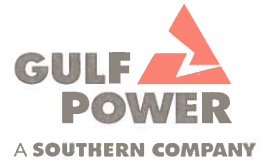


Robert L. McGee, Jr.
Regulatory & Pricing Manager

One Energy Place
Pensacola, Florida 32520-0780

Tel 850.444.6530
Fax 850.444.6026
RLMCGEE@southernco.com



April 13, 2016

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

RE: Monthly Rate of Return Report

Dear Mr. Fletcher:

Attached is Gulf Power Company's Jurisdictional Rate of Return Report for the month of February, 2016.

Sincerely,

A handwritten signature in blue ink that reads "Robert L. McGee, Jr." in a cursive script.

Robert L. McGee, Jr.
Regulatory and Pricing Manager

md

Attachment

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

GOV 2-1-5-3

February 2016

Earnings Surveillance
Report
(Rate of Return)



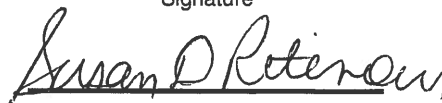
GULF POWER COMPANY
Earnings Surveillance Report Summary
February, 2016

| | (1) Actual Per Books | (2) FPSC Adjustments | (3) FPSC Adjusted | (4) Pro Forma Adjustments | (5) Pro Forma Adjusted |
|---|----------------------------------|----------------------------|-------------------------|---------------------------------|------------------------------|
| I. Average Rate of Return | | | | | |
| (Jurisdictional) | | | | | |
| | (a) | (b) | | | |
| Net Operating Income | 180,106,019 | (69,181,654) | 110,924,365 | 0 | 110,924,365 |
| Average Rate Base | 3,421,423,623 | (1,416,141,978) | 2,005,281,645 | 0 | 2,005,281,645 |
| Average Rate of Return | 5.26% | | 5.53% | | 5.53% |
| II. Year End Rate of Return | | | | | |
| (Jurisdictional) | | | | | |
| | (a) | (b) | | | |
| Net Operating Income | 180,106,651 | (69,504,833) | 110,601,818 | 0 | 110,601,818 |
| Year End Rate Base | 3,445,869,850 | (1,425,191,114) | 2,020,678,736 | 0 | 2,020,678,736 |
| Year End Rate of Return | 5.23% | | 5.47% | | 5.47% |
| (a) Includes AFUDC Earnings | | | | | |
| (b) Includes Reversal of AFUDC Earnings | | | | | |
| III. Required Rates of Return | | | | | |
| Average Capital Structure | | | | | |
| (FPSC Adjusted Basis) | | | | | |
| Low | 5.17% | | | | |
| Midpoint | 5.53% | | | | |
| High | 5.89% | | | | |
| IV. Financial Integrity Indicators | | | | | |
| A. Tie With AFUDC | 4.96 x (System per Books Basis) | | | | |
| B. Tie Without AFUDC | 4.72 x (System per Books Basis) | | | | |
| C. AFUDC To Net Income | 8.87% (System per Books Basis) | | | | |
| D. Internally Generated Funds | 132.34% (System per Books Basis) | | | | |
| E. LTD To Total Investor Funds | 45.49% (FPSC Adjusted Basis) | | | | |
| F. STD To Total Investor Funds | 2.93% (FPSC Adjusted Basis) | | | | |
| G. Return on Common Equity | 10.24% (FPSC Adjusted Basis) | | | | |
| H. Return on Common Equity | 10.24% (Proforma Basis) | | | | |

