Attention \_\_\_\_\_;

(c) in the case of the Trustee, at the address provided for notices or communications to the Trustee in the Indenture or the Additional Indenture, as applicable;

(d) in the case of Moody's, at Moody's Investors Service, Inc., ABS Monitoring Department, 99 Church Street, New York, New York 10007;

(e) in the case of Standard & Poor's, at Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10041, Attention: Asset Backed Surveillance Department; and

(f) in the case of Fitch, at Fitch, Inc., 1 State Street Plaza, New York, New York 10004, Attention: ABS Surveillance;

(g) in the case of the Commission, \_\_\_\_\_ Florida, \_\_\_\_\_ Attention: \_\_\_\_\_

or, as to each of the foregoing, at such other address as shall be designated by written notice to the other parties.

Section 8.04. Limitations on Rights of Others. The provisions of this Agreement are solely for the benefit of the Servicer, the Issuer, the Commission, and the Trustee, on behalf of itself and the Storm-Recovery Bondholders, and nothing in this Agreement, whether express or implied, shall be construed to give to any other Person any legal or equitable right, remedy or claim in any Collateral or under or in respect of this Agreement or any covenants, conditions or provisions contained herein.

Section 8.05. Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 8.06. Separate Counterpart. This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

Section 8.07. Headings. The headings of the various Articles and Sections herein are for convenience of reference only and shall not define or limit any of the terms or provisions hereof.

Section 8.08. GOVERNING LAW. THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF FLORIDA, WITHOUT REFERENCE TO ITS CONFLICT OF LAWS PROVISIONS, AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.

Section 8.09. Assignment to the Trustee.

(a) The Servicer hereby acknowledges and agrees that nothing in this Agreement impairs any pledge, assignment and grant of a security interest by the Issuer to the Trustee pursuant to the Indenture or the Trustee pursuant to any Additional Indenture, for the benefit of the Storm-Recovery Bondholders of all right, title and interest of the Issuer in, to and under the Storm-Recovery Property owned by the Issuer and the proceeds thereof and the assignment of any or all of the Issuer's rights hereunder to the Trustee or Trustees.

(b) In no event shall the Trustee have any liability for the representations, warranties, covenants, agreements or other obligations of the Issuer hereunder or in any of the certificates, notices or agreements delivered pursuant hereto, as to all of which recourse shall be had solely to the assets of the Issuer.

Section 8.10. Nonpetition Covenants. Notwithstanding any prior termination of this Agreement, the Indenture or any Additional Indenture, the Servicer hereby covenants and agrees that it shall not, prior to the date which is one year and one day after the termination of the Indenture and any Additional Indenture and the payment in full of the Storm-Recovery Bonds, any other amounts owed under the Indenture or any Additional Indenture, including any amounts owed to third-party credit enhancers, and any amounts owed by the Issuer under any Interest Rate Swap Agreement, acquiesce in, petition or otherwise invoke or cause the Issuer to invoke

the process of any court or government authority for the purpose of commencing or sustaining a case against the Issuer under any federal or state bankruptcy, insolvency or similar law or appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official of the Issuer or any substantial part of the property of the Issuer, or ordering the winding up or liquidation of the affairs of the Issuer.

Section 8.11. Termination. This Agreement shall terminate when all Series of Storm-Recovery Bonds have been retired, redeemed or legally defeased in full in accordance with the Indenture any, if applicable, any Additional Indenture.

IN WITNESS WHEREOF, the parties hereto have caused this Storm-Recovery Property Servicing Agreement to be duly executed by their respective officer as of the day and year first above written.

[SPE], LLC  
as Issuer

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

GULF POWER COMPANY,  
as Servicer

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

ACKNOWLEDGED AND ACCEPTED:

\_\_\_\_\_  
as Trustee

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

FORM OF CERTIFICATE OF COMPLIANCE

The undersigned hereby certifies that he/she is the duly elected and acting \_\_\_\_\_ of GULF POWER COMPANY, as servicer (the "Servicer") under the Storm-Recovery Property Servicing Agreement, dated as of \_\_\_\_\_, 2006 (the "Agreement") between the Servicer and [SPE], LLC (the "Issuer"), and it further certifies on behalf of the Servicer that:

1. A review of the activities of the Servicer and of its performance under the Servicing Agreement during the twelve months ended December 31, \_\_\_\_\_ has been made under the supervision of the undersigned pursuant to Section 3.03 of the Servicing Agreement; and

2. To the undersigned's knowledge, based on such review, the Servicer has fulfilled all of its material obligations in all material respects under the Servicing Agreement throughout the twelve months ended December 31, \_\_\_\_\_, except as listed on Annex A hereto.

Executed as of this \_\_\_\_ day of \_\_\_\_\_.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

ANNEX A TO EXHIBIT A

LIST OF SERVICER DEFAULTS

Nature of Default

Status



FORM OF ROUTINE (BI-ANNUAL) TRUE-UP ADJUSTMENT REQUEST

DATE:

Florida Public Service Commission  
\_\_\_\_\_, FL \_\_\_\_\_

Re: Docket No. \_\_\_\_\_

Dear \_\_\_\_\_:

As required by Section 366.8260(2)(b) of Florida Statutes §§ 366.8260(1) through and including 366.8260(11) and pursuant to the Order dated [\_\_\_\_\_] in Docket No. [\_\_\_\_\_] (“Financing Order”), [Name of Servicer] (“Company”) as Servicer (or any Successor Servicer) of the Bonds, Series 2006-1 (“Bonds”), and on behalf of the Trustee under the Indenture, dated as of \_\_\_\_\_, 2006 between the Issuer and the Trustee, as assignee of [Name of Issuer] hereby requests an adjustment to the storm bond repayment charge (“Storm-Recovery Charges”) and the storm bond tax charges (the “Storm Bond Tax Charges”).

This proposed adjustment is intended to satisfy Section 366.8260(2)(b) and the Financing Order by ensuring that the Storm-Recovery Charges will recover amounts sufficient to timely provide all payments of debt service and other required amounts and charges in connection with the Bonds during the upcoming Remittance Period. The proposed adjustments to the Storm Bond Tax Charges will ensure recovery of the associated tax liability for the related Storm-Recovery Charges.

Using the formula approved by the Florida Public Service Commission in the Financing Order, this filing modifies the variables used in the Storm-Recovery Charges and provides the resulting adjusted Storm-Recovery Charges and Storm Bond Tax Charges. Attachments A-1 and A-2 show the resulting values of the Storm-Recovery Charges and Storm Bond Tax Charges for each class of customers, as calculated in accordance with the Financing Order, such charges to be effective as of the first day of the upcoming Remittance Period. Pursuant to Section 366.8260(2)(b) of the Statute, the allocation of Storm Recovery Charges and Storm Bond Tax Charges has been made in accordance with the Order issued in the Company’s last rate case, [Order No. PSC-020787-FOF-EI]. The calculations and supporting data for charges are appended to the Attachments.

In accordance with the Financing Order, the proposed adjustments to the charges will be effective no later than [insert date 30 days after letter date], absent mathematical error. In the event that, prior to [insert date 30 days after letter date], it is determined by the Florida Public Service Commission that a mathematical error in the application of the formula-based mechanism exists, the Company shall correct such error and make any necessary corrections to the adjustments of the charges. These adjusted charges, as corrected, shall in any event take effect no later than [insert date 15 days after letter date].

Respectfully submitted,

Attachment

ATTACHMENT A-1  
to EXHIBIT B

**Storm-Recovery Charge True-Up Mechanism Form**

<u>Line</u>	<u>Description</u>	<u>Amount</u>
<b><u>Storm Bond Repayment Charge</u></b>		
True-up for the Current Period Beginning _____ and Ending _____		
1	Current Period Storm Bond Repayment Revenue Requirements	_____
Current Period Actual Cash Receipt Transfers and Interest Income:		
2	Cash Receipts Transferred to the SPE (1)	_____
3	Interest Income on Subaccounts at the SPE	_____
4	Total Current Period Actual Cash Receipts Transfers and Interest Income (Line 2 + Line 3)	_____
5	(Over)/Under Collections of Current Period Revenue Requirements (Line 1 - Line 4)	_____
Upcoming Period Beginning _____ and Ending _____		
6	Principal	_____
7	Interest	_____
8	Servicing Costs	_____
9	Other Ongoing Costs	_____
10	(Over)/Under Collections of Current Period Revenue Requirements (Line 5)	_____
11	<b>Total Bond Revenue Requirements to be Billed During Upcoming Period (Lines 6-10)</b>	_____
12	<b>Forecasted kWh Sales for the Upcoming Period</b>	_____
13	<b>Average Storm Bond Repayment Charge for Upcoming Period (cents per kWh) (Line 11/Line 12)</b>	_____
14	Average Storm Bond Repayment Charge for the Current Period (cents per kWh)	_____
15	Upcoming Period Charge as percent of Current Period Charge (Line 13 /Line 14) * 100	_____ %

**Storm Bond Repayment Charge by Customer Rate Class for the Upcoming Period (2):**

		Current Period Charge <u>Cents/kWh</u>	Upcoming Period Charge <u>Cents/kWh(2)</u>
16	RS, RSVP		
17	GS		
18	GSD, GSDT, GSTOU		
19	LP, LPT		
20	PX, PXT, RTP, SBS		
21	OS - I / II		
22	OS-III		

Notes:

- (1) Includes actual monthly cash transfers through \_\_\_\_\_ and estimates for the remainder of the period.
- (2) Current Period Charge x Line 15 for each customer rate class.

Storm-Recovery Charge True-Up Mechanism Form

<u>Line</u>	<u>Description</u>	<u>Amount</u>
<u>Storm Bond Tax Charge</u>		
	True-up for the Current Period Beginning _____ and Ending _____	
1	Current Period Storm Bond Tax Charge Revenue Requirements	
2	Current Period Storm Bond Tax Charge Receipts (1)	
3	(Over)/Under Collections of Current Period Revenue Requirements (Line 1 - Line 2)	
	Upcoming Period Beginning _____ and Ending _____	
4	Upcoming Period Revenue Requirements (3)	
5	Total Bond Revenue Requirements to be Billed During Upcoming Period (Line 3 + Line 4)	
6	Forecasted kWh Sales for the Upcoming Period	
7	Average Storm Bond Tax Charge for Upcoming Period (cents per kWh) (Line 5/Line 6)	
8	Average Storm Bond Tax Charge for the Current Period (cents per kWh)	
9	Upcoming Period Charge as percent of Current Period Charge (Line 7 /Line 8) * 100	%

Storm Bond Tax Charge by Customer Rate Class for the Upcoming Period (2):

		<u>Current Period Charge Cents/kWh</u>	<u>Upcoming Period Charge Cents/kWh(2)</u>
10	RS, RSVP		
11	GS		
12	GSD, GSDT, GSTOU		
13	LP, LPT		
14	PX, PXT, RTP, SBS		
15	OS - I / II		
16	OS-III		

Notes:

- (1) Includes actual monthly cash receipts through \_\_\_\_\_ and estimates for the remainder of the period.
- (2) Current Period Charge x Line 9 for each customer rate class.
- (3) (Principal Payment - Amortization of Upfront Bond Issuance Costs) x .38575/.61425

ATTACHMENT B-2  
to EXHIBIT B

RESULTING STORM BOND REPAYMENT CHARGE  
AND STORM BOND TAX CHARGE

Rate Schedule	Storm Bond Repayment Charge	Storm Bond Tax Charge	Total Storm Charges
RS, RSVP			
GS			
GSD, GSDT, GSTOU			
LP, LPT			
PX, PXT, RTP, SBS, CSA			
OS-I/II			
OS-III			
TOTAL			

FORM OF MONTHLY SERVICER CERTIFICATE

Pursuant to Section 3.01(b)(i) of the Storm-Recovery Property Servicing Agreement, dated as of \_\_\_\_\_, 2006 (the "Agreement"), between GULF POWER COMPANY, as servicer (the "Servicer") and [SPE], LLC, the Servicer does hereby certify as follows:

Capitalized terms used herein have their respective meanings as set forth in the Agreement.

Remittance Date: \_\_\_\_\_  
For the Monthly Period Ending: \_\_\_\_\_ ("Billing Month")

A. Billings and Remittances:

- a) kWh Consumption during Billing Month:
- b) Applicable Storm-Recovery Charges for Billing Month:
- c) Total Storm-Recovery Charges Amount Invoiced this Month:
- d) Cumulative Storm-Recovery Charges Amount Invoiced this Remittance Period:
- e) Total Storm-Recovery Charges Remitted this Remittance Date:
  - a. Remittances Relating to Billing Month:
  - b. Remittances Relating to One Month Prior:
  - c. Remittances Relating to Two Months Prior:
  - d. Remittances Relating to Three Months Prior:
  - e. Remittances Relating to Four Months Prior:
- f) Cumulative Storm-Recovery Charges Amount Remitted this Remittance Period:

B. Balances in Subaccounts (at end of month):

- a) Collection Account Balance:
- b) Reserve Subaccount Balance:
- c) Capital Subaccount Balance:

IN WITNESS WHEREOF, the undersigned has duly executed and delivered this Monthly Servicer Certificate this day of \_\_\_\_\_

GULF POWER COMPANY,  
as Servicer

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

## FORM OF SEMIANNUAL SERVICER CERTIFICATE

Pursuant to Section 3.01(b)(ii) of the Storm-Recovery Property Servicing Agreement, dated as of \_\_\_\_\_ (the "Agreement"), between GULF POWER COMPANY, as servicer and [SPE], LLC, the Servicer does hereby certify, for the current Payment Date, as follows:

Capitalized terms used herein have their respective meanings as set forth in the Agreement. References herein to certain sections and subsections are references to the respective sections of the Agreement.

1. Collection Curve Payments and Aggregate Amounts Available for the Current Payment Date:
  - i. Amount Remitted [Month] [Year]:
  - ii. Amount Remitted [Month] [Year]:
  - iii. Amount Remitted [Month] [Year]:
  - iv. Amount Remitted [Month] [Year]:
  - v. Amount Remitted [Month] [Year]:
  - vi. Amount Remitted [Month] [Year]:
  - vii. Total Amount Remitted for this Period (sum of i. through vi. above):
  - viii. Net Earnings on Collection Account:
  - ix. Operating Expenses Paid to Date:
  - x. General Subaccount Balance (sum of vii. and viii. above minus ix.):
  - xi. Reserve Subaccount Balance:
  - xii. Capital Subaccount Balance:
  - xiii. Collection Account Balance (sum of x. through xiii. above):
  
2. Principal Balance Outstanding as of Prior Payment Date by Tranche:
  - i. Class A-1
  - [ii. Class A-2
  - iii. Class A-3]
  - iv. Total:

3. Required Funding/Payments as of Current Payment Date:

a) Projected Principal Balances and Payments

	<u>Projected Principle Balance</u>	<u>Principal Balance</u>
i. Class A-1		
ii. [Class A-2		
iii. Class A-3]		
iv. Total:		

b) Required Interest Payments

	<u>Interest Rate</u>	<u>Days in Applicable Period</u>	<u>Interest Due</u>
i. Class A-1			
ii. [Class A-2			
iii. Class A-3]			
iv. Total:			

c) Projected Subaccount Payments and Levels

<u>Capital Subaccount Funding</u>	<u>Projected Level</u>	<u>Funding Required</u>
-----------------------------------	------------------------	-------------------------

4. Allocation of Remittances as of Current Payment Date Pursuant to Section 8.02 of Indenture:

a) Operating Expenses

- i. Trustee Fees and Expenses:
- ii. Servicing Fee:
- iii. Administration Fee:
- iv. Other Operating Expenses (subject to [\$ \_\_\_\_\_] cap):
- v. Total:

b) Interest

Aggregate

- i. Class A-1
- ii. [Class A-2
- iii Class A-3]
- iv. Total:

c) Principal

Aggregate

- i. Class A-1
- ii. [Class A-2
- iii Class A-3]
- iv. Total:

d) Other Payments

- i. Operating Expenses (in excess of [\$\_\_\_\_\_]):
- ii. Funding of Capital Subaccount (to required amount):
- iii. Interest Earnings on Capital Subaccount to [NAME OF ISSUER]
- iv. Deposits to Reserve Subaccount:
- v. Total:

5. Outstanding Principal Balance and Collection Account Balance as of Current Payment Date (after giving effect to payments to be made on such Payment Date):

a) Principal Balance Outstanding:

- i. Class A-1
- ii. [Class A-2
- iii. Class A-3]
- iv. Total:

b) Collection Account Balances Outstanding:

- i. Capital Subaccount:
- ii. Reserve Subaccount:
- iii. Total:



6. Shortfalls in Interest and Principal Payments as of Current Payment Date (if applicable):

a) Interest Shortfall

- i. Class A-1
- ii. [Class A-2
- iii. Class A-3]
- iv. Total:

b) Principal Shortfall

- i. Class A-1
- ii. [Class A-2
- iii. Class A-3]
- iv. Total:

7. Shortfalls in Capital Subaccount as of Current Payment Date (if applicable):

IN WITNESS WHEREOF, the undersigned has duly executed and delivered this  
Semiannual Servicer Certificate this — day of \_\_\_\_\_

GULF POWER COMPANY,  
as Issuer

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

EXHIBIT E

EXPECTED AMORTIZATION SCHEDULE

EXHIBIT F

PROCEEDINGS

## SERVICING PROCEDURES

The Servicer agrees to comply with the following servicing procedures:

Section 1. Definitions

Capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in the Agreement and Appendix A thereto.

Section 2. Data Acquisition

(a) Installation and Maintenance of Meters. The Servicer shall cause to be installed, replaced and maintained meters in accordance with the Servicer Policies and Practices.

(b) Meter Reading. In accordance with the Servicer Policies and Practices, the Servicer shall obtain usage measurements for each Customer or determine any Customer's usage on the basis of estimates in accordance with Commission Regulations.

(c) Cost of Metering. The Issuer shall not be obligated to pay any costs associated with the metering duties set forth in this Section 2, including the costs of installing, replacing and maintaining meters, nor shall the Issuer be entitled to any credit against the Servicing Fee for any cost savings realized by the Servicer as a result of new metering and/or billing technologies.

Section 3. Usage and Bill Calculation

The Servicer shall obtain a calculation of each Customer's usage (which may be based on data obtained from such Customer's meter read or on usage estimates determined in accordance with Commission Regulations) in accordance with the Servicer Policies and Practices and shall determine therefrom Billed Storm-Recovery Charges.

Section 4. Billing

(a) Commencement of Billing. The Servicer shall implement the Storm-Recovery Charges as of the date following Closing Date for any Series of Storm-Recovery Bonds and shall thereafter bill each Customer for each Customer's Billed Storm-Recovery Charges in accordance with the provisions of this Section 4.