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

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

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

Signature


Date
4/13/14

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

| | PLANT IN SERVICE | ACCUMULATED DEPRECIATION & AMORTIZATION | NET PLANT IN SERVICE | PROPERTY HELD FOR FUTURE USE | CONSTRUCTION WORK IN PROGRESS | NUCLEAR FUEL (NET) | NET UTILITY PLANT | WORKING CAPITAL | TOTAL RATE BASE |
|---|------------------|---|----------------------|------------------------------|-------------------------------|--------------------|-------------------|-----------------|-----------------|
| SYSTEM PER BOOKS | 4,820,372,867 | 1,592,169,267 | 3,228,203,600 | 14,770,987 | 309,411,549 | 0 | 3,552,386,136 | 205,197,224 | 3,757,583,360 |
| JURISDICTIONAL PER BOOKS | 4,279,718,246 | 1,438,917,300 | 2,840,800,946 | 14,338,864 | 299,899,974 | 0 | 3,155,039,784 | 266,383,839 | 3,421,423,623 |
| FPSC ADJUSTMENTS: | | | | | | | | | |
| ENVIRONMENTAL RECOVERY CLAUSE | (1,129,105,855) | (198,692,792) | (930,413,063) | | (19,417,854) | | (949,830,917) | (6,177,150) | (956,008,067) |
| INT BEARING CWIP | | | | | (246,185,384) | | (246,185,384) | 0 | (246,185,384) |
| ENERGY CONSERVATION CLAUSE | (13,107,420) | 7,262,896 | (20,370,316) | | (3,002) | | (20,373,318) | (1,485,118) | (21,858,436) |
| TRANSMISSION INVESTMENT PURSUANT TO STIP. & SETT. | (149,700,987) | | (149,700,987) | | | | (149,700,987) | 0 | (149,700,987) |
| CAPITALIZED DEF. EARNINGS ON TRANSM PURSUANT TO STIP. & SETT. | | | | | | | | (3,201,980) | (3,201,980) |
| LOANS TO EMPLOYEES / RETIREES | | | | | | | | (48,266) | (48,266) |
| INTEREST AND DIVIDENDS RECEIVABLE | | | | | | | | (40,052) | (40,052) |
| FUNDED PROP RES. N. ESCAMBIA & OTHER INV. | | | | (12,661,331) | | | (12,661,331) | (4,357,923) | (17,019,254) |
| FUEL RELATED DEFERRED DEBITS | | | | | | | | (19,704,982) | (19,704,982) |
| ACCRUED PROVISION FOR REFUND | | | | | | | | 0 | 0 |
| UNAMORTIZED RATE CASE EXPENSES | | | | | | | | (2,374,570) | (2,374,570) |
| TOTAL FPSC ADJUSTMENTS | (1,291,914,262) | (191,429,896) | (1,100,484,366) | (12,661,331) | (265,606,240) | 0 | (1,378,751,937) | (37,390,041) | (1,416,141,978) |
| FPSC ADJUSTED | 2,987,803,984 | 1,247,487,404 | 1,740,316,580 | 1,677,533 | 34,293,734 | 0 | 1,776,287,847 | 228,993,798 | 2,005,281,645 |
| PRO FORMA REVENUE AND ANNUALIZATION ADJUSTMENTS | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL PRO FORMA ADJUST | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| PRO FORMA ADJUSTED | 2,987,803,984 | 1,247,487,404 | 1,740,316,580 | 1,677,533 | 34,293,734 | 0 | 1,776,287,847 | 228,993,798 | 2,005,281,645 |

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

| | OPERATING REVENUES | FUEL & NET INTERCHANGE | O & M OTHER | DEPRECIATION & AMORTIZATION | TAXES OTHER THAN INCOME | INCOME TAXES CURRENT | DEFERRED INCOME TAXES (NET) | INVESTMENT TAX CREDIT (NET) | (GAIN)/LOSS ON DISPOSITION OF PROPERTY | TOTAL OPERATING EXPENSES | NET OPERATING INCOME |
|--|--------------------|------------------------|--------------|-----------------------------|-------------------------------|----------------------|-----------------------------|-----------------------------|--|--------------------------|----------------------|
| SYSTEM PER BOOKS | 1,461,527,593 | 570,662,658 | 394,575,518 | 156,893,677 | 117,683,846 | 10,870,260 | 76,885,317 | (670,192) | 0 | 1,266,901,083 | 194,626,500 |
| JURISDICTIONAL PER BOOKS | 1,308,953,736 | 493,685,977 | 314,906,354 | 145,273,300 | 115,745,077 | 14,409,121 | 59,038,130 | (409,439) | 0 | 1,142,646,520 | 166,305,216 |
| LESS FPSC ADJUSTMENTS: | (407,648,755) | (407,307,652) | | | | (131,580) | | | | (407,439,232) | (209,523) |
| PURCHASED POWER CAPACITY REVENUES & EXPENSES | (86,018,684) | (86,166,496) | | | | 57,018 | | | | (86,109,478) | 90,794 |
| ENERGY CONSERVATION COST REVENUES & EXPENSES | (16,957,209) | | | | | (700,414) | | | | (15,841,903) | (1,115,306) |
| ENVIRONMENTAL COST RECOVERY CLAUSE | (148,261,344) | | (14,449,268) | (367,803) | (324,418) | (30,207,333) | | | | (100,160,619) | (48,100,725) |
| FRANCHISE FEE REVENUE & EXPENSE | (43,876,370) | | (23,666,700) | (45,362,412) | (42,747,794) | (435,349) | | | | (43,183,143) | (893,228) |
| GROSS RECEIPTS TAX REVENUE & ADJUSTMENT | (32,985,624) | | | | (32,609,298) | (145,168) | | | | (32,754,466) | (231,159) |
| MARKETING SUPPORT ACTIVITIES | | | (161,276) | | | 62,212 | | | | (99,064) | 99,064 |
| WHOLESALE EXPENSES | | (211,829) | | | | 81,713 | | | | (130,116) | 130,116 |
| INSTITUTIONAL ADVERTISING EXPENSE | | | (242,013) | | | 93,357 | | | | (148,656) | 148,656 |
| ECONOMIC DEVELOPMENT EXPENSE | | | (58,960) | | | 22,744 | | | | (36,216) | 36,216 |
| MGMT FINANCIAL PLANNING SERVICES | | | (30,482) | | | 11,758 | | | | (18,724) | 18,724 |
| DIRECTORS & OFFICERS INSURANCE | | | (45,894) | | | 17,704 | | | | (28,190) | 28,190 |
| INDUSTRY ASSOCIATION DUES | | | (1,293) | | | 499 | | | | (794) | 794 |
| TALLAHASSEE LIAISON EXPENSES | | | (437,543) | | | 176,822 | | | | (261,562) | 261,562 |
| GRT, FPSC FEES ON CLAUSES & FEES | | | | | (1,538,313) | 593,404 | | | | (944,909) | 944,909 |
| (GAIN) / LOSS ON DISPOSITION OF PROPERTY | | | | | | 8,198 | | (21,251) | | (13,053) | 13,053 |
| INTEREST SYNCHRONIZATION | | | | | | 6,822,989 | | | | 6,822,989 | (6,822,989) |
| TOTAL FPSC ADJUSTMENTS | (735,747,987) | (493,685,977) | (39,093,430) | (42,730,215) | (81,164,837) | (23,671,426) | 0 | 0 | (21,251) | (680,367,136) | (55,380,851) |
| FPSC ADJUSTED | 573,205,749 | 0 | 275,812,924 | 102,543,085 | 34,580,240 | (9,262,305) | 59,038,130 | (409,439) | (21,251) | 462,281,384 | 110,924,365 |
| PRO FORMA REVENUE ANNUALIZATION ADJUSTMENTS | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL PRO FORMA ADJUSTMENTS | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| PRO FORMA ADJUSTED | 573,205,749 | 0 | 275,812,924 | 102,543,085 | 34,580,240 | (9,262,305) | 59,038,130 | (409,439) | (21,251) | 462,281,384 | 110,924,365 |
| (a) THE ADDITION OF EARNINGS FROM AFUDC WOULD INCREASE THE SYSTEM NOI BY | | | | 14,129,048 | AND THE JURISDICTIONAL NOI BY | | 13,800,803 | | | | |
| CURRENT MONTH SYSTEM PER BOOKS | 107,648,983 | 39,527,751 | 25,658,684 | 14,661,217 | 9,251,927 | 1,929,917 | 3,472,060 | (42,621) | 0 | 94,458,935 | 13,190,048 |
| CURRENT MONTH JURISDICTIONAL PER BOOKS | 97,382,033 | 33,399,175 | 22,867,021 | 13,684,119 | 9,089,660 | 2,329,218 | 3,123,276 | (21,141) | 0 | 84,471,329 | 12,910,704 |

TOTALS MAY NOT ADD DUE TO ROUNDING.