(b) Frequency of Bills; Billing Practices. In accordance with the Servicer Policies and Practices, the Servicer shall generate and issue a Bill to each Customer. In the event that the Servicer makes any material modification to the Servicer Policies and Practices, it shall notify the Issuer, the Trustee and the Rating Agencies as soon as practicable, and in no event later than 60 Servicer Business Days after such modification goes into effect but the Servicer may not make any modification that will materially adversely affect the Storm-Recovery Bondholders.

(c) Format.

(i) The Customer's Bill shall contain in text or in a footnote, text substantially to the effect that a portion of the monthly charge representing that Storm-Recovery Property is being collected on behalf of the Issuer as owner of the Storm-Recovery Property.

(ii) The Servicer shall conform to such requirements in respect of the format, structure and text of Bills delivered to Customers as Commission Regulations shall from time to time prescribe. To the extent that Bill format, structure and text are not prescribed by applicable law or by Commission Regulations, the Servicer shall, subject to clause (i) of this subsection (c), determine the format, structure and text of all Bills in accordance with its reasonable business judgment, the Servicer Policies and Practices and historical practice.

(d) Delivery. Except as provided in the next sentence, the Servicer shall deliver all Bills to Customers (i) by United States mail in such class or classes as are consistent with the Servicer Policies and Practices or (ii) by any other means, whether electronic or otherwise, that the Servicer may from time to time use in accordance with the Servicer Policies and Practices. The Servicer shall pay from its own funds all costs of issuance and delivery of all Bills that it renders, including printing and postage costs as the same may increase or decrease from time to time.

Section 6. Customer Service Functions

The Servicer shall handle all Customer inquiries and other Customer service matters according to the Servicer Policies and Practices.

Section 7. Collections; Payment Processing; Remittance

(a) Collection Efforts, Policies, Procedures

(i) The Servicer shall collect Billed Storm-Recovery Charges from Customers as and when the same become due in accordance with such collection procedures as it follows with respect to comparable assets that it services for itself or others, including the following:

(A) The Servicer shall prepare and deliver overdue notices to Customers in accordance with Commission Regulations and the Servicer Policies and Practices.

(B) The Servicer shall deliver past-due and shut-off notices in accordance with Commission Regulations and the Servicer Policies and Practices.

(C) The Servicer may employ the assistance of collection agents in accordance with Commission Regulations and the Servicer Policies and Practices.

(D) The Servicer shall apply Customer deposits to the payment of delinquent accounts in accordance with Commission Regulations and the Servicer Policies and Practices.

(ii) The Servicer shall not waive any late payment charge or any other fee or charge relating to delinquent payments, if any, or waive, vary or modify any terms of payment of any amounts payable by a Customer, in each case unless such waiver or action: (A) would be in accordance with the Servicer Policies and Practices and (B) would comply in all material respects with applicable law.

(iii) The Servicer shall accept payment from Customers in respect of Billed Storm-Recovery Charges in such forms and methods and at such times and places in accordance with the Servicer Policies and Practices.

(b) Payment Processing, Allocation, Priority of Payments. The Servicer shall post all payments received to Customer accounts as promptly as practicable, and, in any event, substantially all payments shall be posted no later than two Servicer Business Days after receipt.

(c) Investment of Estimated Storm-Recovery Charge Payments Received. Prior to remittance on the applicable Remittance Date, the Servicer may invest Storm-Recovery Charge Collections at its own risk and for its own benefit, and such investments and funds shall not be required to be segregated from the other investments and funds of the Servicer. The Servicer shall be entitled to retain as additional compensation any interest earnings on Storm-Recovery Charge Collections invested by it.

(d) Calculation of Collection Curve Payments and Storm-Recovery Charge Collections; Remittances. In accordance with Section 4.03(a) of the Agreement, the Servicer will remit to Trustee for deposit in the Collection Account, on each Remittance Date, the Servicer will remit to the Trustee for each of the five preceding Billing Months, an amount equal to the amount of Storm-Recovery Charge Collections estimated to have been received during the calendar month preceding the Remittance Date, based on the applicable Collections Curve then in effect for those five preceding Billing Months.

Pursuant to Section 4.03(b) of the Agreement, on each Reconciliation Date, the Servicer shall reconcile actual Storm-Recovery Charge Collections with Collection Curve Payments remitted with respect to the applicable 12 Billing Months. Not less often than annually, the Servicer shall recalculate the Collections Curve and the Estimated Charge-Off Percentage.

(e) Remittances

(i) The Issuer shall cause to be established the Collection Account in the name of the Trustee in accordance with the Indenture and any Additional Indenture, if applicable.

(ii) The Servicer shall make or cause to be made Remittances to the Collection Account in accordance with Section 4.03 of this Agreement.

(iii) Any change of account or change of institution affecting the Collection Account shall not take effect until the Issuer has provided at least fifteen (15) Servicer Business Days written notice thereof to the Servicer.

(f) Partial Collections. Upon a partial payment of amounts billed, including amounts billed under special contracts, such partial payments shall be allocated ratably among the Storm-Recovery Charges, the Tax Charge and the Seller's other billed amounts (including any accrued interest and late fees), in chronological order of their due date, based on the ratio of each component of the bill to the total bill.

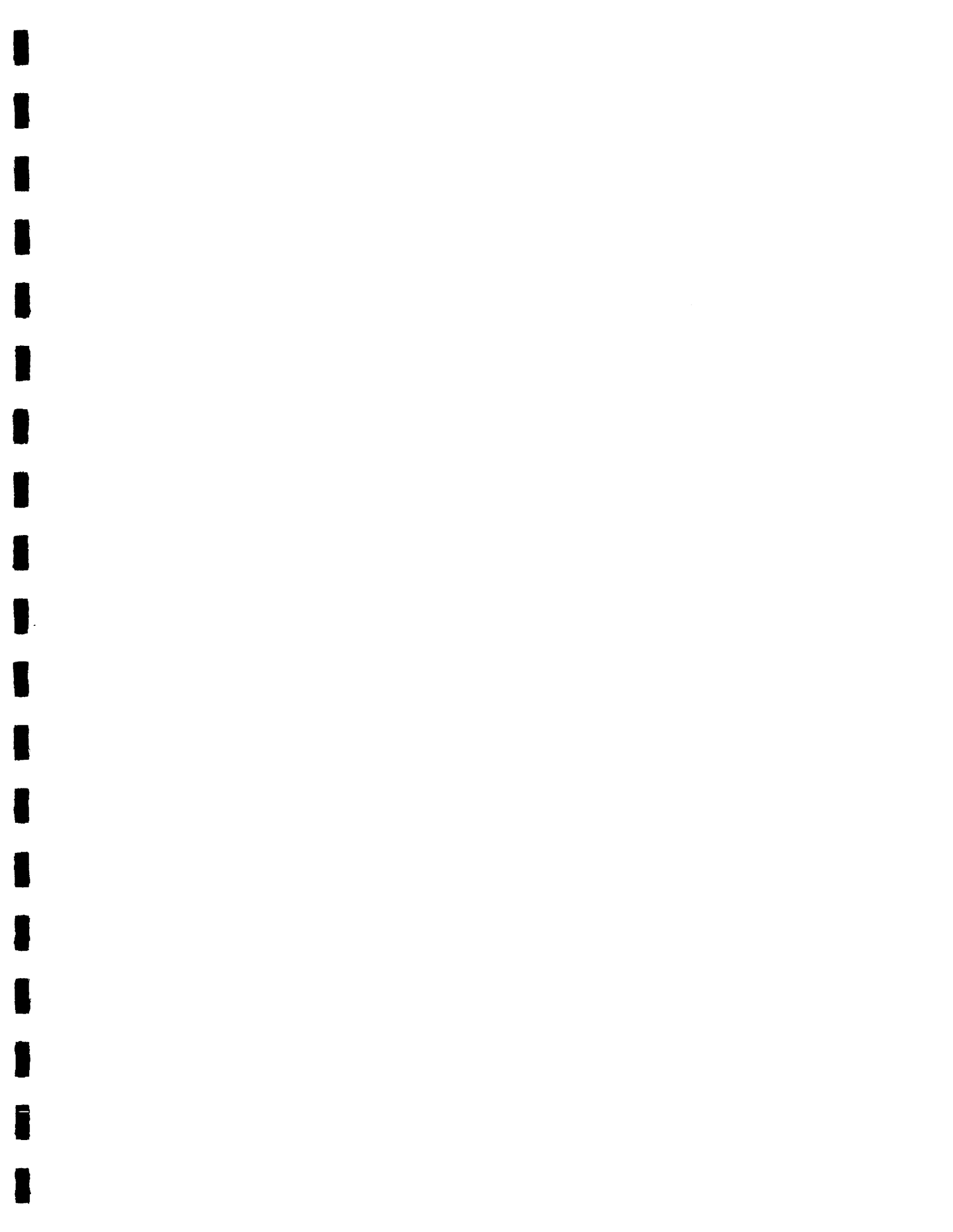
(g) No Advances. The Servicer shall not be obligated to advance any of its own funds to the Issuer.

Section 8. Alternative Energy Suppliers

So long as any Storm-Recovery Bonds are Outstanding, the Seller shall take reasonable efforts to assure that no AES bills or collects Storm-Recovery Charges on behalf of the Issuer unless required by applicable law or regulation and, to the extent permitted by applicable law or regulation, the Rating Agency Condition is satisfied and any expenses incurred by Servicer in order to comply with this covenant shall be reimbursed as additional compensation.



MASTER DEFINITIONS



Florida Public Service Commission  
Docket No. \_\_\_\_\_  
GULF POWER COMPANY  
Witness: Jay Kim  
Exhibit No. \_\_\_\_ (JK-1)  
Schedule 13  
Form of Administration Agreement

### ADMINISTRATION AGREEMENT

This ADMINISTRATION AGREEMENT, dated as of \_\_\_\_\_, 2006 (as the same may be amended, supplemented or otherwise modified and in effect from time to time, this "Agreement") is between [SPE], LLC, a Delaware limited liability company, as issuer (the "Issuer"), and GULF POWER COMPANY ("Gulf Power"), a Florida corporation, as administrator hereunder (in such capacity, the "Administrator").

Capitalized terms used and not otherwise defined herein shall have the meanings assigned to such terms in Appendix A to the Indenture (as defined below). Appendix A to the Indenture also sets forth certain rules of interpretation applicable to this Agreement.

#### WITNESSETH:

WHEREAS, the Issuer is issuing Bonds pursuant to the Indenture, dated as of \_\_\_\_\_, 2006 (as amended, supplemented or otherwise modified and in effect from time to time, the "Indenture"), between the Issuer and the Trustee;

WHEREAS, the Issuer has entered into certain agreements in connection with the issuance of the Bonds, including (i) the Storm-Recovery Property Servicing Agreement, dated as of \_\_\_\_\_, 2006 (the "Servicing Agreement"), between the Issuer and Gulf Power, as Servicer, (ii) the Storm-Recovery Property Sale Agreement, dated as of \_\_\_\_\_ 2006 (the "Sale Agreement"), between the Issuer and Gulf Power, as Seller, and (iii) the Letter of Representations, dated as of \_\_\_\_\_, 2006 (the "DTC Agreement" and, together with the Indenture, the Servicing Agreement, and the Sale Agreement, the "Related Agreements") among the Issuer, the Trustee and The Depository Trust Company relating to the Bonds;

WHEREAS, pursuant to the Related Agreements, the Issuer is required to perform certain duties in connection with the Related Agreements, the Issuer LLC Agreement, the Bonds and the Collateral pledged to the Trustee pursuant to the Indenture;

WHEREAS, the Issuer has no employees and does not intend to have any employees, and consequently desires to have the Administrator perform certain of the duties of the Issuer referred to in the preceding clause and to provide such additional services consistent with the terms of this Agreement and the other Related Agreements as the Issuer may from time to time request; and

WHEREAS, the Administrator has the capacity to provide the services required hereby and is willing to perform such services for the Issuer on the terms set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the parties hereto agree as follows:

Section 1. Duties of the Administrator; Management Services. The Administrator hereby agrees, subject to the directions of the Managers of the Issuer, to provide the following corporate management services to the Issuer:

(a) furnish the Issuer with ordinary clerical, bookkeeping and other corporate administrative services necessary and appropriate for the Issuer, including, without limitation, the following services:

(i) maintain at the Premises (as defined below) general accounting records of the Issuer (the "Account Records") subject to year-end audit, in accordance with generally accepted accounting principles, separate and apart from its own accounting records, prepare or cause to be prepared such quarterly and annual financial statements as may be necessary or appropriate and arrange for year-end audits of the Issuer's financial statements by the Issuer's independent accountants;

(ii) prepare and, after execution by the Issuer, file with the SEC and any applicable state agencies documents required to be filed with the SEC and any applicable state agencies, including, without limitation, periodic reports required to be filed under the Exchange Act;

(iii) prepare for execution by the Issuer and cause to be filed such income, franchise or other tax returns of the Issuer as shall be required to be filed by applicable law (the "Tax Returns") and cause to be paid on behalf of the Issuer from the Issuer's funds any taxes required to be paid by the issuer by applicable law;

(iv) prepare or cause to be prepared for execution by the Managers of the Issuer minutes of the meetings of the Managers and such other documents deemed appropriate by the Issuer to maintain the separate limited liability company existence and good standing of the Issuer (the "Company Minutes" and, together with the Account Records, the Tax Returns, the Company Minutes and the Issuer LLC Agreement, the "Issuer Documents") or otherwise required under the Related Agreements and any other documents deliverable by the Issuer thereunder or in connection therewith; and

(v) hold, maintain and preserve at the Premises (or such other place as shall be required by any of the Related Agreements) executed copies (to the extent applicable) of the Issuer Documents and other documents executed by the Issuer thereunder or in connection therewith;

(b) take such actions on behalf of the Issuer as are necessary or desirable for the Issuer to remain organized and in good standing in the State of Delaware as a limited

liability company and qualified to do business in Florida and such other foreign jurisdictions in which it becomes necessary to be so qualified;

- (c) provide for the issuance and delivery of the Bonds;
- (d) provide for the performance by the Issuer of certain of its obligations and duties under each of the Related Agreements, and prepare, or cause to be prepared, all documents, reports, filings, instruments, notices, certificates and opinions that it shall be the duty of the Issuer to prepare, file or deliver pursuant to the Related Agreements;
- (e) enforce each of the rights of the Issuer under the Related Agreements;
- (f) provide for the defense, at the direction of the Issuer's Managers, of any action, suit or proceeding brought against the Issuer or affecting the Issuer or any of its assets;
- (g) provide office space (the "Premises") for the Issuer and such reasonable ancillary services as may be necessary to carry out the obligations of the Administrator hereunder, including telecopying, duplicating and word processing services;
- (h) undertake such other administrative services as may be appropriate, necessary or requested by the Issuer;
- (i) provide the Trustee with copies of the filings by the Issuer under the Exchange Act; and
- (j) provide such other services as are incidental to the foregoing or as the Issuer and the Administrator may agree.

In providing the services under this Section 1 and as otherwise provided under this Agreement, the Administrator will not knowingly take any actions on behalf of the Issuer which (i) the Issuer is prohibited from taking under the Related Agreements, or (ii) would cause the Issuer to be in violation of any federal, state or local law or the Issuer LLC Agreement.

Section 2. Compensation. As compensation for the performance of the Administrator's obligations under this Agreement and, as reimbursement for its expenses related thereto, the Administrator shall be entitled to an administrative fee of \$[75,000] per annum, plus expenses, payable quarterly in arrears on each Payment Date.

Section 3. Third Party Services. Any third-party professional services required for the performance of the above-referenced services by the Administrator (including independent auditors' fees and counsel fees) may, if the Issuer deems it necessary or desirable, be arranged by the Issuer. Costs and expenses associated with the contracting for such third-party professional services shall be paid directly by the Issuer, unless otherwise agreed by the Issuer.

Section 4. Additional Information to be Furnished to the Issuer. The Administrator shall furnish to the Issuer from time to time such additional information regarding the Collateral as the Issuer shall reasonably request.

Section 5. Independence of the Administrator. For all purposes of this Agreement, the Administrator shall be an independent contractor and shall not be subject to the supervision of the Issuer or the Trustee with respect to the manner in which it accomplishes the performance of its obligations hereunder. Unless expressly authorized by the Issuer, the Administrator shall have no authority to act for or represent the Issuer in any way and shall not otherwise be deemed an agent of the Issuer.

Section 6. No Joint Venture. Nothing contained in this Agreement (a) shall constitute the Administrator and the Issuer as partners or members of any partnership, joint venture, association, syndicate, unincorporated business or other separate entity, (b) shall be construed to impose any liability as such on either of them or (c) shall be deemed to confer on either of them any express, implied or apparent authority to incur any obligation or liability on behalf of the other.

Section 7. Other Activities of Administrator. Nothing herein shall prevent the Administrator or any of its shareholders, directors, officers, employees, subsidiaries or Affiliates from engaging in other businesses or, in its sole discretion, from acting in a similar capacity as an administrator for any other person or entity even though such person or entity may engage in business activities similar to those of the Issuer.

Section 8. Term of Agreement: Resignation and Removal of Administrator.

(a) This Agreement shall continue in force until the payment in full of the Bonds and any other amount which may become due and payable under the Indenture, upon which event this Agreement shall automatically terminate.

(b) Subject to Section 8(d), (i) the Administrator may resign its duties hereunder by providing the Issuer with at least 60 days' prior written notice, and (ii) the Issuer may remove the Administrator without cause by providing the Administrator with at least 60 days' prior written notice.

(c) Subject to Section 8(d), at the sole option of the Issuer, the Administrator may be removed immediately upon written notice of termination from the Issuer to the Administrator if any of the following events shall occur:

(i) the Administrator shall default in the performance of any of its duties under this Agreement and, after notice of such default, shall fail to cure such default within 30 days (or, if such default cannot be cured in such time, shall fail to give within 30 days such assurance of cure as shall be reasonably satisfactory to the Issuer); or

(ii) an Insolvency Event occurs with respect to the Administrator;

The Administrator agrees that if an event specified in clause (ii) of this Section 8(c) shall occur, it shall give written notice thereof to the Issuer and the Trustee within seven days after the happening of such event.

(d) No resignation or removal of the Administrator pursuant to this Section 8 shall be effective until a successor Administrator shall have been appointed by the Issuer, and such

successor Administrator shall have agreed in writing to be bound by the terms of this Agreement in the same manner as the Administrator is bound hereunder.

(e) The appointment of any successor Administrator shall be effective only after satisfaction of the Rating Agency Condition with respect to the proposed appointment.