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

SCHEDULE 2
PAGE 3 OF 3

| <u>RATE BASE ADJUSTMENTS</u> | <u>AMOUNT</u> | <u>NET OPERATING INCOME STATEMENT ADJUSTMENTS</u> | <u>AMOUNT</u> | <u>TAX EFFECT</u> |
|---|-----------------|---|---------------|-------------------|
| ENVIRONMENTAL COST RECOVERY CLAUSE INVESTMENT | (1,163,057,752) | FUEL & IIC FUEL REVENUES AND ECONOMY PROFITS | (485,847,038) | (187,415,495) |
| ACCUMULATED DEPRECIATION | 204,867,429 | ENVIRONMENTAL COST RECOVERY CLAUSE REVENUES | (152,647,499) | (58,883,773) |
| CWIP | (20,001,743) | PURCHASED POWER CAPACITY COST CLAUSE REVENUES | (86,231,787) | (33,263,912) |
| ENERGY CONSERVATION COST RECOVERY INVESTMENT | (13,107,420) | ENERGY CONSERVATION COST RECOVERY CLAUSE REVENUES | (16,957,209) | (6,541,243) |
| ACCUMULATED DEPRECIATION | (7,262,896) | FUEL EXPENSE | (481,999,404) | 185,931,270 |
| CWIP | (3,002) | PURCHASED POWER CAPACITY COST EXPENSE | (88,766,045) | 34,241,502 |
| TRANSMISSION PURSUANT TO STIP. & SETT. INVESTMENT | (149,700,987) | CONSERVATION EXPENSES - DEPRECIATION AND O & M | (14,817,072) | 5,715,685 |
| FAS 143 NET PLANT | (65,645,307) | CONSERVATION EXPENSES - OTHER TAXES | (324,418) | 125,144 |
| INTEREST BEARING CWIP | (252,040,784) | ENVIRONMENTAL COST RECOVERY EXPENSE | (71,993,566) | 27,771,518 |
| PHFU - NORTH ESCAMBIA | (13,042,899) | FRANCHISE FEE REVENUES | (43,876,370) | (16,925,310) |
| | | FRANCHISE FEE | (42,747,794) | 16,489,961 |
| | | GROSS RECEIPTS TAX REVENUES | (32,985,624) | (12,724,205) |
| | | GROSS RECEIPTS TAX EXPENSE | (32,609,298) | 12,579,037 |
| | | MARKETING SUPPORT ACTIVITIES | (161,276) | 62,212 |
| | | WHOLESALE EXPENSE | (218,285) | 84,203 |
| | | INSTITUTIONAL ADVERTISING EXPENSE | (246,781) | 95,196 |
| | | ECONOMIC DEVELOPMENT EXPENSE | (58,960) | 22,744 |
| | | MGMT FINANCIAL PLANNING SERVICES | (31,155) | 12,018 |
| | | DIRECTORS' & OFFICERS' INSURANCE | (46,908) | 18,095 |
| | | INDUSTRY ASSOCIATION DUES | (1,318) | 508 |
| | | TALLAHASSEE LIAISON EXPENSE | (468,511) | 180,728 |
| | | GRT/FPSC FEES ON CLAUSE REV ADJ & FRAN FEES | (1,538,313) | 593,404 |
| | | COMP SALES\TRANS REV\G/L SALE GAS\PROV RT REPN. ESC REV | (120,403) | (46,446) |
| | | GAIN\LOSS ON DISPOSITION OF PROPERTY | (21,642) | 8,348 |
| | | INTEREST SYNCHRONIZATION | 7,138,316 | 7,138,316 |
| WORKING CAPITAL: | | | | |
| ECRC WORKING CAPITAL | (6,362,895) | | | |
| CONSERVATION/AEM INVENTORY | (1,485,118) | | | |
| CAPITALIZED DEF. EARNINGS ON TRANSMISSION PURSUANT TO STIP. & SETT. | (3,201,980) | | | |
| FUNDED PROPERTY INSURANCE RESERVE | 0 | | | |
| LOANS TO EMPLOYEES AND RETIREES | (50,373) | | | |
| INTEREST & DIVIDENDS RECEIVABLE | (41,800) | | | |
| NORTH ESCAMBIA SITE | (4,549,398) | | | |
| UNAMORTIZED RATE CASE EXPENSE | (2,478,324) | | | |
| FUEL RELATED DEFERRED DEBITS | (19,704,982) | | | |
| UNREALIZED LOSS ON FWD CONTRACT | (208) | | | |
| ACCUM. PROV. FOR RATE REFUNDS | 0 | | | |
| FAS 143 WORKING CAPITAL | 78,448,778 | | | |
| FAS 158 REGULATORY ASSETS | (152,378,405) | | | |
| FAS 158 REGULATORY LIABILITIES | 152,378,405 | | | |
| PPA REGULATORY ASSETS | (170,406,696) | | | |
| PPA REGULATORY LIABILITIES | 170,406,696 | | | |
| FAS 133 REGULATORY ASSETS | (92,758,693) | | | |
| FAS 133 REGULATORY LIABILITIES | 92,758,693 | | | |