Section 9. Action upon Termination Resignation or Removal. Promptly upon the effective date of termination of this Agreement pursuant to Section 8(a), the resignation or removal of the Administrator pursuant to Section 8(b) or the removal of the Administrator under Section 8(c), the Administrator shall be entitled to be paid all fees and reimbursable expenses accruing to it to the date of such termination, resignation or removal. The Administrator shall forthwith upon such termination pursuant to Section 8(a) deliver to the Issuer all property and documents of or relating to the Collateral then in the custody of the Administrator. In the event of the resignation or removal of the Administrator pursuant to Section 8(b) or the removal of the Administrator under Section 8(c), the Administrator shall cooperate with the Issuer and take all reasonable steps requested to assist the Issuer in making an orderly transfer of the duties of the Administrator.

Section 10. Administrator's Liability. Except as otherwise provided herein, the Administrator assumes no liability other than to render or stand ready to render the services called for herein, and neither the Administrator nor any of its shareholders, directors, officers, employees, subsidiaries or Affiliates shall be responsible for any action of the Issuer or any of the Member, Special Members, Managers, employees, subsidiaries or Affiliates of the Issuer. The Administrator shall not be liable for nor shall it have any obligation with regard to any of the liabilities, whether direct or indirect, absolute or contingent of the Issuer or any of the Member, Special Members, Managers, employees, subsidiaries or Affiliates of the Issuer.

Section 11. Indemnity.

(a) The Issuer shall indemnify the Administrator, its shareholders, directors, officers, employees and Affiliates against all losses, claims, damages, penalties, judgments, liabilities and expenses (including all expenses of litigation or preparation therefor whether or not the Administrator is a party thereto) which any of them may pay or incur arising out of or relating to this Agreement and the services called for herein; provided, however, that such indemnity shall not apply to any such loss, claim, damage, penalty, judgment, liability or expense resulting from the Administrator's gross negligence or willful misconduct in the performance of its obligations hereunder.

(b) The Administrator shall indemnify the Issuer, its Member, Managers and employees against all losses, claims, damages, penalties, judgments, liabilities and expenses (including all expenses of litigation or preparation therefor whether or not the Issuer is a party thereto) which any of them may incur as a result of the Administrator's gross negligence or willful misconduct in the performance of its obligations hereunder.

Section 12. Notices. All notices, directions, consents and waivers required under the terms and provisions of this Agreement shall be in English and in writing, and any such notice, direction, consent or waiver may be given by United States first-class mail, reputable overnight

courier service, facsimile transmission or electronic mail (confirmed by telephone, United States first-class mail or reputable overnight courier service in the case of notice by facsimile transmission or electronic mail) or any other customary means of communication, and any such notice, direction, consent or waiver shall be effective when delivered or transmitted, or if mailed, five days after deposit in the United States first-class mail with proper postage for first-class mail prepaid,

if to the Issuer, to: [SPE], LLC  
\_\_\_\_\_  
\_\_\_\_\_  
Attention: \_\_\_\_\_  
Telephone: \_\_\_\_\_

if to the Administrator, to: Gulf Power Company  
One Energy Place  
Pensacola, Florida 32520  
Attention: \_\_\_\_\_  
Telephone: \_\_\_\_\_

or, as to each of the foregoing, at such other address as shall be designated by written notice to the other parties.

Section 13. Amendments. This Agreement may be amended from time to time by a written amendment duly executed and delivered by each of the Issuer and the Administrator, with the written approval of the Commission and subject to prior notice thereof to the Rating Agencies.

Section 14. Successors and Assigns. This Agreement may not be assigned by the Administrator unless such assignment is previously consented to in writing by the Issuer and the Trustee and subject to satisfaction of the Rating Agency Condition in respect thereof. Any assignment with such consent and satisfaction, if accepted by the assignee, shall bind the assignee hereunder in the same manner as the Administrator is bound hereunder. Notwithstanding the foregoing, this Agreement may be assigned by the Administrator without the consent of the Issuer or the Trustee to a corporation or other organization that is a successor (by merger, consolidation or purchase of assets) to the Administrator; provided that such successor corporation or other organization executes and delivers to the Issuer a written agreement in which such corporation or other organization agrees to be bound hereunder by the terms of said assignment in the same manner as the Administrator is bound hereunder. Subject to the foregoing, this Agreement shall bind any successors or assigns of the parties hereto.

Section 15. GOVERNING LAW. THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF FLORIDA, WITHOUT REFERENCE TO ITS CONFLICT OF LAW PROVISIONS, AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.



Section 16. Headings. The Section headings hereof have been inserted for convenience of reference only and shall not be construed to affect the meaning, construction or effect of this Agreement.

Section 17. Counterparts. This Agreement may be executed in counterparts, each of which when so executed shall be an original, but all of which together shall constitute but one and the same agreement.

Section 18. Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 19. Nonpetition Covenant. Notwithstanding any prior termination of this Agreement or the Indenture, the Administrator hereby covenants and agrees that it shall not, prior to the date which is one year and one day after termination of the Indenture and the payment in full of the Bonds, any other amounts owed under the Indenture, including any amounts owed to third-party credit enhancers, and any amounts owed under any Hedge Agreement or Interest Rate Swap Agreement, acquiesce, petition or otherwise invoke or cause the Issuer to invoke the process of any court or government authority for the purpose of commencing or sustaining a case against the Issuer under any federal or state bankruptcy, insolvency or similar law or appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official of the Issuer or any substantial part of its property, or ordering the winding up or liquidation of the affairs of the Issuer.

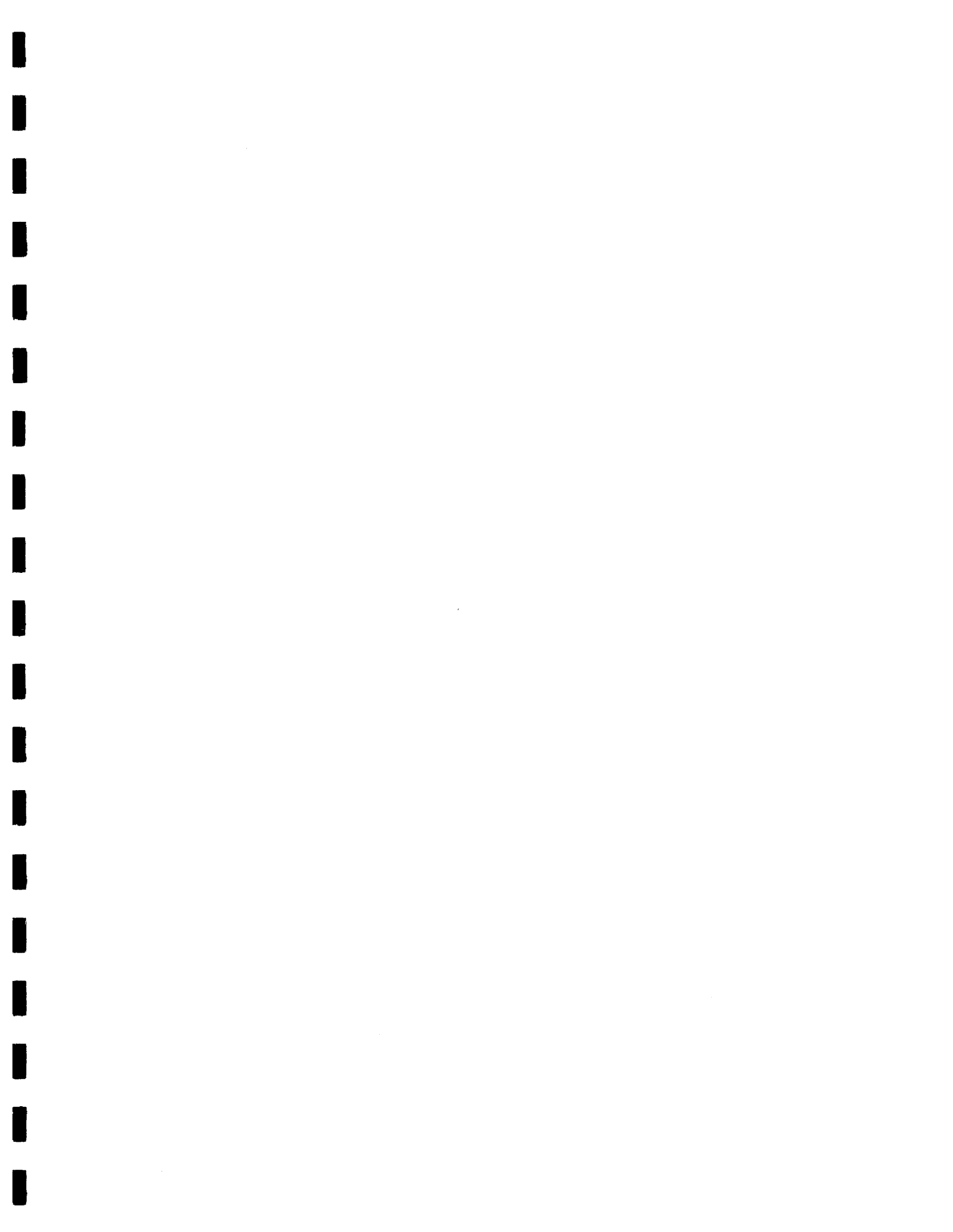
IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their respective duly authorized officers as of the date and year first above written.

[SPE], LLC,  
as Issuer

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

GULF POWER COMPANY,  
as Administrator

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_



Florida Public Service Commission  
Docket No. \_\_\_\_\_  
GULF POWER COMPANY  
Witness: Jay Kim  
Exhibit No. \_\_\_\_ (JK-1)  
Schedule 14  
Form of LLC Agreement

**LIMITED LIABILITY COMPANY AGREEMENT**  
**OF**  
**[SPE], LLC,**  
**a Delaware Limited Liability Company**

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LIMITED LIABILITY COMPANY AGREEMENT  
OF  
[SPE] LLC,  
a Delaware Limited Liability Company

This LIMITED LIABILITY COMPANY AGREEMENT, dated [\_\_\_\_\_] , 2006 (as it may be amended, supplemented or otherwise modified and in effect from time to time, this "Agreement"), of [SPE], LLC, a Delaware limited liability company (the "Company"), having its principal office at [\_\_\_\_\_].

WHEREAS, Gulf Power Company ("Gulf Power"), as sole Member, on [\_\_\_\_\_] , 2006 filed a Certificate of Formation of the Company with the Delaware Secretary of State; and

NOW THEREFORE, this Agreement constitutes the governing instrument of the Company;

**ARTICLE I**

**DEFINITIONS**

Section 1.1 Capitalized Terms. For all purposes of this Agreement, the following terms shall have the meanings set forth below:

"Act" shall mean the Delaware Limited Liability Company Act, as amended, as in effect on the date hereof (currently Chapter 18 of Title 6, Sections 18-101 through 18-1109 of the Delaware Code) and as it may be amended hereafter, from time to time.

"Additional Bonds" shall mean any Series of storm-recovery bonds issued by the Company under the authority of a Subsequent Financing Order.

"Additional Indenture" shall mean any indenture entered into between the Company and the Trustee in connection with the issuance of any Series of Additional Bonds.

"Administration Agreement" shall mean the Administration Agreement, dated [\_\_\_\_\_] , 2006, between the Company and Gulf Power, as administrator (the "Administrator").

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

"Agreement" shall mean this Limited Liability Company Agreement of the Company, as the same may be further amended, supplemented or otherwise modified from time to time in accordance with the provisions hereof.

“Bankruptcy” shall mean, with respect to any Person, if such Person (i) makes an assignment for the benefit of creditors, (ii) files a voluntary petition in bankruptcy, (iii) is adjudged a bankrupt or insolvent, or has entered against it an order for relief, in any bankruptcy or insolvency proceedings, (iv) files a petition or answer seeking for itself any reorganization, arrangement, composition, readjustment, liquidation or similar relief under any statute, law or regulation, (v) files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against it in any proceeding of this nature, (vi) seeks, consents to or acquiesces in the appointment of a trustee, receiver or liquidator of the Person or of all or any substantial part of its properties, or (vii) if 120 days after the commencement of any proceeding against the Person seeking reorganization, arrangement, composition, readjustment, liquidation or similar relief under any statute, law or regulation, the proceeding has not been dismissed, or if within 90 days after the appointment without such Person’s consent or acquiescence of a trustee, receiver or liquidator of such Person or of all or any substantial part of its properties, the appointment is not vacated or stayed, or if within 90 days after the expiration of any such stay, the appointment is not vacated. The foregoing definition of “Bankruptcy” is intended to replace and shall supersede and replace the definition of “Bankruptcy” set forth in Sections 18-101(1) and 18-304 of the Act.

“Basic Documents” shall mean this Agreement, the Certificate of Formation, the Indenture, any Additional Indenture, any Sale Agreement, any Bill of Sale, any Servicing Agreement, the Administration Agreement, the Underwriting Agreement, any Securities Account Control Agreement and [any Swap.]

“Bill of Sale” shall mean the bill of sale issued by Gulf Power to the Company as of \_\_\_\_\_ 2006, pursuant to the Sale Agreement, together with any other bill of sale delivered in accordance therewith, or any bill of sale subsequently issued by Gulf Power to the Company in connection with the issuance of any Additional Bonds.

“Bonds” shall mean the bonds issued under the authority of the Financing Order.

“Business Day” shall mean any day other than a Saturday, Sunday or a day on which banking institutions in [\_\_\_\_], Florida, or in New York, New York, are required or authorized by law or executive order to remain closed.

“Commission” shall mean the Florida Public Service Commission.

“Certificate of Formation” shall mean the Certificate of Formation of the Company as filed in accordance with the Act with the Secretary of State of the State of Delaware on [\_\_\_\_], 2006.

“Class” shall mean any one of the classes of Storm-Recovery Bonds.

“Code” shall mean the Internal Revenue Code of 1986, as amended (or any successor law).

“Common Interest” shall mean the limited liability company interest of the Member in the Company as described in Article VI. The Company shall have one class of Common Interest.



“Company” shall mean [ \_\_\_\_\_ ], LLC, a Delaware limited liability company.

“Financing Order” shall mean the storm-recovery cost rate order, Docket No. [ \_\_\_\_\_ ], issued by the Commission on [ \_\_\_\_\_ ], 2006 pursuant to the Section 366.8260.

“Fiscal Year” shall mean, unless the Managers shall at any time determine otherwise pursuant to the requirements of the Code, a calendar year.

“GAAP” shall mean the generally accepted accounting principles promulgated or adopted by the Financial Accounting Standards Board and its successors from time to time.

“Governmental Authority” shall mean any federal, state, local or foreign court or governmental department, commission, board, bureau, agency, authority, instrumentality or regulatory body.

“Gulf Power” means Gulf Power Company, a Florida corporation.

“Indenture” shall mean the Indenture, dated as of \_\_\_\_\_, 2006, between the Company and the Trustee.

“Independent Manager” shall mean, with respect to the Company, a Manager who is not, and within the previous five years was not (except solely by virtue of such Person’s serving as, or being an Affiliate of any other Person serving as, an independent director or manager, as applicable, of Gulf Power or any bankruptcy-remote special purpose entity that is an Affiliate of Gulf Power or the Company), (i) a stockholder, member, partner, director, officer, employee, Affiliate, customer, supplier, creditor or independent contractor of, or any Person that has received any benefit in any form whatever from (other than in such Manager’s capacity as a ratepayer or customer of Gulf Power in the ordinary course of business), or any Person that has provided any service in any form whatsoever to, or any major creditor (or any Affiliate of any major creditor) of, the Company, Gulf Power, or any of their Affiliates, (ii) any Person owning beneficially, directly or indirectly, any outstanding shares of common stock, any limited liability company interests or any partnership interests, as applicable, of the Company, Gulf Power or any of their Affiliates, or of any major creditor (or any Affiliate of any major creditor) of any of the foregoing, or a stockholder, member, partner, director, officer, employee, Affiliate, customer, supplier, creditor or independent contractor of, or any Person that has received any benefit in any form whatever from (other than in such Person’s capacity as a ratepayer or customer of Gulf Power in the ordinary course of business), or any Person that has provided any service in any form whatever to, such beneficial owner or any of such beneficial owner’s Affiliates, or (iii) a member of the immediate family of any Person described above; provided, that the indirect or beneficial ownership of stock through a mutual fund or similar diversified investment vehicle with respect to which the owner does not have discretion or control over the investments held by such diversified investment vehicle shall not preclude such owner from being an Independent Manager. For purposes of this definition, “major creditor” shall mean a natural person or business entity to which the Company, Gulf Power or any of their Affiliates has outstanding indebtedness for borrowed money or credit on open account in a sum sufficiently large as would reasonably be expected to influence the judgment of the proposed Independent Manager

adversely to the interests of the Company when the interests of that Person are adverse to those of the Company.

“Manager” shall mean any manager of the Company, including the independent Manager. Each Manager is hereby designated as a “manager” of the Company within the meaning of 18-101(10) of the Act.

“Member” shall mean Gulf Power, in its capacity as a member in the Company under this Agreement, or any successor thereto as a member pursuant to Article V; provided, however, the term “Member” shall not include the Special Member.

“Person” shall mean any individual, corporation, estate, partnership, joint venture, association, joint stock company, trust (including any beneficiary thereof), business trust, limited liability company, unincorporated organization or government or any agency or political subdivision thereof.

“Proceeding” shall have the meaning set forth in Section 8.1.

“Sale Agreement” shall mean the Storm-Recovery Property Sale Agreement, dated as of \_\_\_\_\_, 2006, between Gulf Power, as seller (the “Seller”), and the Company, as the same may be amended, supplemented or otherwise modified and in effect from time to time, or any sale agreement subsequently entered into between Gulf Power, as seller, and the Company, in connection with the issuance of any Additional Bonds.

“Section 366.8260” shall mean Florida Statute § 366.8260.

“Securities Account Control Agreement” shall have the meaning set forth in the Indenture.

“Securities Act” shall mean the Securities Act of 1933 and the rules and regulations of the United States Securities and Exchange Commission promulgated thereunder.

“Series” shall mean each series of Storm-Recovery Bonds.

“Servicing Agreement” shall mean the Storm Recovery Property Servicing Agreement, dated as of [\_\_\_\_\_] , 2006, between the Company and Gulf Power, as servicer (the “Servicer”), or any servicing agreement subsequently entered into between the Company and the Servicer in connection with the issuance of any Additional Bonds.

“Special Member” shall mean, upon such Person’s admission to the Company as a member of the Company pursuant to Section 5.5, a Person acting as Independent Manager, in such Person’s capacity as a member of the Company. A “Special Member” shall have the rights and duties expressly set forth in this Agreement.

“State” means any one of the 50 states of the United States of America or the District of Columbia.

“Storm-Recovery Bonds” shall mean the Bonds and any Additional Bonds.