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

| | PLANT IN SERVICE | ACCUMULATED DEPRECIATION & AMORTIZATION | NET PLANT IN SERVICE | PROPERTY HELD FOR FUTURE USE | CONSTRUCTION WORK IN PROGRESS | NUCLEAR FUEL (NET) | NET UTILITY PLANT | WORKING CAPITAL | TOTAL RATE BASE |
|---|------------------|---|----------------------|------------------------------|-------------------------------|--------------------|-------------------|-----------------|-----------------|
| SYSTEM PER BOOKS | 5,171,711,280 | 1,650,339,446 | 3,521,371,835 | 14,756,744 | 52,599,741 | 0 | 3,588,728,320 | 205,197,224 | 3,793,925,544 |
| JURISDICTIONAL PER BOOKS | 4,599,047,014 | 1,491,243,427 | 3,107,803,587 | 14,325,038 | 47,588,355 | 0 | 3,169,716,980 | 276,152,870 | 3,445,869,850 |
| <u>FPSC ADJUSTMENTS:</u> | | | | | | | | | |
| ENVIRONMENTAL RECOVERY CLAUSE | (1,375,847,409) | (219,795,608) | (1,156,051,801) | | (16,747,973) | | (1,172,799,774) | (6,177,150) | (1,178,976,924) |
| INT BEARING CWIP | | | | | (97,231) | | (97,231) | 0 | (97,231) |
| ENERGY CONSERVATION CLAUSE | (13,482,013) | 7,599,781 | (21,061,794) | | (21,461) | | (21,083,255) | (1,485,118) | (22,568,373) |
| TRANSMISSION INVESTMENT PURSUANT TO STIP. & SETT. | (177,111,456) | | (177,111,456) | | | | (177,111,456) | 0 | (177,111,456) |
| CAPITALIZED DEF. EARNINGS ON TRANSM PURSUANT TO STIP. & SETT. | | | | | | | | (7,250,006) | (7,250,006) |
| LOANS TO EMPLOYEES AND RETIREES | | | | | | | | (48,266) | (48,266) |
| INTEREST AND DIVIDENDS RECEIVABLE | | | | | | | | (40,052) | (40,052) |
| FUNDED PROP RES. N. ESCAMBIA SITE, & OTHER INV. | | | | (12,661,331) | | | (12,661,331) | (4,357,923) | (17,019,254) |
| FUEL RELATED DEFERRED DEBITS | | | | | | | | (19,704,982) | (19,704,982) |
| ACCRUED PROVISION FOR REFUND | | | | | | | | 0 | 0 |
| UNAMORTIZED RATE CASE EXPENSES | | | | | | | | (2,374,570) | (2,374,570) |
| TOTAL FPSC ADJUSTMENTS | (1,566,420,878) | (212,195,827) | (1,354,225,051) | (12,661,331) | (16,866,665) | 0 | (1,388,753,047) | (41,438,067) | (1,425,191,114) |
| FPSC ADJUSTED | 3,032,626,136 | 1,279,047,600 | 1,753,578,536 | 1,663,707 | 30,721,690 | 0 | 1,785,963,933 | 234,714,803 | 2,020,678,736 |
| PRO FORMA REVENUE AND ANNUALIZATION ADJUSTMENTS | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL PRO FORMA ADJUSTMENTS | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| PRO FORMA ADJUSTED | 3,032,626,136 | 1,279,047,600 | 1,753,578,536 | 1,663,707 | 30,721,690 | 0 | 1,785,963,933 | 234,714,803 | 2,020,678,736 |

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

| | OPERATING REVENUES | O & M FUEL & NET INTERCHANGE | O & M OTHER | DEPRECIATION & AMORTIZATION | TAXES OTHER THAN INCOME | INCOME TAXES CURRENT | DEFERRED INCOME TAXES (NET) | INVESTMENT TAX CREDIT (NET) | (GAIN)/LOSS ON DISPOSITION OF PROPERTY | TOTAL OPERATING EXPENSES | NET OPERATING INCOME |
|--|--------------------|------------------------------|--------------|-----------------------------|-------------------------|----------------------|-----------------------------|-----------------------------|--|--------------------------|----------------------|
| SYSTEM PER BOOKS | 1,461,527,553 | 570,662,658 | 334,575,518 | 156,893,677 | 117,683,846 | 10,870,260 | 76,885,317 | (670,192) | 0 | 1,286,901,083 | 194,626,500 (a) |
| JURISDICTIONAL PER BOOKS | 1,308,953,736 | 493,685,977 | 314,906,354 | 145,273,300 | 115,745,077 | 14,409,358 | 59,037,261 | (409,439) | 0 | 1,142,647,888 | 166,305,648 (a) |
| LESS FPSC ADJUSTMENTS: | (407,648,755) | (407,307,652) | | | | (131,580) | | | | (407,439,232) | (209,523) |
| RETAIL FUEL REVENUES & EXPENSES | (86,018,684) | (86,166,496) | | | | 57,018 | | | | (86,109,478) | 90,794 |
| PURCHASED POWER CAPACITY REVENUES & EXPENSES | (16,957,209) | | (14,449,268) | (367,803) | (324,418) | (700,414) | | | | (15,841,903) | (1,115,306) |
| ENERGY CONSERVATION COST REVENUES & EXPENSES | (148,261,344) | (23,666,700) | (23,666,700) | (42,362,412) | (3,924,174) | (30,207,333) | | | | (100,160,619) | (48,100,725) |
| ENVIRONMENTAL COST RECOVERY CLAUSE | (43,876,370) | | | | (42,747,794) | (435,349) | | | | (43,183,143) | (693,228) |
| FRANCHISE FEE REVENUE & EXPENSE | (32,985,624) | | (161,276) | | (32,609,298) | (145,168) | | | | (32,754,466) | (231,159) |
| GROSS RECEIPTS TAX REVENUE & ADJUSTMENT | | (211,829) | | | | 62,212 | | | | (99,064) | 99,064 |
| MARKETING SUPPORT ACTIVITIES | | | | | | 81,713 | | | | (130,116) | 130,116 |
| WHOLESALE EXPENSES | | | | | | 93,357 | | | | (148,656) | 148,656 |
| INSTITUTIONAL ADVERTISING EXPENSE | | | (242,013) | | | 22,744 | | | | (36,216) | 36,216 |
| ECONOMIC DEVELOPMENT EXPENSE | | | (58,960) | | | 11,758 | | | | (18,724) | 18,724 |
| MGMT FINANCIAL PLANNING SERVICES | | | (30,482) | | | 17,704 | | | | (28,190) | 28,190 |
| DIRECTORS' & OFFICERS' INSURANCE | | | (45,894) | | | 499 | | | | (794) | 794 |
| INDUSTRY ASSOCIATION DUES | | | (1,293) | | | 176,922 | | | | (281,562) | 281,562 |
| TALLAHASSEE LIAISON EXPENSES | | | (497,543) | | (20,841) | 593,404 | | | | (944,909) | 944,909 |
| GRT, FPSC FEES ON CLAUSES & FEES | | | | | (1,538,313) | 8,198 | | | | (13,053) | 13,053 |
| (GAIN) / LOSS ON DISPOSITION OF PROPERTY | | | | | | 7,146,168 | | (21,251) | | 7,146,168 | (7,146,168) |
| INTEREST SYNCHRONIZATION | | | | | | | | | | | |
| TOTAL FPSC ADJUSTMENTS | (735,747,987) | (493,685,977) | (39,098,430) | (42,730,215) | (81,164,837) | (23,348,247) | 0 | 0 | (21,251) | (680,043,957) | (55,704,030) |
| FPSC ADJUSTED | 573,205,749 | 0 | 275,812,924 | 102,543,085 | 34,580,240 | (8,938,886) | 59,037,261 | (409,439) | (21,251) | 462,603,931 | 110,601,818 |
| PRO FORMA REVENUE ANNUALIZATION | | | | | | | | | | | |
| TOTAL PRO FORMA ADJUSTMENTS | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| PRO FORMA ADJUSTED | 573,205,749 | 0 | 275,812,924 | 102,543,085 | 34,580,240 | (8,938,886) | 59,037,261 | (409,439) | (21,251) | 462,603,931 | 110,601,818 |