"Storm-Recovery Property" shall mean the property transferred by the Seller to the Company pursuant to any Sale Agreement, consisting of the irrevocable right of Gulf Power to charge, collect and receive, and be paid from collections of, the storm-recovery charges in the amount necessary to provide for the full recovery of the storm-recovery costs and other costs which have been determined to be chargeable in the Financing Order or any Subsequent Financing Order, all rights of Gulf Power under the Financing Order or any Subsequent Financing Order, including, without limitation, all rights to obtain periodic adjustments of the storm-recovery bond charges pursuant to the Section 366.8260, and all revenues, collections, payments, money and proceeds arising under, or with respect to, all of the foregoing.

"Subsequent Financing Order" shall mean any storm-recovery cost rate order, issued by the Commission after [ ] 2006, pursuant to the Section 366.8260.

"Swap" shall have the meaning set forth in the Indenture.

"Treasury Regulations" shall mean regulations, including proposed or temporary regulations, promulgated under the Code. References herein to specific provisions of proposed or temporary regulations shall include analogous provisions of final Treasury Regulations or other successor Treasury Regulations.

"Trustee" shall mean the party named as such in the Indenture or any Additional Indenture until a successor replaces it in accordance with the applicable provisions of the Indenture or any Additional Indenture and thereafter means the successor serving thereunder.

"Underwriting Agreement" shall mean the Underwriting Agreement, dated \_\_\_\_\_, 2006, between Gulf Power, the Company and [ ] on behalf of itself and as representative of the several underwriters listed therein or any underwriting agreement subsequently entered into between Gulf Power, the Company and any underwriters listed therein in connection with the issuance of Additional Bonds.

#### Section 1.2 Other Definitional Provisions.

(a) Unless otherwise defined herein, all capitalized terms herein shall have the meanings ascribed thereto in the Indenture.

(b) All terms in this Agreement shall have the defined meanings when used in any certificate or other document made or delivered pursuant hereto unless otherwise defined therein.

(c) As used in this Agreement and in any certificate or other documents made or delivered pursuant hereto or thereto, accounting terms not defined in this Agreement or in any such certificate or other document, and accounting terms partly defined in this Agreement or in any such certificate or other document to the extent not defined, shall have the respective meanings given to them under GAAP. To the extent that the definitions of accounting terms in this Agreement or in any such certificate or other document are inconsistent with the meanings of such terms under GAAP, the definitions contained in this Agreement or in any such certificate or other document shall control.

(d) The words "hereof," "herein," "hereunder," and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement; Section references contained in this Agreement are references to Sections in this Agreement unless otherwise specified; and the term "including" shall mean "including without limitation."

(e) The definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms.

(f) Any agreement, instrument or statute defined or referred to herein or in any instrument or certificate delivered in connection herewith means such agreement, instrument or statute as from time to time amended, modified or supplemented and includes (in the case of agreements or instruments) references to all attachments thereto and instruments incorporated therein; references to a Person are also to its permitted successors and assigns.

## ARTICLE II

### FORMATION OF THE LIMITED LIABILITY COMPANY

Section 2.1 Formation; Filings. Pursuant to the Act and in accordance with the further terms and provisions hereof, the Member and, when signed by the Special Member, the Special Member, hereby form the Company as a limited liability company. The Certificate of Formation of the Company, has been executed and filed with the Secretary of State of Delaware by [\_\_\_\_], as an authorized person within the meaning of the Act. The Member shall execute or cause to be executed from time to time all other instruments, certificates, notices and documents, and shall do or cause to be done all such filing, recording, publishing and other acts, in each case, as may be necessary or appropriate from time to time to comply with all applicable requirements for the formation and/or operation and, when appropriate, termination of a limited liability company in the State of Delaware and all other jurisdictions where the Company shall desire to conduct its business.

Section 2.2 Name and Office.

(a) The name of the Company shall be "[\_\_\_\_\_]." All business of the Company shall be conducted in such name and all contracts, property and other assets of the Company shall be held in that name and the Member shall not have any ownership interests in such contracts, property or other assets in its individual name.

(b) The address of the registered office of the Company in the State of Delaware is [Corporation Trust Center, 1209 Orange Street in the City of Wilmington, County of New Castle, 19801]. The name of its registered agent at that address is [The Corporation Trust Company.]

(c) The Company may also have offices at such other places both within and without the State of Delaware as the Member may from time to time determine.

Section 2.3 Business Purpose. The nature of the business or purpose to be conducted or promoted by the Company is to engage exclusively in the following business and financial activities:

- (a) to authorize, issue, sell and deliver in one or more Series or Classes of Storm-Recovery Bonds under the Indenture or any Additional Indenture, each as permitted by and in accordance with the terms thereof;
- (b) to purchase and hold Storm-Recovery Property and pledge the same to the Trustee pursuant to the terms and conditions of the Basic Documents;
- (c) to negotiate, authorize, execute, deliver, assume the obligations under, and perform, the Basic Documents and any other agreement or instrument or document relating to, the activities set forth in clauses (a) and (b) above, including but not limited to agreements with third-party or swap providers relating to any Series of Storm-Recovery Bonds; provided, that each party to any agreement with the Company shall covenant that it shall not, prior to the date which is one year and one day after the termination of the Indenture and any Additional Indenture and the payment in full of any Series of Storm-Recovery Bonds and any other amounts owed under the Indenture and any Additional Indenture, including, without limitation, any amounts owed to third-party or swap providers, acquiesce, petition or otherwise invoke or cause the Company to invoke the process of any court or government authority for the purpose of commencing or sustaining a case against the Company under any federal or State bankruptcy, insolvency or similar law or appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official of the Company or any substantial part of the property of the Company; or ordering the winding-up or liquidation of the affairs of the Company; and provided, further, that the Company shall be permitted to incur additional indebtedness or other liabilities payable to service providers and trade creditors in the ordinary course of business in connection with the foregoing activities; and
- (d) to engage in any activity and to exercise any powers permitted to limited liability companies under the laws of the State of Delaware that are related or incidental to the foregoing and necessary, convenient or advisable to accomplish the foregoing.

Section 2.4 Term. The term of the Company shall continue until the Company is dissolved and liquidated in accordance with the Act, subject to Sections 6.3 and 9.5. The existence of the Company as a separate legal entity shall continue until the cancellation of the Certificate of Formation in accordance with the Act.

Section 2.5 No State Law Partnership. The Member and the Special Member intend that the Company shall not be a partnership (including, without limitation, a general partnership or a limited partnership) or joint venture, and that neither the Member, the Special Member nor any Manager shall be a partner or joint venturer of the Member, the Special Member or any Manager with respect to the business of the Company for any purposes, and this Agreement shall not be construed to suggest otherwise.

Section 2.6 Authority of Member. Subject to Section 3.4 the Member, acting in such capacity, shall have the authority or power to act for or on behalf of the Company, to do any act that would be binding on the Company, or to incur any expenditures, debts, liabilities or obligations on behalf of the Company.

The Company, and the Member, or any Manager on behalf of the Company, may enter into and perform the Basic Documents and all documents, agreements, certificates or financing statements contemplated thereby or related thereto, all without any further act, vote or approval of any Member or Manager or other Person notwithstanding any other provision of this Agreement, the Act or applicable law, rule or regulation. The foregoing authorization shall not be deemed a restriction on the powers of the Member or any Manager to enter into other agreements on behalf of the Company.

Section 2.7 Liability to Third Parties. Except as otherwise expressly provided by the Act, neither the Member, the Special Member nor any Manager shall be liable for the debts, obligations or liabilities of the Company (whether arising in contract, tort or otherwise), including, without limitation, under a judgment, decree or order of a court, solely by reason of being the Member or acting as the Special Member or a Manager of the Company.

Section 2.8 No Personal Liability of any Member, Special Member, Manager, Etc.

(a) Neither the Member nor the Special Member shall be subject in such capacity to any personal liability whatsoever to any Person in connection with the assets or the acts, obligations or affairs of the Company, (b) the Member and the Special Member shall have the same limitation of personal liability as is extended to stockholders of a private corporation for profit incorporated under the General Corporation Law of the State of Delaware, and (c) no Manager or officer of the Company shall be subject in such capacity to any personal liability whatsoever to any Person, other than the Company or its Member, in connection with the assets or the affairs of the Company; and, subject to the provisions of Article VIII, all such Persons shall look solely to the assets of the Company for satisfaction of claims of any nature arising in connection with the affairs of the Company; provided, that such protection from personal liability shall apply to the fullest extent permitted by applicable law, as the same exists or may hereafter be amended.

Section 2.9 Separateness.

(a) Except as provided in the Basic Documents, the funds and other assets of the Company shall not be commingled with those of any other entity, and the Company shall maintain its accounts separate from the Member and any other Person.

(b) The Company shall not hold itself out as being liable for the debts of any other entity, and shall conduct its own business in its own name.

(c) The Company shall not form, or cause to be formed, any subsidiaries.

(d) The Company shall act solely in its limited liability company name and through its duly authorized Member, Special Member, Managers, officers or agents in the conduct of its business, and shall conduct its business so as not to mislead others as to the identity of the entity or assets with which they are concerned.

(e) The Company shall maintain separate records, books of account and financial statements, and shall not commingle its records and books of account with the records and books of account of the Member or any other Person.

(f) The Managers shall hold appropriate meetings to authorize all of its limited liability company actions, which meetings may be held by telephone conference call. The Company shall observe all formalities required by this Agreement.

(g) The Company shall at all times ensure that its capitalization is adequate in light of its business and purpose.

(h) Neither the Member, the Special Member, the Manager nor any other Person shall guarantee, become liable on or hold itself out as being liable for the debts of the Company. The Company shall not guarantee or become obligated for the debts of the Member, the Special Member or any Manager, any Affiliate thereof or any other Person, or otherwise hold out its credit as being available to satisfy the obligations of the Member, the Special Member, any Manager or any other Person, shall not pledge its assets for the benefit of any Person other than the Trustee, shall not make loans or advances to any Person, and shall not acquire obligations or securities of the Member, the Special Member, any Manager or any Affiliate thereof.

(i) The Company shall pay its own liabilities out of its own funds, including fees and expenses of the Administrator pursuant to the Administration Agreement and the Servicer pursuant to any Servicing Agreement.

(j) The Company shall maintain an arm's-length relationship with its Affiliates.

(k) The Company shall allocate fairly and reasonably any overhead for office space shared with the Member, the Special Member, any Manager or any other Person.

(l) The Company shall use its own separate stationery, invoices, checks and other business forms.

(m) The Company shall correct any known misunderstanding regarding its separate identity.

(n) Failure of the Company, the Member, the Special Member or any Manager on behalf of the Company to comply with any of the foregoing covenants or any of the covenants contained in this Agreement shall not affect the status of the Company as a separate legal entity or the limited liability of the Member, the Special Member or any Manager.

Section 2.10 Limited Liability and Bankruptcy Remoteness. Without limiting the generality of Section 2.9, the Company shall be operated in such a manner as the Managers deem reasonable and necessary or appropriate to preserve (a) the limited liability of Gulf Power (or its successor) as the Member of the Company and the limited liability of the Special Member, (b) the separateness of the Company from the business of Gulf Power (or its successor), as the Member of the Company, or any other Affiliate thereof and (c) until the expiration of the period of one year and one day specified in Section 9.5, the bankruptcy-remote status of the Company.

## ARTICLE III

### MANAGEMENT

Section 3.1 Management by Managers. The powers of the Company shall be exercised by or under the authority of, and the business and affairs of the Company shall be managed under the direction of, the Managers.

Section 3.2 Acts by Managers.

(a) The Managers shall be obliged to devote only as much of their time to the Company's business as shall be reasonably required in light of the Company's business and objectives. A Manager shall perform his or her duties as a Manager in good faith, in a manner he or she reasonably believes to be in the best interests of the Company, and with such care as an ordinarily prudent person in a like position would use under similar circumstances.

(b) Every Manager is an agent of the Company for the purpose of its business, and the act of every Manager, including the execution in the name of the Company of any instrument for carrying on the business of the Company, binds the Company, unless such act is in contravention of this Agreement or unless the Manager so acting otherwise lacks the authority to act for the Company and the Person with whom he or she is dealing has knowledge of the fact that he or she has no such authority.

(c) The Managers shall have the right and authority to take all actions which the Managers deem necessary, useful or appropriate for the day-to-day management and conduct of the Company's business.

(d) The Managers may exercise all powers of the Company and do all such lawful acts and things as are not by the Act, other applicable law or this Agreement directed or required to be exercised or done by the Member. All instruments, contracts, agreements and documents providing for the acquisition or disposition of property of the Company shall be valid and binding on the Company if executed by one or more of the Managers. All instruments, contracts, agreements and documents of whatsoever type executed on behalf of the Company shall be executed in the name of the Company by one or more Managers.

Section 3.3 Number and Qualifications. The number of Managers of the Company shall not be less than three nor more than five, as may be determined by the Member from time to time, but no decrease in the number of Managers shall have the effect of shortening the term of any incumbent Manager.

Section 3.4 Independent Manager.

(a) The Company shall have at all times at least one individual who is an Independent Manager. The Independent Manager may not delegate his or her duties, authorities or responsibilities hereunder. If the Independent Manager resigns, dies or becomes incapacitated, or such position is otherwise vacant, no action requiring the unanimous affirmative vote of the Managers shall be taken until a successor Independent Manager is appointed by the Member and such successor Independent Manager qualifies and approves such action.



(b) Notwithstanding any other provision of this Agreement and any provision of law that otherwise so empowers the Company, the Member, the Special Member, any Manager or any other Person, the Company shall not, and neither the Member nor the Special Member, Manager nor any other Person on behalf of the Company shall, without the prior unanimous consent of the Managers, including the Independent Manager, do any of the following: (i) engage in any business or activity other than those set forth in Section 2.3; (ii) except as provided in the Basic Documents, incur any indebtedness, other than the Storm-Recovery Bonds, obligations under agreements with third party or swap providers relating to any Series of Storm-Recovery Bonds and ordinary course expenses as set forth in Article II or assume or guarantee any indebtedness of any other entity; (iii) make a general assignment for the benefit of creditors; (iv) file a petition commencing a voluntary bankruptcy case; (v) file a petition or answer seeking reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any statute, law or regulation; (vi) file an answer or other pleading admitting or failing to contest the material allegations of a petition filed against it in any proceeding seeking reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any statute, law or regulation, or the entry of any order appointing a trustee, liquidator or receiver of it or of its assets or any substantial portion thereof; (vii) seek, consent to or acquiesce in the appointment of a trustee, receiver or liquidator of it or of all or any substantial part of its assets; (viii) consolidate or merge with or into any other entity or convey or transfer substantially all of its properties and assets substantially as an entirety to any entity; or (ix) amend this Agreement or take action in furtherance of any such action. With regard to any action contemplated by the preceding sentence, or with regard to any action taken or determination made at any time when the Company is insolvent, each Manager will, to the fullest extent permitted by law including Section 18-1101(c) of the Act, owe its primary fiduciary duty to the Company (including the creditors of the Company).

Section 3.5 Appointment and Vacancy. The Member will appoint each Manager, including any Manager to be appointed by reason of an increase in the number of Managers.

Section 3.6 Term. Each Manager shall hold office until his or her successor shall be selected by the Member and qualified, or until his or her earlier death, resignation or removal as provided in this Agreement.

Section 3.7 Removal. Subject to Section 3.4(a) and Section 3.15 of this Agreement, the Member may remove, with or without cause, any Manager.

Section 3.8 Resignation. Any Manager may resign at any time. Such resignation shall be made in writing and shall take effect at the time specified therein or, if no time is specified therein, at the time of its receipt by the remaining Managers; provided, that the resignation of the Independent Manager shall not be effective until a replacement Independent Manager has been appointed. The acceptance of a resignation shall not be necessary to make it effective, unless so expressly provided in the resignation.

Section 3.9 Place of Meetings of Managers. Any meetings of the Managers may be held either within or without the State of Delaware at such place or places as shall be determined from time to time by resolution of the Managers.

Section 3.10 Meetings of Managers. Meetings of the Managers may be held when called by any Managers or Manager. The Manager or Managers calling any meeting shall cause notice to be given of such meeting, including therein the time, date and place of such meeting, to each Manager at least two Business Days before such meeting. The business to be transacted at, or the purpose of, any meeting of the Managers shall be specified in the notice or waiver of notice of any such meeting. If fewer than all of the Managers are present in person, by telephone or by proxy, business transacted at any such meeting shall be confined to the business or purposes specifically stated in the notice or waiver of notice of such meeting.

Section 3.11 Quorum; Majority Vote. At all meetings of the Managers, the presence in person, by telephone or by proxy of a majority of the Managers shall be necessary and sufficient to constitute a quorum for the transaction of business unless a greater number is required by this Agreement or by law. The act of a majority of the Managers present in person, by telephone or by proxy at a meeting at which a quorum is present in person, by telephone or by proxy shall be the act of the Managers, except as otherwise provided by law or this Agreement. If a quorum shall not be present in person, by telephone or by proxy at any meeting of the Managers, the Managers present in person, by telephone or by proxy at the meeting may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present in person, by telephone or by proxy.

Section 3.12 Methods of Voting; Proxies. A Manager may vote either in person, by telephone or by proxy executed in writing by the Manager; provided, that the Person designated to act as proxy for an Independent Manager must be an Independent Manager.

Section 3.13 Actions Without a Meeting. Any action required or permitted to be taken at a meeting of the Managers may be taken without a meeting, without prior notice, and without a vote, if a consent in writing, setting forth the action so taken, is signed by the Managers having not fewer than the minimum number of votes that would be necessary to take the action at a meeting at which all Managers entitled to vote on the action were present and voted. Copies of any such consents shall be filed with the minutes and permanent records of the Company.

Section 3.14 Telephone and Similar Meetings. The Managers, or members of any committee thereof, may participate in and hold meetings by means of conference telephone or similar communications equipment by means of which all Persons participating in the meeting can hear each other. Such participation in any such meeting shall constitute presence in person at such meeting, except where a Person participates in such meeting for the express purpose of objecting to the transaction of any business on the ground that such meeting is not lawfully called or convened.

Section 3.15 Managers. The Member and each Manager shall take all actions necessary from time to time to ensure that at all times the number of Managers shall be not less than three nor more than five; provided, however, that pursuant to Section 3.4, the Company shall at all times have at least one Independent Manager. The Persons identified on Schedule C are hereby designated the initial Managers of the Company.

## ARTICLE IV

### OFFICERS

Section 4.1 Designation; Term; Qualifications. The Managers may, from time to time, designate one or more Persons to be officers of the Company. Any officer so designated shall have such title and authority and perform such duties as the Managers may, from time to time, delegate to them. Each officer shall hold office for the term for which such officer is designated and until his or her successor shall be duly designated and shall qualify or until his or her death, resignation or removal as provided in this Agreement. Any Person may hold any number of offices. No officer need be a Manager, the Member, a Delaware resident, or a United States citizen. The Persons identified on Schedule D are hereby designated the initial officers of the Company.

Section 4.2 Removal and Resignation. Any officer of the Company may be removed as such, with or without cause, by the Managers at any time. Any officer of the Company may resign as such at any time upon written notice to the Company. Such resignation shall be made in writing and shall take effect at the time specified therein or, if no time is specified therein, at the time of its receipt by the Managers.

Section 4.3 Vacancies. Any vacancy occurring in any office of the Company may be filled by the Managers.

Section 4.4 Compensation. The compensation, if any, of the officers of the Company shall be fixed from time to time by the Managers.

## ARTICLE V

### MEMBER

Section 5.1 Powers. Subject to the provisions of this Agreement and the Act, all powers shall be exercised by or under the authority of, and the business and affairs of the Company shall be controlled by, the Member pursuant to Section 5.3. Pursuant to Section 3.1 the Member has delegated such powers to the Managers. Without prejudice to such general powers, but subject to the same limitations, it is hereby expressly declared that the Member shall have the following powers, subject to Section 3.4 in all cases:

First: To select and remove the Managers and prescribe such powers and duties for them as may be consistent with the Act and other applicable law and this Agreement.

Second: To conduct, manage and control the affairs and business of the Company, and to make such rules and regulations therefor consistent with the Act and other applicable law and this Agreement.

Third: To change the registered office of the Company in Delaware from one location to another; to fix and locate from time to time one or more other

offices of the Company; and to designate any place within or without the State of Delaware for the conduct of the business of the Company.

Section 5.2 Compensation of Member. The Company shall have authority to pay to the Member reasonable compensation for the Member's services to the Company. It is understood that the compensation paid to the Member under the provisions of this Section shall be determined without regard to the income of the Company, shall not be deemed to constitute distributions to the recipient of any profit, loss or capital of the Company and shall be considered as an operating expense of the Company.

Section 5.3 Actions by the Member. All actions of the Member may be taken by written resolution of the Member which shall be signed on behalf of the Member by an authorized officer of the Member and filed with the minutes and permanent records of the Company.

Section 5.4 Control by Member. To the extent the Member takes any action with respect to the Company (including by means of its appointment of any individual Manager or its control or employment of any individual Manager in any other capacity), the Member, or any such Manager, as applicable, will act in good faith in accordance with the terms of this Agreement, and make decisions with respect to the business and daily operations of the Company independent of, and not dictated by, in the case of any such Manager, the Member, or in either case any Affiliate of the foregoing, and, to the fullest extent permitted by law, including Section 18-1101(c) of the Act, any such Manager shall bear a fiduciary duty to the Company (including its creditors) under the circumstances set forth in Section 3.4.

Section 5.5 Special Member. Upon the occurrence of any event that causes the Member to cease to be a member of the Company, the Person acting as the Independent Manager pursuant to Section 3.4 shall, without any action of any Person and simultaneously with the Member ceasing to be a member of the Company, automatically be admitted to the Company as the special member (the "Special Member") and shall continue the Company without dissolution. The Special Member may not resign from the Company nor transfer its rights as Special Member unless (a) a successor Special Member has been admitted to the Company as Special Member by executing a counterpart to this Agreement, and (b) such successor has also accepted its appointment as Independent Manager; provided, however the Special Member shall automatically cease to be a member of the Company upon the admission to the Company of a substitute Member. The Special Member shall be a member of the Company that has no interest in the profits, losses and capital of the Company and has no right to receive any distributions of Company assets. Pursuant to Section 18-301 of the Act, the Special Member shall not be required to make any capital contributions to the Company and shall not receive a limited liability company interest in the Company. The Special Member, in its capacity as Special Member, may not bind the Company. Except as required by any mandatory provision of the Act, the Special Member, in its capacity as Special Member, shall have no right to vote on, approve or otherwise consent to any action by, or matter relating to, the Company, including, without limitation, the merger, consolidation or conversion of the Company. In order to implement the admission to the Company of the Special Member pursuant to this Section 5.5, the Person acting as an Independent Manager pursuant to Section 3.4 shall execute a counterpart to this

Agreement. Prior to its admission to the Company as Special Member, the Person acting as an Independent Manager pursuant to Section 3.4 shall not be a member of the Company.

## ARTICLE VI

### COMMON INTEREST

Section 6.1 General. The Common Interest constitutes personal property and shall be freely transferable and assignable in whole but not in part upon registration of such transfer and assignment on the books of the Company in accordance with the procedures established for such purpose by the Managers of the Company. Upon registration of the transfer and assignment of the Common Interest on the books of the Company, the transferee/assignee shall be and become the sole Member of the Company and shall have the rights and powers, and be subject to the restrictions and liabilities, of the Member under this Agreement and the Act, and the transferor/assignor shall cease to be the Member, each as of the date of such registration. Notwithstanding the foregoing, the Common Interest may not be transferred unless each Rating Agency (as defined in the Indenture) then rating of any Class or Series of Storm-Recovery Bonds shall have confirmed in writing to the Trustee and the Company that such transfer will not result in a reduction or withdrawal of the then current rating by any such Rating Agency of any outstanding Class or Series of Storm-Recovery Bonds. The Common Interest of the Member in the Company shall be evidenced by a certificate in the form set forth in Schedule B hereto.

Section 6.2 Distributions. The Member shall be entitled to receive, out of the assets of the Company legally available therefor, when, as and if declared by the Managers, distributions payable in cash in such amounts, if any, as the Managers shall declare. Notwithstanding any provision to the contrary contained in this Agreement, the Company shall not be required to make a distribution to the Member on account of its interest in the Company if such distribution would violate Section 18-607 of the Act or any other applicable law or any Basic Document.

#### Section 6.3 Rights on Liquidation, Dissolution or Winding Up.

(a) In the event of any liquidation, dissolution or winding up of the Company, the Member shall be entitled to all remaining assets of the Company available for distribution to the Member after satisfaction (whether by payment or the making of reasonable provision for the payment thereof) of all liabilities, debts and obligations of the Company to creditors, as set forth in Section 18-804 of the Act.

(b) Neither the sale of all or substantially all of the property or business of the Company, nor the merger or consolidation of the Company into or with another Company or other entity, shall be deemed to be a dissolution, liquidation or winding up, voluntary or involuntary, for the purpose of this Section 6.3.

(c) The commencement of a bankruptcy, insolvency, receivership or other similar proceeding by or against the Company, the Special Member or the Member shall not result in the dissolution of the Company or in the cessation of the interest of the Member in the Company. The withdrawal or resignation of the Member or the Special Member or the dissolution of the Member or the Special Member shall not, by itself, constitute a dissolution of the Company.

(d) Subject to Section 5.5, upon the occurrence of any event that causes the last remaining member or the Member of the Company to cease to be a member of the Company, to the fullest extent permitted by law, the personal representative of such member is hereby authorized to, and shall, within 90 days after the occurrence of the event that terminated the continued membership of such member in the Company, agree in writing (i) to continue the Company and (ii) to the admission of the personal representative or its nominee or designee, as the case may be, as a substitute member of the Company, effective as of the occurrence of the event that terminated the continued membership of the last remaining member of the Company or the Member in the Company.

(e) Notwithstanding any other provision of this Agreement, the Bankruptcy of the Member or the Special Member shall not cause the Member or Special Member, respectively, to cease to be a member of the Company and, upon the occurrence of such an event, the business of the Company shall continue without dissolution.

Section 6.4 Redemption. The Common Interest shall not be redeemable.

Section 6.5 Voting Rights. The Member shall have the sole right to vote on all matters as to which members of a limited liability company shall be entitled to vote pursuant to the Act and other applicable law.

Section 6.6 Company Dissolution. The Company shall be dissolved, and its affairs shall be wound up upon the first to occur of the following: (i) the termination of the legal existence of the last remaining member of the Company or the occurrence of any other event which terminates the continued membership of the last remaining member of the Company in the Company unless the Company is continued without dissolution in a manner permitted by this Agreement or the Act or (ii) the entry of a decree of judicial dissolution under Section 18-802 of the Act.

## ARTICLE VII

### ALLOCATIONS; DISTRIBUTIONS; EXPENSES; TAXES; BOOKS; RECORDS; AND BANK ACCOUNTS

Section 7.1 Allocations. Except as may be required by section 704(c) of the Code and Treasury Regulation § 1.704-1(b)(2)(iv)(f)(4), all items of income, gain, loss, deduction, and credit of the Company for each Fiscal Year shall be allocated to the Member. Any credit available for federal income tax purposes shall be allocated to the Member in the same manner.

Section 7.2 Distributions. All distributions shall be made to the Member from surplus funds. Except as provided in Section 7.3, all distributions shall be made in such amounts and at such times as determined by the Managers.

Section 7.3 Limitation Upon Distributions. No distribution shall be declared and paid unless, after the distribution is made, the fair value of the Company's assets is in excess of all liabilities of the Company and no default has occurred and is continuing under the Indenture, any Additional Indenture or any Series of Storm-Recovery Bonds then outstanding.

Section 7.4 Expenses. Except as otherwise provided in this Agreement, and subject to the provisions of the Basic Documents, the Company shall be responsible for all expenses and the allocation thereof including without limitation:

- (a) all expenses incurred by the Member or its Affiliates in organizing the Company;
- (b) all expenses related to the payment of the principal of and interest on the Storm-Recovery Bonds issued by the Company;
- (c) all expenses related to the business of the Company and all routine administrative expenses of the Company, including any amounts payable under the Administration Agreement and any Servicing Agreement, the maintenance of books and records of the Company, and the preparation and dispatch to the Member of checks, financial reports, tax returns and notices required pursuant to this Agreement;
- (d) all expenses incurred in connection with any litigation or arbitration involving the Company (including the cost of any investigation and preparation) and the amount of any judgment or settlement paid in connection therewith;
- (e) all expenses for indemnity or contribution payable by the Company to any Person;
- (f) all expenses incurred in connection with the collection of amounts due to the Company from any Person;
- (g) all expenses incurred in connection with the preparation of amendments to this Agreement or any other Basic Document;
- (h) all expenses incurred in connection with the liquidation, dissolution and winding up of the Company; and
- (i) all expenses otherwise allocated in good faith to the Company by the Managers.

Section 7.5 Tax Elections. The Managers shall make the following elections on behalf of the Company:

- (a) To elect the calendar year as the Company's Fiscal Year;
- (b) To elect the accrual method of accounting;
- (c) To elect to treat all organization and start-up costs of the Company as deferred expenses amortizable over 60 months under Section 195 of the Code; and
- (d) To elect with respect to such other federal, State and local tax matters as the Managers shall agree upon from time to time.

Section 7.6 Annual Tax Information. The Managers shall cause the Company to deliver to the Member all information necessary for the preparation of the Member's federal or State income tax return.

Section 7.7 Tax Matters Member. The Member shall communicate and negotiate with the Internal Revenue Service on any tax matter on behalf of the Member and the Company.

Section 7.8 Maintenance of Books. The Company shall keep books and records of accounts and shall keep minutes of the proceedings of the Member, the Managers and each committee of the Managers. The Fiscal Year shall be the accounting year of the Company.

Section 7.9 Reports. Within 60 days following the end of each Fiscal Year during the term of the Company, the Managers shall cause to be furnished to the Member a balance sheet, an income statement and a statement of changes in Member's capital account for, or as of the end of, that Fiscal Year. Such financial statements shall be prepared in accordance with the accounting method selected by the Managers consistently applied (except as therein noted), and shall be accompanied by an audit report from a nationally recognized accounting firm. The Managers also may cause to be prepared or delivered such other reports as they may deem appropriate. The Company shall bear the costs of all such financial statements and reports.

Section 7.10 Bank and Investment Accounts. The Managers shall establish and maintain one or more separate bank and investment accounts and arrangements for Company funds in the Company's name with such financial institutions and firms as the Managers determine.

## ARTICLE VIII

### INDEMNIFICATION

Section 8.1 Mandatory Indemnification of the Member, the Special Member, and the Managers. Any Person who was or is a party or is threatened to be made a party to, or is involved in, any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, arbitral or investigative (hereafter a "Proceeding"), or any appeal in such a Proceeding or any inquiry or investigation that could lead to such a Proceeding, by reason of the fact that such Person is or was the Member, the Special Member or a Manager, or by reason of the fact that the Member, such Special Member or such Manager is or was serving at the request of the Company as a member, director, manager, officer, partner, venturer, proprietor, trustee, employee, agent or similar functionary of another foreign or domestic corporation, limited liability company, partnership, joint venture, partnership, trust, sole proprietorship, employee benefit plan or other enterprise, shall be indemnified by the Company to the fullest extent permitted by applicable law, as the same exists or may hereafter be amended against judgments, penalties (including, without limitation, excise and similar taxes and punitive damages), fines, settlements and reasonable expenses (including, without limitation, attorneys' fees) actually incurred by such Person in connection with such Proceeding. It is expressly acknowledged that the indemnification provided in this Article VIII could involve indemnification for negligence or under theories of strict liability. Notwithstanding anything herein to the contrary, for so long as any Storm-Recovery Bonds are outstanding, no payment



from funds of the Company (as distinct from funds from other sources, such as insurance) of any indemnity under this Article VIII shall be payable except out of funds available for payment of Company expenses as provided in the Indenture or any Additional Indenture.

Section 8.2 Mandatory Advancement of Expenses. To the fullest extent permitted by law, expenses incurred by a Person of the type entitled to be indemnified under Section 8.1 in defending any Proceeding shall be paid or reimbursed by the Company in advance of the final disposition of the Proceeding, without any determination as to such Person's ultimate entitlement to indemnification under Section 8.1, upon receipt of a written affirmation by such Person of such Person's good faith belief that such Person has met the standard of conduct necessary for indemnification under applicable law and a written undertaking by or on behalf of such Person to repay all amounts so advanced if it shall ultimately be determined that such Person is not entitled to be indemnified by the Company as authorized in Section 8.1 or otherwise. The written undertaking shall be an unlimited general obligation of the Person but need not be secured and shall be accepted without reference to financial ability to make repayment.

Section 8.3 Indemnification of Officers, Employees and Agents. To the fullest extent permitted by law, the Company shall indemnify and pay and advance expenses to an officer, employee or agent of the Company to the same extent and subject to the same conditions under which it may indemnify and pay and advance expenses to the Member, the Special Member or any Manager under this Article VIII and the Company shall indemnify and pay and advance expenses to any Person who is or was an officer, employee or agent of the Company and who is or was serving at the request of the Company as a member, manager, director, officer, partner, venturer, proprietor, trustee, employee, agent or similar functionary of another foreign or domestic limited liability company, partnership, corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan or other enterprise against any liability asserted against such Person and incurred by such Person in such a capacity or arising out of such Person's status as such to the same extent and subject to the same conditions that the Company may indemnify and pay and advance expenses to the Member, the Special Member or any Manager under this Article VIII.

Section 8.4 Nonexclusivity of Rights. The indemnification and advancement and payment of expenses provided by this Article VIII, (a) shall not be deemed exclusive of any other rights to which the Member, the Special Member, a Manager or other Person seeking indemnification may be entitled under any statute, agreement, decision of the Member or disinterested Managers, or otherwise, both as to action in such Person's official capacity and as to action in another capacity while holding such office, (b) shall continue as to any Person who has ceased to serve in the capacity which initially entitled such Person to indemnity and advancement and payment of expenses, and (c) shall inure to the benefit of the heirs, executors, administrators, successors and assigns of the Member, the Special Member, such Manager or such other Person.

Section 8.5 Contract Rights. The rights granted pursuant to this Article VIII shall be deemed to be contract rights, and no amendment, modification or repeal of this Article VIII shall have the effect of limiting or denying any such rights with respect to actions taken or Proceedings arising prior to any such amendment, modification or repeal.

Section 8.6 Insurance. The Company may purchase and maintain insurance or other arrangement or both, at its expense, on behalf of itself or any Person who is or was serving as the Member, the Special Member or a Manager, officer, employee or agent of the Company, or is or was serving at the request of the Company as a member, manager, director, officer, partner, venturer, proprietor, trustee, employee, agent or similar functionary of another foreign or domestic limited liability company, partnership, corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan or other enterprise, against any liability, expense or loss, whether or not the Company would have the power to indemnify such Person against such liability under the provisions of this Article VIII.

Section 8.7 Savings Clause. If this Article VIII or any portion of this Agreement shall be invalidated on any ground by any court of competent jurisdiction, then the Company shall nevertheless indemnify and hold harmless the Member, the Special Member, each Manager or any other Person indemnified pursuant to this Article VIII as to costs, charges and expenses (including, without limitation, attorneys' fees), judgments, fines and amounts paid in settlement with respect to any action, suit or proceeding, whether civil, criminal, administrative or investigative, to the fullest extent permitted by any applicable portion of this Article VIII that shall not have been invalidated and to the fullest extent permitted by applicable law.

Section 8.8 Other Ventures. It is expressly agreed that the Member, the Special Member, any Manager and any Affiliates, officers, directors, managers, stockholders, partners or employees of the Member, the Special Member or any Manager, may engage in other business ventures of every nature and description, whether or not in competition with the Company, independently or with others, notwithstanding any provision to the contrary at law or in equity and the Company shall not have any rights in and to any independent venture or activity or the income or profits derived therefrom; provided, however, that nothing in this Section 8.8 limits the obligations of the Independent Manager under Section 3.4 or the Special Member under Section 5.5.

Section 8.9 Other Arrangements Not Excluded. The indemnification and advancement of expenses authorized in or ordered by a court pursuant to this Article VIII:

- (a) Does not exclude any other rights to which a Person seeking indemnification or advancement of expenses may be entitled under any agreement, decision of the Member or otherwise, for either an action of the Member, the Special Member or any Manager, officer, employee or agent in the official capacity of such Person or an action in another capacity while holding such position, except that indemnification, unless ordered by a court, may not be made to or on behalf of the Member, the Special Member or any Manager if a final adjudication established that its acts or omissions involved intentional misconduct, fraud or a knowing violation of the law and was material to the cause of action; and
- (b) Continues for a Person who has ceased to be the Member, the Special Member or a Manager, officer, employee or agent and inures to the benefit of the successors, heirs, executors and administrators of such a Person.

Section 8.10 Survival. The foregoing provisions of this Article VIII shall survive any termination of this Agreement.

## ARTICLE IX

### MISCELLANEOUS PROVISIONS

Section 9.1 Offset. Whenever the Company is to pay any sum to the Member, any amounts the Member owes the Company may be deducted from such sum before payment.

Section 9.2 Notices. Except as expressly set forth to the contrary in this Agreement, all notices, requests or consents provided for or permitted to be given under this Agreement shall be in writing and shall be given either by depositing such writing in the United States mail, addressed to the recipient, postage paid, and registered or certified with return receipt requested or by delivering such writing to the recipient in person, by reputable overnight courier, or by facsimile transmission; and a notice, request or consent given under this Agreement shall be effective on receipt by the Person to whom sent. All notices, requests, and consents to be sent to the Member shall be sent to or made to Gulf Power Company, One Energy Place, Pensacola, Florida 32520, Attention: Chief Financial Officer, or such other address as the Member may specify by notice to the Company and the Managers. Any notice, request, or consent to the Company or the Managers must be given to the Managers at the following address: [ ] Attention: Managers. Whenever any notice is required to be given by law or this Agreement, a written waiver thereof, signed by the Person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

Section 9.3 Effect of Waiver or Consent. A waiver or consent, express or implied, to or of any breach or default by any Person in the performance by such Person of its obligations with respect to the Company shall not be a consent or waiver to or of any other breach or default in the performance by such Person of the same or any other obligations of such Person with respect to the Company.

Section 9.4 Governing Law; Severability. THIS AGREEMENT SHALL BE GOVERNED BY AND SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF DELAWARE, EXCLUDING ANY CONFLICT-OF-LAWS RULE OR PRINCIPLE THAT MIGHT REFER THE GOVERNANCE OR THE CONSTRUCTION OF THIS AGREEMENT TO THE LAW OF ANOTHER JURISDICTION. In the event of a direct conflict between the provisions of this Agreement and any mandatory provision of the Act, then the applicable provision of the Act shall control. If any provision of this Agreement or the application thereof to any Person or circumstance is held invalid or unenforceable to any extent, the remainder of this Agreement and the application of that provision to other Persons or circumstances shall not be affected thereby and such provision shall be enforced to the fullest extent permitted by law.

Section 9.5 No Dissolution. (a) To the fullest extent permitted by law, the Member, the Special Member and each Manager hereby covenants and agrees (or shall be deemed to have hereby covenanted and agreed) that, until the termination of the Indenture, any Additional

Indenture and the payment in full of any Series of the Storm-Recovery Bonds, any other amounts owed under the Indenture and any Additional Indenture, including without limitation, any amounts owed to third-party or swap providers, the Member, the Special Member and such Manager will not consent to, or make application for, or institute or maintain any action for, the dissolution of the Company under Section 18-801 or 18-802 of the Act or otherwise.

(b) The provisions of this Section 9.5 shall survive the termination of this Agreement and the resignation, withdrawal or removal of the Member, the Special Member or any Manager. Nothing herein contained shall preclude participation by the Member, the Special Member or a Manager in assertion or defense of its claims in any such proceeding involving the Company.

Section 9.6 Amendment. This Agreement may not be amended, except in writing by the Member and the Company, upon prior approval of the Trustee and with prior notice to the Rating Agencies (as defined in the Indenture) and notification from each of the Rating Agencies to the Company, that such amendment will not result in a reduction or withdrawal of the then current rating by such Rating Agency of any outstanding Series or Class of the Storm-Recovery Bonds.

Section 9.7 Headings and Sections. The headings in this Agreement are inserted for convenience only and are in no way intended to describe, interpret, define or limit the scope, extent or intent of this Agreement or any provision hereof.

Section 9.8 Binding Agreement. Notwithstanding any other provision of this Agreement, the Member agrees that this Agreement constitutes a legal, valid and binding agreement of the Member, and is enforceable against the Member by the Independent Managers, in accordance with its terms. In addition, the Independent Manager shall be an intended beneficiary of this Agreement.

Section 9.9 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original of this Agreement and all of which taken together shall constitute one and the same instrument.

IN WITNESS WHEREOF, this Agreement is hereby executed by the undersigned as of ,  
2006.

MEMBER:

GULF POWER COMPANY

By: \_\_\_\_\_

Name:

Title:

COMPANY:

[ \_\_\_\_\_ ]

By: \_\_\_\_\_

Name:

Title:

By: \_\_\_\_\_

Name:

Title:

By: \_\_\_\_\_

Name:

Title:

Agreed and Consented to by  
the Special Member and  
Independent Manager:

\_\_\_\_\_

SCHEDULE A

SCHEDULE OF CAPITAL CONTRIBUTIONS OF MEMBER

COMMON INTEREST

<u>MEMBER'S NAME</u>	<u>CAPITAL CONTRIBUTION</u>	<u>COMMON INTEREST PERCENTAGE</u>	<u>CAPITAL ACCOUNT</u>
Gulf Power Company	\$*	100%	\$*

SCHEDULE B

CERTIFICATE OF COMMON INTEREST

of

[ \_\_\_\_\_ ] LLC

A Limited Liability Company

Organized under the Laws of the State of Delaware

This Certificate is issued and shall be held subject to the provisions of the Certificate of Formation of [ \_\_\_\_\_ ], a Limited Liability Company organized under the laws of the State of Delaware (the "Company"), filed on \_\_\_\_\_, 2006 with the Secretary of State of the State of Delaware, and the Limited Liability Company Agreement dated \_\_\_\_\_, 2006 of the Company, as each may be amended from time to time.

This Certificate of Common Interest certifies that Gulf Power Company is the registered holder of the entire Common Interest of the Company, which Common Interest shall be transferable only on the books of the Company by the holder hereof in person or by a duly authorized attorney upon surrender of this Certificate with a proper endorsement.

IN WITNESS WHEREOF, this Company has caused this Certificate to be signed by one of its duly authorized Managers this \_\_\_\_\_ day of \_\_\_\_\_, 2006.

By: \_\_\_\_\_

Name:

Title: Manager

[ ]

For Value Received the undersigned hereby sells, assigns and transfers unto the entire Common Interest of the Company represented by the within Certificate and does hereby irrevocably constitute and appoint Attorney, to transfer said Common Interest on the books of the Company with full power of substitution in the premises.

Dated: \_\_\_\_\_

[MEMBER]

By: \_\_\_\_\_

Name:

Title:



SCHEDULE C  
MANAGERS

Names:

1) \_\_\_\_\_

2) \_\_\_\_\_

3) \_\_\_\_\_

4) \_\_\_\_\_ (Independent Manager)

SCHEDULE D

OFFICERS

Names

Office



Florida Public Service Commission  
Docket No. \_\_\_\_\_  
GULF POWER COMPANY  
Witness: Jay Kim  
Exhibit No. \_\_\_\_ (JK-1)  
Schedule 15  
Form of Master Definitions

APPENDIX A  
MASTER DEFINITIONS

Unless the context otherwise requires:

With respect to all terms in this Agreement, unless the context otherwise requires: (i) a term has the meaning assigned to it; (ii) an accounting term not otherwise defined has the meaning assigned to it in accordance with generally accepted accounting principles as in effect from time to time in the United States; (iii) “or” is not exclusive; (iv) “including” means including without limitation, (v) words in the singular include the plural and words in the plural include the singular; (vi) any agreement, instrument or statute defined or referred to herein or in any instrument or certificate delivered in connection herewith means such agreement, instrument or statute as from time to time amended, modified or supplemented and includes (in the case of agreements or instruments) references to all attachments thereto and instruments incorporated therein; (vii) references to a Person are also to its successors and permitted assigns; (viii) the words “hereof”, “herein” and “hereunder” and words of similar import when used in any Basic Document shall refer to such Basic Document as a whole and not to any particular provision of such Basic Document; (ix) Section, subsection, Schedule and Exhibit references in any Basic Document are references to Sections, subsections, Schedules and Exhibits in or to such Basic Document unless otherwise specified; (x) references to “writing” include printing, typing, lithography and other means of reproducing words in a visible form; and (xi) the term “proceeds” has the meaning set forth in the applicable UCC.

*Act* has the meaning specified in Section 11.03(a) of the Indenture.

*Additional Basic Documents* means, with respect to any Series of Additional Bonds, the applicable Additional Indenture, the sale agreement and any bills of sale relating to the sale of the Subsequent Storm-Recovery Property to the Issuer in connection with the issuance of such Additional Bonds, the underwriting agreement relating to the issuance of such series of Additional Bonds, any securities account control agreement relating to such Series of Additional Bonds and any interest rate swap agreement relating to such Series of Additional Bonds.

*Additional Bonds* means each Series of storm-recovery bonds issued by the Issuer pursuant to a Subsequent Financing Order, unless the applicable Additional Indenture specifies such storm-recovery bonds are not subject to the Servicing Agreement, but instead will be subject to a different servicing agreement.

*Additional Indenture* means any indenture entered into between the Company and the Trustee in connection with the issuance of any Additional Bonds.

*Adjustment Request* means any filing made with the Commission by the Servicer on behalf of the Issuer for a Periodic Adjustment.

*Administration Agreement* means the Administration Agreement dated as of [\_\_\_\_], 2006, between the Administrator and the Issuer.

*Administrator* means Gulf Power or any successor to Gulf Power, as administrator under the Administration Agreement.

*AES* means an alternative energy supplier which is authorized by law to sell electric service to a customer using the transmission or distribution system of Gulf Power.

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

*Allocable Shares* means with respect to any Operating Expense which is not specifically attributable to any Series of Storm-Recovery Bonds (by contract, invoice or otherwise), for each Series of Storm-Recovery Bonds, the proportion of such Operating Expenses which represents the same amount which the Outstanding Amount of such Series of Storm-Recovery Bonds bears to the aggregate Outstanding Amount of all Storm-Recovery Bonds as of the date of such determination, all as calculated by the Servicer.

*Alternative Grant* has the meaning specified in the Granting Clause of the Indenture.

*Annual Accountant's Report* has the meaning set forth in Section 3.04 of the Servicing Agreement.

*Authorized Denominations* means, with respect to any Class of Bonds, [\$100,000] and integral multiples of [\$1,000] above that amount, except that one bond of each Class may have a denomination of less than [\$100,000].

*Authorized Officer* means with respect to:

(a) the Issuer, (i) any Manager and (ii) any person authorized by the Managers pursuant to the Issuer LLC Agreement;

(b) to the Seller, the chairman of the board, the vice chairman of the board, the chief executive officer, the president, any executive vice president, any senior vice president, any vice president, the chief financial officer, the treasurer, any assistant

treasurer, the corporate secretary, any assistant corporate secretary, the controller or any assistant controller of the Seller;

(c) the Servicer, the chairman of the board, the vice chairman of the board, the chief executive officer, the president, any executive vice president, any senior vice president, any vice president, the chief financial officer, the treasurer, any assistant treasurer, the corporate secretary, any assistant corporate secretary, the controller or any assistant controller of the Servicer;

(d) the Trustee, any officer assigned to the Corporate Trust Division (or any successor thereto), including any vice president, assistant vice president, trust officer, secretary, assistant secretary or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers, in each case having direct responsibility for the administration of the Indenture;

(e) any other corporation, the chief executive officer, chief operating officer, chief financial officer, chief information officer, president, executive vice president, any vice president, the secretary or the treasurer of such corporation; and with respect to any limited liability company, any manager thereof; and

(f) any limited liability company, any manager thereof.

*Basic Documents* means the Formation Documents, the Sale Agreement, any Bills of Sale, the Servicing Agreement, the Administration Agreement, the Indenture, the Underwriting Agreement, the Securities Account Control Agreement [and any Swap].

*Bill of Sale* means any bill of sale issued by the Seller to the Issuer pursuant to the Sale Agreement evidencing the sale of Storm-Recovery Property by the Seller to the Issuer.

*Billed Storm-Recovery Charges* means the dollar amounts billed to Customers in respect of a Storm Recovery Charge.

*Billing Month* means a calendar month during which the Storm-Recovery Charge is billed to Customers.

*Bills* means each of the regular monthly bills, summary bills and other bills issued to Customers by Gulf Power on its own behalf and in its capacity as Servicer.

*Bond or Bonds* means the [SPE] Storm-Recovery Bonds, Series 2006-1, issued pursuant to the Indenture.

*Bond Owner* means, with respect to any Book-Entry Bond, the Person who is the beneficial owner of such Book-Entry Bond, as reflected on the books of the Clearing Agency or on the books of a Person maintaining an account with such Clearing Agency (directly as a Clearing Agency Participant, or as an indirect participant, in each case in accordance with the rules of such Clearing Agency).

*Bond Register* has the meaning specified in Section 2.05(a) of the Indenture.

*Bond Revenue Requirement* for any upcoming Remittance Period shall equal (i) the sum of (a) 100% of actual amounts expected to be due and past due relating to Principal and Interest on the Storm-Recovery Bonds, dividend distributions to Gulf Power for its equity interest in the Issuer, and ongoing expenses and; (b) any amounts needed to replenish the Capital Subaccount (net of future amounts expected to be deposited to the Capital Subaccount prior to the upcoming Remittance Period); minus (ii) the sum of (a) any amounts on deposit in the Reserve Subaccount as of the Measure Date (net of future amounts expected to be withdrawn from the Reserve Subaccount prior to the upcoming Remittance Period) and (b) amounts estimated to be remitted during the upcoming Remittance Period from amounts billed during the current Remittance Period.

*Bondholder, Holder or Registered Holder* means the Person in whose name a Storm-Recovery Bond is registered in the Bond Register.

*Book-Entry Bond or Book-Entry Bonds* means beneficial interests in the Bonds, ownership and transfers of which shall be made through book entries by a Clearing Agency as described in Section 2.11 of the Indenture.

*Business Day* means any day other than a Saturday or Sunday or a day on which banking institutions in \_\_\_\_\_, Florida, or in New York, New York, are required or authorized by law or executive order to remain closed.

*Capital Subaccount*, with respect to the Bonds, has the meaning specified in Section 8.02(a) of the Indenture and, with respect to any Additional Bonds, has the meaning set forth in the applicable Additional Indenture.

*Cede & Co.* means DTC, in its capacity as nominee.

*Certificate of Compliance* has the meaning set forth in Section 3.04 of the Servicing Agreement.

*Class* means any one of the classes of Storm-Recovery Bonds.

*Class Final Maturity Date* means the Final Maturity Date of a Class.

*Class Subaccount*, with respect to the Bonds, has the meaning specified in Section 8.02(a) of the Indenture and, with respect to any Additional Bonds, has the meaning set forth in the applicable Additional Indenture.

*Clearing Agency* means an organization registered as a “clearing agency” pursuant to Section 17A of the Exchange Act, and includes its nominees.

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

*Closing Date* means \_\_\_\_\_, 2006

*Code* means the Internal Revenue Code of 1986, as amended, and Treasury Regulations promulgated thereunder.

*Collateral* has the meaning specified in the Granting Clause of the Indenture.

*Collection Account*, with respect to the Bonds, has the meaning specified in Section 8.02(a) of the Indenture and, with respect to any Additional Bonds, has the meaning set forth in the applicable Additional Indenture.

*Collections Curve* means a forecast prepared by the Servicer of the percentages of the Billed Storm-Recovery Charges in a Billing Month that are expected to be received in the Billing Month and each of the four following calendar months.

*Collections Curve Payment* means, with respect to a Billing Month, the amounts paid to the Trustee on each of the five Remittance Dates following that Billing Month based on the Collections Curve for that Billing Month.

*Commission* means the Florida Public Service Commission.

*Commission Regulations* means any applicable regulations, orders or rules promulgated, issued or adopted by the Commission, as in effect from time to time.

*Corporate Trust Office* means the designated office of the Trustee at which at any particular time its corporate trust business shall be administered, which office at the date of the execution of this Indenture is located at \_\_\_\_\_, Attention: \_\_\_\_\_, or at such other address as the Trustee may designate from time to time by notice to the Bondholders and the Issuer, or the principal corporate trust office of any successor Trustee (the address of which the successor Trustee will notify the Bondholders and the Issuer in writing).

*Covenant Defeasance Option* has the meaning specified in Section 4.01(b) of the Indenture.

*Customer* means each electric customer receiving transmission or distribution service from Gulf Power or its successors or assignees under Commission-approved rate schedules or under special contracts, even if the customer elects to purchase electricity from an AES following a fundamental change in regulation of public utilities in the State.

*Default* means any occurrence that is, or with notice or the lapse of time or both would become, an Event of Default.

*Defeasance Subaccount*, with respect to the Bonds, has the meaning specified in Section 8.02(a) of the Indenture and, with respect to any Additional Bonds, has the meaning set forth in the applicable Additional Indenture.



*Definitive Bonds* means the Bonds issued, in fully registered form, issued in accordance with the instructions of the Clearing Agency pursuant to Section 2.11 and Section 2.13 of the Indenture, in lieu of the maintenance of a system of Book-Entry Bonds by the Clearing Agency.

*Deemed Charge-Off Percent* means the Servicer's actual system wide charge-off percentage, as adjusted for estimates of partially paid bills (which are deemed to have paid the Storm-Recovery Charge in full).

*Delaware Secretary of State* means the Office of the Secretary of State of the State of Delaware.

*Delaware UCC* means the Uniform Commercial Code, as in effect from time to time in the State of Delaware.

*DTC* means The Depository Trust Company, a limited-purpose trust company organized under the laws of the State of New York, and includes any nominee of DTC in whose name any Book-Entry Bonds are registered.

*DTC Agreement* means the letter of representations or similar agreement among the Issuer, the Trustee and DTC, as the initial Clearing Agency, dated on or about the Closing Date, relating to the Bonds.

*EDGAR* means the SEC's Electronic Data Gathering, Analysis and Retrieval system.

*Eligible Deposit Account* means either (a) a segregated account with an Eligible Institution or (b) a segregated trust account with the corporate trust department of a depository institution organized under the laws of the United States or any one of the states (or any domestic branch of a foreign bank), having corporate trust powers and acting as trustee for funds deposited in such account, so long as any of the securities of such depository institution shall have a credit rating from each Rating Agency in one of its three highest rating categories.

*Eligible Guarantor Institution* means a firm or other entity identified in Rule 17Ad-15 under the Exchange Act as "an eligible guarantor institution," including (as such terms are defined therein):

- (a) a bank;
- (b) a broker, dealer, municipal securities broker or dealer or government securities broker or dealer;
- (c) a credit union;
- (d) a national securities exchange, registered securities association or clearing agency; or

(e) a savings association that is a participant in a securities transfer association.

*Eligible Institution* means (a) the corporate trust department of the Trustee; provided that an account with the Trustee will only be an Eligible Deposit Account if it is a segregated trust account, or (b) a depository institution organized under the laws of the United States or any state or any domestic branch of a foreign bank, (i) that has either (A) a long-term unsecured debt rating of “AAA” by Standard & Poor’s, “Aaa” by Moody’s and “AAA” by Fitch, or (B) a certificate of deposit rating of ‘A- 1+’ by Standard & Poor’s and if rated by Fitch, “F 1+”, or any other long-term, short-term or certificate of deposit rating acceptable to the applicable Rating Agencies and (ii) whose deposits are insured by the FDIC. If so qualified under clause (b) above, the Trustee may be considered an Eligible Institution for the purposes of clause (a) of this definition.

*Eligible Investment* means:

- (a) direct obligations of, and obligations fully and unconditionally guaranteed as to timely payment by, the United States;
- (b) demand deposits, time deposits, certificates of deposit or bankers’ acceptances of any depository institution incorporated under the laws of the United States or any state, or any domestic branch of a foreign bank, and subject to the supervision and examination by federal or state banking or depository institution authorities, so long as at the time of the investment or contractual commitment to invest therein, the commercial paper or other short-term unsecured debt obligations, other than any obligations thereof where the rating is based on the credit of a person other than that depository institution, shall have a credit rating from each of the Rating Agencies in the highest investment category granted thereby;
- (c) commercial paper or other short-term obligations of any corporation (other than the Seller) organized under the laws of the United States or any state having a rating, at the time of the investment or contractual commitment to invest therein, from each of the Rating Agencies in the highest short-term or long-term investment category granted thereby;
- (d) investments in money market funds having a rating from each of the Rating Agencies in the highest investment category granted thereby (including funds for which the Trustee or any of its Affiliates is investment manager or advisor);
- (e) repurchase obligations with respect to any security that is a direct obligation of, or fully guaranteed by, the United States or any agency or instrumentality thereof the obligations of which are backed by the full faith and credit of the United States, in either case entered into with a depository institution or trust company, acting as principal, described in clause (b) of the definition of Eligible Institutions;
- (f) repurchase obligations with respect to any security or whole loan entered into with: (A) a depository institution or trust company, acting as principal, described in

clause (b) of the definition of Eligible Institution, except that the rating referred to in the proviso in clause (b) of the definition of Eligible Institution above shall be "A-1+" or higher in the case of Standard & Poor's, (B) a broker/dealer, acting as principal registered as a broker or dealer under Section 15 of the Exchange Act, the unsecured short-term debt obligations of which are rated "P-i" by Moody's, "F 1+" by Fitch, if rated by Fitch, and at least "A-1+" by Standard & Poor's at the time of entering into this repurchase obligation or (C) an unrated broker/dealer, acting as principal, that is a wholly-owned subsidiary of a non-bank or bank holding company the unsecured short term debt obligations of which are rated" by Moody's, "F 1+" by Fitch, if rated by Fitch, and at least "A-1+" by Standard & Poor's at the time of purchase; and

(g) any other investment permitted by each of the Rating Agencies; provided that unless otherwise permitted by the applicable Rating Agencies, upon the failure of any Eligible Institution to maintain any applicable rating set forth in this definition or in the definition of "Eligible Institution," the related investments shall be reinvested in other Eligible Investments within ten (10) days; and, provided further that no obligation of, or security issued by, the Seller shall constitute an Eligible Investment.

*Estimated Charge-Off Percent* means the Servicer's good faith estimate of the Deemed Charge-Off Percent.

*Event of Default* has the meaning specified in Section 5.01 of the Indenture.

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

*Expected Amortization Schedule* means, with respect to each Class of Storm-Recovery Bonds, the expected amortization schedule for Principal thereof.

*Expected Final Payment Date* means, with respect to each Class of Storm-Recovery Bonds, the date when all Interest and Principal is scheduled to be paid with respect to that Class in accordance with the related Expected Amortization Schedule.

*FDIC* means the Federal Deposit Insurance Corporation.

*Fiduciaries* means the Trustee and each separate trustee, co-trustee, listing agent, transfer agent, registrar or Paying Agent.

*Final Maturity Date* means, for each Class of Storm-Recovery Bonds, the date by which all Principal of and Interest on such Class of Storm-Recovery Bonds is required to be paid.

*Final Prospectus* means the prospectus dated as of \_\_\_\_\_, 2006.

*Financing Costs* has the meaning specified in the Statute.

*Financing Order* means the order of the Commission, Docket No. \_\_\_\_\_, issued on \_\_\_\_\_ 2006, as amended or supplemented in accordance with the Statute.

*Fitch* means Fitch, Inc.

*Florida UCC* means the Uniform Commercial Code, as in effect from time to time in the State of Florida.

*Formation Documents* means the Issuer LLC Agreement and the Issuer Certificate of Formation.

*General Subaccount*, with respect to the Bonds, has the meaning specified in Section 8.02(a) of the Indenture and, with respect to any Additional Bonds, has the meaning set forth in the applicable Additional Indenture.

*Grant* means mortgage, pledge, bargain, sell, warrant, alienate, remise, release, convey, assign, transfer, create, and grant a lien upon and a security interest in and right of set-off against, deposit, set over and confirm. *Grant*, used as a noun, and *Granting*, used as an adjective, have correlative meanings consistent with preceding sentence. A Grant of the Collateral or of any other agreement or instrument shall include all rights, powers and options (but none of the obligations) of the Granting party thereunder, including the immediate and continuing right to claim for, collect, receive and give receipt for principal, interest and other payments in respect of the Collateral or such other agreement or instrument and all other amounts payable thereunder, to give and receive notices and other communications, to make waivers or other agreements, to exercise all rights and options, to bring Proceedings in the name of the Granting party or otherwise and generally to do and receive anything that the Granting party is or may be entitled to do or receive thereunder or with respect thereto.

*Gulf Power* means Gulf Power Company, a Florida corporation.

*Indemnification Event* means an event which triggers the Seller's obligation to indemnify the Issuer and the Trustee, for itself and on behalf of the Bondholders, and each of their respective managers, officers, directors, employees and agents, pursuant to Section 5.01 of the Sale Agreement.

*Indemnified Person* means the Issuer and the Trustee (for itself and on behalf of the Storm-Recovery Bondholders) and each of their respective trustees, members, managers, officers, directors, employees and agents.

*Indemnity Amount* means the amount of any indemnification obligation payable under the Basic Documents.

*Indenture* means the Indenture, dated as of \_\_\_\_\_ 2006, between the Issuer and the Trustee, as the same may be amended and supplemented from time to time.

*Independent* means, when used with respect to any specified Person, that the Person (a) is in fact independent of each Interested Party, (b) does not have any direct financial interest or any material indirect financial interest in any Interested Party, and (c) is not connected with any Interested Party as an officer, employee, promoter, underwriter, trustee, partner, director or individual performing similar functions.

*Independent Certificate* means a certificate or opinion to be delivered to the Trustee under the circumstances described in, and otherwise complying with, the applicable requirements of Section 11.01 of the Indenture, made by an Independent accountant or other expert appointed by an Issuer Order and approved by the Trustee in the exercise of reasonable care, which certificate or opinion shall state that the signer has read the definition of "Independent" in this Appendix A and that the signer is Independent within the meaning thereof.

*Independent Manager* has the meaning set forth in the Issuer LLC Agreement.

*Initial Payment Date* means the Payment Date in \_\_\_\_\_, 2006.

*Initial Schedule of Charges Letter* means the letter delivered to the Commission pursuant to the Financing Order and attached as Exhibit \_\_\_\_\_ thereto.

*Insolvency Event* means, with respect to a specified Person,

(a) the filing of a decree or order for relief by a court having jurisdiction in the premises in respect of such Person or any substantial part of its property in an involuntary case under any applicable federal or state bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for such Person or for any substantial part of its property, or ordering the winding-up or liquidation of such Person's affairs, and such decree or order shall remain unstayed and in effect for a period of 90 consecutive days or

(b) the commencement by such Person of a voluntary case under any applicable federal or state bankruptcy, insolvency or other similar law now or hereafter in effect, or the consent by such Person to the entry of an order for relief in an involuntary case under any such law, or the consent by such Person to the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for such Person or for any substantial part of its property, or the making by such Person of any general assignment for the benefit of creditors, or the failure by such Person generally to pay its debts as such debts become due, or the taking of action by such Person in furtherance of any of the foregoing.

*Interest* means, for any Payment Date for any Class, the sum, without duplication, of:

(a) an amount equal to the amount of interest accrued at the applicable Interest Rate from the prior Payment Date with respect to that Class (or, if there has been no prior Payment Date, from the Closing Date);

(b) any unpaid interest as of the day following the prior Payment Date, to the extent permitted by applicable law, plus any interest accrued on such unpaid interest at the applicable Interest Rate, to the extent permitted by applicable law;

(c) if the Storm-Recovery Bonds have been declared due and payable, all accrued and unpaid interest thereon; and

(d) with respect to a Class to be redeemed prior to the next Payment Date, the amount of interest that will be payable as interest on such Class upon such redemption.

*Interest Rate* means, with respect to each Class, the rate at which Interest accrues on the Principal Balance of Storm-Recovery Bonds of such Class.

[*Interest Rate Swap Agreement or Swap* means any ISDA Master Agreement, together with the related Schedule and Confirmation, between the Issuer and a Swap Counterparty.]

*Interested Party* means the Issuer, any other obligor upon the Storm-Recovery Bonds, Gulf Power or any Affiliate of any of the foregoing.

*Investment Company Act* means the Investment Company Act of 1940, as amended.

*Issuer* means [SPE], a Delaware limited liability company, or its successor under the Indenture or the party named as such in the Indenture until a successor replaces it and, thereafter, means the successor.

*Issuer Certificate of Formation* means the Certificate of Formation of the Issuer which was filed with the Secretary of State of the State of Delaware on \_\_\_\_\_, 2006.

*Issuer LLC Agreement* means the Limited Liability Company Agreement between the Issuer and Gulf Power, as sole Member, dated as of \_\_\_\_\_, 2006.

*Issuer Officer's Certificate* means a certificate signed by any Authorized Officer of the Issuer, under the circumstances described in, and complying with the applicable requirements of, Section 11.01 of the Indenture, and delivered to the Trustee.

*Issuer Opinion of Counsel* means one or more written opinions of counsel who may, except as otherwise expressly provided in the Indenture, be an employee of or counsel to an Interested Party and who shall be reasonably satisfactory to the Trustee, and which opinion or opinions shall be addressed to the Trustee, and shall be in a form reasonably satisfactory to the Trustee.

*Issuer Order or Issuer Request* means a written order or request, respectively, signed in the name of the Issuer by any one of its Authorized Officers and delivered to the Trustee.

*Legal Defeasance Option* has the meaning specified in Section 4.01(b) of the Indenture.

*Lien* means a security interest, lien, charge, pledge or encumbrance of any kind.

*Losses* means, collectively, any and all liabilities, obligations, losses, damages, payments, costs or expenses of any kind whatsoever.

*Manager* has the meaning set forth in the Issuer LLC Agreement.

*Measure Date* means, in any Remittance Period, the date of the Storm-Recovery Charge and Tax Charge calculations.

*Member* means Gulf Power, as the sole member of the Issuer, in its capacity as such member under the Issuer LLC Agreement.

*Monthly Servicer Certificate* has the meaning specified in Section 4.01(d)(ii) of the Servicing Agreement.

*Moody's* means Moody's Investors Service, Inc.

*Mortgage Bond Indenture* means that certain Indenture, dated as of September 1, 1941, between Gulf Power and JPMorgan Chase Bank, N.A. (formerly The Chase Manhattan Bank), as trustee, and indentures supplemental thereto through November 1, 1996.

*Non-Routine True-Up Adjustment* has the meaning specified in Section 4.01(c)(i) of the Servicing Agreement.

*Non-Routine True-Up Adjustment Request* means an Adjustment Request filed with the Commission in accordance with the Financing Order or any Subsequent Financing Order, if applicable, with respect to any Non-Routine True-Up Adjustment.

*Notice of Default* has the meaning specified in Section 5.01(d) of the Indenture.

*Officer's Certificate* means a certificate of the Servicer or the Seller signed by an Authorized Officer.

*Operating Expenses* means, with respect to the Issuer, all fees, costs, expenses and indemnity payments owed by the Issuer, including all amounts owed by the Issuer to the Trustee, the Servicing Fee, the fees and expenses payable by the Issuer to the Administrator under the Administration Agreement, the fees and expenses payable by the Issuer to the Independent Managers and Special Members of the Issuer, fees of the Rating Agencies, legal fees and expenses of the Servicer pursuant to Section 6.08 of the Servicing Agreement, legal and accounting fees, costs and expenses of the Issuer, and legal, accounting or other fees, costs and expenses of the Seller (including any costs and expenses incurred by the Seller pursuant to Section 4.08 of the Sale Agreement) under or in connection with the Basic Documents and the Financing Order.

*Opinion of Counsel* means one or more written opinions of counsel who may be an employee of or counsel to an Interested Party, which counsel shall be reasonably acceptable to the Trustee, the Issuer or the Rating Agencies, as applicable, and which shall be in form reasonably satisfactory to the Trustee, if applicable, according to context.

*Outstanding* with respect to Storm-Recovery Bonds means, as of the date of determination, all Storm-Recovery Bonds theretofore authenticated and delivered under the Indenture or any Additional Indenture, except:

(a) Storm-Recovery Bonds theretofore canceled by the Registrar or delivered to the Registrar for cancellation;

(b) Storm-Recovery Bonds or portions thereof for the payment of which money in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent in trust for the Holders of such Storm-Recovery Bonds, and if such Storm-Recovery Bonds are to be redeemed, notice of such redemption has been duly given pursuant to the Indenture or provision therefor, satisfactory to the Trustee, made; and

provided that in determining whether the Holders of the requisite Outstanding Amount of the Storm-Recovery Bonds or any Class or Series thereof have given any request, demand, authorization, direction, notice, consent or waiver under any Basic Document or Additional Basic Document, Storm-Recovery Bonds owned by any Interested Party shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Storm-Recovery Bonds that the Trustee knows to be so owned shall be so disregarded. Storm-Recovery Bonds so owned that have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Storm-Recovery Bonds and that the pledgee is not an Interested Party.

*Outstanding Amount* means the aggregate principal amount of all Outstanding Storm-Recovery Bonds or, if the context requires, all Storm-Recovery Bonds of a Class or Series, Outstanding at the date of determination.

*Paying Agent* means the Trustee or any other Person, that meets the eligibility standards for the Trustee specified in Section 6.11 of the Indenture and is authorized by the Issuer to make the payments of Principal of and Interest on the Storm-Recovery Bonds on behalf of the Issuer.

*Payment Date* means, with respect to each Class of Storm-Recovery Bonds, each date or dates specified as Payment Dates for such Class.

*Periodic Adjustments* means each Routine True-Up Adjustment and Non-Routine True-Up Adjustment made pursuant to the terms of the Financing Order or a Subsequent Financing Order, and in accordance with Section 4.01 of the Servicing Agreement.

*Person* means any individual, corporation, estate, partnership, joint venture, association, joint stock company, trust (including any beneficiary thereof), business trust, limited liability company, unincorporated organization or government or any agency or political subdivision thereof.

*Predecessor Storm-Recovery Bond* means, with respect to any particular Bond, every previous Bond evidencing all or a portion of the same debt as that evidenced by such particular Bond; and for the purpose of this definition, any Bond authenticated and delivered under Section 2.06 of the Indenture in lieu of a mutilated, lost, destroyed or stolen Bond shall be deemed to evidence the same debt as the mutilated, lost, destroyed or stolen Bond.



*Principal* means, with respect to any Payment Date and each Class: (i) the amount of principal scheduled to be paid on such Payment Date in accordance with the Expected Amortization Schedule; (ii) the amount of principal due on the Final Maturity Date of such Class if such Payment Date is the Final Maturity Date; (iii) the amount of principal due as a result of the occurrence and continuance of an Event of Default and acceleration of the Storm-Recovery Bonds; (iv) the amount of principal due as a result of a redemption of Storm-Recovery Bonds on such Payment Date; and (v) any overdue payments of principal.

*Principal Balance* means, with respect to each Class or Series of Storm-Recovery Bonds as of any Payment Date, the Outstanding Amount of the applicable Class or Series of Storm-Recovery Bonds.

*Pro Rata* has the meaning specified in Section 8.02(e) of the Indenture.

*Proceeding* means any suit in equity, action at law or other judicial or administrative proceeding.

*Projected Principal Balance* means, as of any Payment Date, the projected Outstanding Amount for such Payment Date for such Class or Series of Storm-Recovery Bonds set forth in the Expected Amortization Schedule.

*Protected Purchaser* has meaning specified Article 8-303 of the Delaware UCC.

*Qualified Costs* means, with respect to the Bonds, the Financing Costs, Storm-Recovery Reserves and Storm-Recovery Costs approved in the Financing Order and, with respect to any Additional Bonds, the Financing Costs, Storm-Recovery Reserves and Storm-Recovery Costs approved in the applicable Subsequent Financing Order.

*Rating Agency* means, as of any date, any rating agency rating the Storm-Recovery Bonds of any Class at the time of original issuance thereof at the request of the Issuer, or any successor to such rating agency. If such organization or successor is no longer in existence, in lieu thereof "Rating Agency" means a nationally recognized statistical rating organization or other comparable Person designated by the Issuer, notice of which designation shall be given to the Trustee, the Member and the Servicer.

*Rating Agency Condition* means, with respect to any action, the notification in writing to each Rating Agency of such action, and written confirmation from each of Fitch and Standard & Poor's and, with respect to the issuance of the Storm-Recovery Bonds only, written confirmation from all of the Rating Agencies, in all instances sent to the Servicer, the Trustee and the Issuer, to the effect that such action or issuance, as applicable, will not result in a suspension, reduction or withdrawal of the then-current rating by such Rating Agency of any Outstanding Class of Storm-Recovery Bonds.

*Reconciliation Date* means [ ] of each year.

*Record Date* means, with respect to any Payment Date, the Business Day prior to such Payment Date or, with respect to any Definitive Storm-Recovery Bonds, the last Business Day of

the month preceding such Payment Date; or such other record date as may be specified in or pursuant to the Indenture.

*Redemption Date* means, with respect to each Class of Bonds, the date for the redemption of the Bonds of such Class pursuant to Section 10.01 or 10.02 of the Indenture, which in each case shall be a Payment Date.

*Redemption Price* means the price paid upon the redemption of any Storm-Recovery Bonds as provided in the Indenture.

*Registrar* has the meaning specified in Section 2.05(a) of the Indenture.

*Released Parties* means the Issuer (including its Member, Managers, officers, employees and agents, if any) and the Trustee (including its respective officers, directors and agents).

*Remittance* means each remittance by the Servicer to the Trustee of Storm-Recovery Charge payments.

*Remittance Date* means the [ ] day of each calendar month or, if such day is not a Servicer Business Day, the next succeeding Servicer Business Day, commencing \_\_\_\_\_, 2006.

*Remittance Excess* means the excess of the Collection Curve Payments made to the Trustee in respect of each of the 12 Billing Months beginning 17 Billing Months (or from the first Series Issuance Date, if less than 17 months have elapsed) before the Billing Month in which such Reconciliation Date occurs, over the actual Storm-Recovery Charge Collections in respect of those Billing Months.

*Remittance Period* means each [six-month] period commencing on \_\_\_\_\_ and \_\_\_\_\_ of each year; provided, however, that the initial Remittance Period shall commence on the Closing Date and end on \_\_\_\_\_.

*Remittance Shortfall* means the excess of actual Storm-Recovery Charge Collections in respect of each of the 12 Billing Months beginning 17 Billing Months (or from the first Series Issuance Date, if less than 17 months have elapsed) before the Billing Month in which such Reconciliation Date occurs, over the actual Collection Curve Payments made to the Trustee in respect of those Billing Months.

*Required Capital Amount* means, with respect to each Series of Storm-Recovery Bonds, the amount required to be deposited in the Capital Subaccount on the Closing Date.

*Requisite Credit Rating* means, with respect to Standard & Poor's or Moody's, a rating on the Servicer's long-term unsecured and unenhanced debt at or above the level specified: BBB- by Standard & Poor's or Baa3 by Moody's and, with respect to Fitch, a rating on the Servicer's short-term debt at or above Fl.

*Reserve Subaccount*, with respect to the Bonds, has the meaning specified in Section 8.02(a) of the Indenture and, with respect to any Additional Bonds, the meaning set forth in the applicable Additional Indenture.

*Retirement Date* means, with respect to each Series of the Storm-Recovery Bonds, the day on which the final payment is made to the Storm-Recovery Bondholders in respect of the last Outstanding Storm-Recovery Bond of such Series.

*Retiring Trustee* means the Trustee, during the period following its resignation and removal, but prior to the effective date of the appointment of a successor Trustee.

*Routine True-Up Adjustment* has the meaning set forth in Section 4.01(b)(iii) of the Servicing Agreement.

*Routine True-Up Adjustment Request* means an Adjustment Request filed with the Commission in respect of a Routine True-Up Adjustment, substantially in the form of Exhibit B to the Servicing Agreement.

*Sale Agreement* means the Storm-Recovery Property Sale Agreement dated as of \_\_\_\_ 2006, between the Seller and the Issuer

*SEC* means the U.S. Securities and Exchange Commission.

*Secured Obligations* has the meaning specified in the Granting Clause of the Indenture.

*Securities Account Control Agreement* means the securities account control agreement among the Issuer, as debtor, the Trustee, as secured party, and \_\_\_\_\_, in its capacity as securities intermediary thereunder.

*Securities Act* means the Securities Act of 1933, as amended.

*Seller* means Gulf Power, in its capacity as seller of the Storm-Recovery Property to the Issuer pursuant to the Sale Agreement.

*Seller's Agent* means the Issuer, acting as the agent of the Seller, pursuant to Section 2.01(e)(i) of the Sale Agreement.

*Semiannual Servicer Certificate* has the meaning assigned to that term in Section 4.01(d)(iii) of the Servicing Agreement.

*Series* means any series of Storm-Recovery Bonds issued by the issuer pursuant to the Indenture or any Additional Indenture pursuant to the Financing Order or a Subsequent Financing Order.

*Series Final Maturity Date* means the Final Maturity Date for a Series.

*Series Issuance Date* means with respect to the first [SPE] Storm-Recovery Bonds , Series 2006-1, Series of Storm-Recovery Bonds, the Closing Date, and with respect to any other Series, the date on which the Storm-Recovery Bonds are to be issued in accordance with the applicable Additional Indenture.

*Series 2006 Purchase Price* is \$ \_\_\_\_\_.

*Series 2006 Storm-Recovery Property* means the Storm-Recovery Property sold by the Seller to the Issuer as of the Closing Date pursuant to the Sale Agreement and the Bill of Sale as identified in the Sale Agreement and such Bill of Sale.

*Servicer* means Gulf Power, as the servicer of the Storm-Recovery Property, and each successor to Gulf Power (in the same capacity) pursuant to Section 6.03 or 7.04 of the Servicing Agreement.

*Servicer's Officer's Certificate* means a certificate signed by any Authorized Officer of the Servicer, under the circumstances described in, and complying with the applicable requirements of, Section 9.03 of the Indenture, and delivered to the Commission.

*Servicer Business Day* means any Business Day on which the Servicer's offices in the State are open for business.

*Servicer Default* means the occurrence of an event specified in Section 7.01 of the Servicing Agreement.

*Servicer Policies and Practices* means, with respect to the Servicer's duties under Annex I to the Servicing Agreement, the policies and practices of the Servicer applicable to such duties that the Servicer follows with respect to comparable assets that it services for itself or others, as in effect from time to time and in accordance with Commission Regulations. The Servicer shall provide ten days' prior written notice to the Rating Agencies of any amendment to the Servicer Policies and Practices that would adversely affect the Bondholders in any material respect.

*Servicing Agreement* means the Storm-Recovery Property Servicing Agreement dated as of \_\_\_\_\_, 2006, between the Issuer and the Servicer.

*Servicing Fee* means the fee payable to the Servicer for services rendered, in accordance with Section 6.07 of the Servicing Agreement.

*Special Member* has the meaning set forth in the Issuer LLC Agreement.

*Special Payment Date* has the meaning set forth in Section 2.08(c) of the Indenture.

*Standard & Poor's*, means Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies.

*State* means the State of Florida.

*State Pledge* means the pledge in Section 366.8260(11), Florida Statutes.

*Statute* means Section 366.8260, Florida Statutes.

*Storm Bond Tax Charges* means the storm bond tax charges authorized by the Commission to be imposed on all electric Customers by Gulf Power to recover Qualified Costs pursuant to the Financing Order or a Subsequent Financing Order.

*Storm-Recovery Bonds* means the Bonds issued pursuant to the Indenture and any Additional Bonds.

*Storm-Recovery Bondholder or Holder of Storm-Recovery Bonds* means any Bondholder and any Person in whose name any Additional Bonds are registered in any Storm-Recovery Bond Register.

*Storm-Recovery Bond Register* means the Bond Register and any register the Issuer shall provide for registration of any Additional Bonds and the registration of transfers of such Additional Bonds.

*Storm-Recovery Charge* means the storm bond repayment charge authorized by the Commission to be imposed on all electric Customers by Gulf Power to recover Qualified Costs pursuant to the Financing Order or a Subsequent Financing Order.

*Storm-Recovery Charge Collections* means amounts received by the Servicer in respect of Storm-Recovery Charges.

*Storm-Recovery Costs* has the meaning specified in the Statute.

*Storm-Recovery Property* means the Series 2006 Storm-Recovery Property or Subsequent Storm-Recovery Property that exists under the Financing Order or a Subsequent Financing Order (as the case may be), that is sold by the Seller to the Issuer under the Sale Agreement or a Subsequent Sale Agreement, but does not include the right to any revenues, collections, claims, rights, payments, money or proceeds of or arising from the Storm Bond Tax Charges.

*Storm-Recovery Property Records* means any and all documents and records that the Servicer shall keep on file, in accordance with its customary procedures, relating to the Storm-Recovery Property, including copies of the Financing Order or the Subsequent Financing Order, if applicable, and all documents filed with the Commission in connection with any Periodic Adjustment and computational records relating thereto.

*Storm-Recovery Reserves* has the meaning specified in the Statute.

*Subaccount*, with respect to the Bonds, means any of the subaccounts of the Collection Account specified in Section 8.02 of the Indenture and, with respect to any Additional Bonds, has the meaning set forth in the applicable Additional Indenture.

*Subsequent Financing Order* means a financing order of the Commission issued to Gulf Power under the Statute subsequent to the Financing Order.

*Subsequent Storm-Recovery Property* means Storm-Recovery Property sold by the Seller to the Issuer as of a Subsequent Transfer Date pursuant to a subsequent sale agreement and the bill of sale delivered on or prior to the Subsequent Transfer Date ("Subsequent Sale Agreement"), as identified in such bill of sale, unless the applicable Additional Indenture specifies such storm-recovery property is not subject to the Servicing Agreement, but instead will be subject to a different servicing agreement.

*Subsequent Transfer Date* means the date that a sale of Subsequent Storm-Recovery Property will be effective, as specified in a written notice provided by the Seller to the Issuer pursuant to the Sale Agreement.

*Successor Servicer* means a successor Servicer appointed by the Trustee pursuant to Section 7.04 of the Servicing Agreement which succeeds to all the rights and duties of the Servicer under the Servicing Agreement.

*Supplemental Indenture* means a supplemental indenture entered into by the Issuer and the Trustee pursuant to Article Nine of the Indenture.

[*Swap Counterparty* means the counterparty to a Swap.]

*Target Date* means, for any upcoming Remittance Period, the last payment date related to such Remittance Period.

*Termination Notice* is defined in Section 7.01 of the Servicing Agreement.

*Transfer Agent* means each transfer agent appointed pursuant to Section 3.02(b) of the Indenture.

*Transfer Date* means the Closing Date or any Subsequent Transfer Date, as applicable.

*Trust Indenture Act or TIA* means the Trust Indenture Act of 1939, as in force on the date hereof, unless otherwise specifically provided.

*Trustee* means, with respect to the Bonds, [Bank], a \_\_\_ banking corporation or its successor, as trustee under the Indenture, or any successor trustee under the Indenture, and, with respect to any Series of Additional Bonds, the trustee under the Additional Indenture applicable to such Series of Additional Bonds, or any successor trustee under such Additional Indenture.

*Underwriting Agreement* means the Underwriting Agreement dated \_\_\_\_, 2006, among the Seller, the Issuer and \_\_\_\_\_, on behalf of itself and as the representative of the several underwriters named therein.

*United States* means the United States of America.

*U.S. Government Obligations* means direct obligations (or certificates representing an ownership interest in such obligations) of the United States (including any agency or instrumentality thereof) for the timely payment of which the full faith and credit of the United States are pledged and which are not callable at the issuer's option.

*Variable Rate Bond* means any interest-bearing Storm-Recovery Bond, or Class of Storm-Recovery Bonds, which does not pay a fixed rate of interest.

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Florida Public Service Commission  
Docket No. \_\_\_\_\_  
GULF POWER COMPANY  
Witness: Jay Kim  
Exhibit No. \_\_\_\_ (JK-1)  
Schedule 16  
Summary of Financing Documents

### Summary of Material Provisions of the Financing Documents

This Appendix summarizes the material rights and responsibilities of the parties to each of the financing documents ("Financing Documents") described in my testimony. This description is intended as a brief summary and does not purport to be a complete discussion of all material terms and conditions of the related agreements, or the rights and responsibilities of the parties thereto. For a more complete discussion, please see the preliminary drafts of the Financing Documents attached to my testimony. For purposes of this Appendix, capitalized terms not otherwise defined have the meanings ascribed to them in my testimony.

#### I. The Storm-Recovery Property Sale Agreement

On the issuance date of the Storm-Recovery Bonds, Gulf Power (for purposes of this discussion, the "Seller") will sell without recourse (subject to the obligations of the Seller described below) to the SPE (the "Issuer"), pursuant to the Storm-Recovery Property Sale Agreement (the "Sale Agreement"), all of its right, title and interest in the related bondable Storm-Recovery Property, which will include the assignment of all revenues, collections, rights, payments, or proceeds of, or arising from, the related Storm Bond Repayment Charges.

The purchase and sale of bondable Storm-Recovery Property will be subject to certain conditions, including, without limitation:

- The continued truth and accuracy of the Seller's representations and warranties made in the Sale Agreement;
- The delivery of certain opinions of counsel; and
- The receipt by the Seller of the purchase price for the bondable Storm-Recovery Property.

The Seller will be required to make certain representations and warranties in the Sale Agreement. In addition, the Seller will be required to covenant that, among other things, it will:

- Defend the right, title and interest of the Issuer and the trustee (the "Bond Trustee") under the Indenture (as defined below) under which the Storm-Recovery Bonds are issued in the bondable Storm-Recovery Property;
- Apply the proceeds from the sale of the bondable Storm-Recovery Property in accordance with the Financing Order;
- Use reasonable efforts to assure that any Alternative Energy Supplier not bill or collect Storm Bond Repayment Charges on behalf of the Issuer unless required by applicable law or regulation; and

- Comply with all filing requirements, including any post-closing filings required by the Financing Order.

The Seller will be required to indemnify the Issuer, the Bond Trustee, and, in certain cases, the holders of the Storm-Recovery Bonds, for:

- Any taxes imposed on or asserted against any such person under existing law as of any transfer date as a result of the acquisition or holding of the bondable Storm-Recovery Property by the Issuer or the issuance and sale by the Issuer of the Storm-Recovery Bonds;
- All amounts of principal of and interest on the Storm-Recovery Bonds not paid when due or when scheduled to be paid in accordance with their terms and the amount or any deposits to the Issuer required to have been made which were not made, in each case, as a result of the Seller's breach of any representations, warranties or covenants contained in the Sale Agreement; and
- All losses which result from the Seller's material breach of any of its representations, warranties or covenants contained in the Sale Agreement, provided that, with respect to a material breach of a covenant, Seller will first have a 30-day opportunity to cure such breach beginning with the receipt of a notice of breach from the Issuer.

Under the Sale Agreement, the Seller will be limited in its ability to merge or consolidate unless the successor entity assumes the obligations of the Seller under the Sale Agreement.

## **II. The Servicing Agreement**

Pursuant to the Storm-Recovery Property Servicing Agreement (the "Servicing Agreement"), Gulf Power (for purposes of this discussion, the "Servicer") will manage, service, administer and make collections in respect of the bondable Storm-Recovery Property. The duties of Gulf Power, as Servicer, will include:

- Calculating and billing the Storm Bond Repayment Charges and collecting and posting all Storm Bond Repayment Charge collections;
- Responding to inquiries by Gulf Power's customers, third parties, the Commission, or any federal, local or other state governmental authorities with respect to the bondable Storm-Recovery Property and Storm Bond Repayment Charges;
- Accounting for Storm Bond Repayment Charge collections, investigating delinquencies, processing and depositing collections, making periodic remittances, and furnishing periodic reports to the Issuer, the Bond Trustee and the rating agencies; and
- Filing and processing Routine and Non-Routine True-Up Advice Letters with the Commission to adjust the Storm Bond Repayment Charge (and the Storm Bond Tax Charge), including updating the assumptions used in calculating such charges.

The duties of the Servicer shall be qualified in their entirety by any Commission regulation in effect at the time such duties are to be performed.

The Servicer will be required to indemnify the Issuer and the Bond Trustee (for itself and on behalf of the holders of the Storm-Recovery Bonds) for any losses relating to:

- The Servicer's willful misconduct, bad faith or gross negligence that results in a Servicer Default; or
- The Servicer's material breach of any of its representations or warranties in the Servicing Agreement that results in a Servicer Default.

The Servicer will be limited in its ability to merge or consolidate unless the successor entity assumes the obligations of the Servicer under the Servicing Agreement.

Throughout the term of the Servicing Agreement, the Servicer will be entitled to a fixed fee, payable semiannually equal to [0.15%] per annum of the initial principal amount of the Storm-Recovery Bonds. If a successor Servicer is appointed, the Servicing Fee will be based on an amount required to retain such Servicer, subject to a cap of [1.25%] of the initial principal amount of the Storm-Recovery Bonds. In addition, the Servicer will be reimbursed for certain expenses and be allowed to retain certain earned interest.

During the continuance of a default by the Servicer under the Servicing Agreement, the Bond Trustee may or shall upon the written instruction of the Commission (acting on behalf of Customers) or of the holders of a majority of the Outstanding principal amount of the Storm-Recovery Bonds of all series or at the direction of such holders acting alone, terminate all of the rights and obligations of the Servicer (other than the indemnities provided by the Servicer, which survive such termination).

### **III. The Administration Agreement**

Pursuant to the Administration Agreement (the "Administration Agreement"), Gulf Power (for purposes of this discussion, an "Administrator") will be required to provide the Issuer with certain corporate management services. Throughout the term of the Administration Agreement, the Administrator will be entitled to a fixed fee, payable quarterly. The Issuer may remove the Administrator without cause upon 60 days prior written notice and immediately for cause.

The Issuer will be required to indemnify the Administrator for all losses, claims, damages, penalties, judgments, liabilities and expenses which it may pay or incur arising out of or relating to the Administration Agreement. The Administrator will be required to indemnify the Issuer and the Bond Trustee for all losses, claims, damages, penalties, judgments, liabilities and expenses which any of them may incur as a result of the Administrator's gross negligence or willful misconduct.

### **IV. The Indenture**

Pursuant to the Indenture, the Issuer will pledge all of its interest in the bondable Storm-Recovery Property sold to it by Gulf Power and in all related documents to a Bond Trustee as collateral to secure the Storm-Recovery Bonds. The Issuer will covenant to pay the principal and interest on the Storm-Recovery Bonds and to protect the collateral which secures the Storm-Recovery Bonds. The cash flow resulting from the collection of Storm Bond Repayment Charges is applied in accordance with the priorities established under the Indenture.

Under the Indenture, the Bond Trustee acts on the behalf of the holders of the Storm-Recovery Bonds. The Bond Trustee's duties include:

- if an event of default by the Issuer occurs, exercising its authority under the Indenture to enforce and protect the rights of the holders and taking appropriate legal and administrative action; and
- undertaking certain administrative duties with respect to the Storm-Recovery Bonds, including serving as registrar, issuing replacements for lost or destroyed Storm-Recovery Bonds, notifying holders of final payment dates, delivering information and reports to the clearing agency regarding the status of the Storm-Recovery Bonds (e.g., principal balance, amounts on deposit in the reserve and other subaccounts, etc.).

The Bond Trustee may be replaced under certain circumstances, such through merger or resignation, but no replacement shall take effect until a successor trustee - with all rights and powers of the original bond trustee under the Indenture - shall be appointed and accept such appointment.

The Bond Trustee is entitled to reasonable compensation and shall be indemnified by the Issuer for its actions in connection with the administration of the trust.

#### **V. The LLC Agreement for the Issuer**

The Issuer will be formed as a Delaware limited liability company for the limited purpose of acquiring the bondable Storm-Recovery Property, issuing the Storm-Recovery Bonds, and performing other related activities. The Issuer also will be structured so that it will not be affected by, and will continue fulfill its obligations under these agreements in the event of, a bankruptcy of Gulf Power.

The Issuer will have no assets other than the bondable Storm-Recovery Property and certain assets related to its obligations under the Storm-Recovery Bonds and the Indenture. The Issuer will, at all times, maintain a separate identity from Gulf Power by, among other things:

- maintaining separate books and records from Gulf Power;
- paying its own liabilities from its own funds; and
- maintain adequate capitalization in light of its purpose.

Gulf Power shall, likewise, not hold itself out as being liable for the debts of the Issuer.

Although the Issuer will be owned by Gulf Power, the management of the Issuer will include an independent manager with no ownership of the Issuer or affiliation with Gulf Power. The Issuer may not petition for the institution of any bankruptcy or insolvency proceedings without the consent of the independent manager. No amendment to the Financing Documents may be made which would limit the Issuer's bankruptcy-remoteness without the consent of the independent manager.

Finally, Gulf Power will contribute capital of 0.5% of the principal amount of the Storm-Recovery Bonds to the Issuer, which is the level necessary to obtain favorable tax treatment.