(a) THE ADDITION OF EARNINGS FROM AFUDC WOULD INCREASE THE SYSTEM NOI BY 14,129,048 AND THE JURISDICTIONAL NOI BY 13,800,803

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

SCHEDULE 3
PAGE 3 OF 3

| <u>RATE BASE ADJUSTMENTS</u> | <u>AMOUNT</u> | <u>NET OPERATING INCOME STATEMENT ADJUSTMENTS</u> | <u>AMOUNT</u> | <u>TAX EFFECT</u> |
|---|-----------------|---|---------------|-------------------|
| ENVIRONMENTAL COST RECOVERY CLAUSE INVESTMENT | (1,417,427,627) | FUEL & IIC FUEL REVENUES AND ECONOMY PROFITS | (485,847,038) | (187,415,495) |
| ACCUMULATED DEPRECIATION | 226,438,168 | ENVIRONMENTAL COST RECOVERY CLAUSE REVENUES | (152,647,499) | (58,883,773) |
| CWIP | (17,254,123) | PURCHASED POWER CAPACITY COST CLAUSE REVENUES | (86,231,787) | (33,263,912) |
| ENERGY CONSERVATION COST RECOVERY INVESTMENT | (13,462,013) | ENERGY CONSERVATION COST RECOVERY CLAUSE REVENUES | (16,957,209) | (6,541,243) |
| ACCUMULATED DEPRECIATION | (7,599,781) | FUEL EXPENSE | (481,999,404) | 185,931,270 |
| CWIP | (21,461) | PURCHASED POWER CAPACITY COST EXPENSE | (88,766,045) | 34,241,502 |
| TRANSMISSION PURSUANT TO STIP. & SETT. INVESTMENT | (177,111,456) | CONSERVATION EXPENSES - DEPRECIATION AND O & M | (14,817,072) | 5,715,685 |
| FAS 143 NET PLANT | (89,195,246) | CONSERVATION EXPENSES - OTHER TAXES | (324,418) | 125,144 |
| INTEREST BEARING CWIP | (99,543) | ENVIRONMENTAL COST RECOVERY EXPENSE | (71,993,566) | 27,771,518 |
| PHFU - NORTH ESCAMBIA | (13,042,899) | FRANCHISE FEE REVENUES | (43,876,370) | (16,925,310) |
| | | FRANCHISE FEE | (42,747,794) | 16,489,961 |
| | | GROSS RECEIPTS TAX REVENUES | (32,985,824) | (12,724,205) |
| | | GROSS RECEIPTS TAX EXPENSE | (32,609,298) | 12,579,037 |
| | | MARKETING SUPPORT ACTIVITIES | (161,276) | 62,212 |
| | | WHOLESALE EXPENSE | (218,285) | 84,203 |
| WORKING CAPITAL: | | INSTITUTIONAL ADVERTISING EXPENSE | (246,781) | 95,196 |
| ECRC WORKING CAPITAL | (6,362,895) | ECONOMIC DEVELOPMENT EXPENSE | (58,960) | 22,744 |
| CONSERVATION/AEM INVENTORY | (1,485,118) | MGMT FINANCIAL PLANNING SERVICES | (31,155) | 12,018 |
| CAPITALIZED DEF. EARNINGS ON TRANSMISSION PURSUANT TO STIP. & SETT. | (3,201,980) | DIRECTORS' & OFFICERS' INSURANCE | (46,908) | 18,095 |
| FUNDED PROPERTY INSURANCE RESERVE | 0 | INDUSTRY ASSOCIATION DUES | (1,318) | 508 |
| LOANS TO EMPLOYEES AND RETIREES | (50,373) | TALLAHASSEE LIAISON EXPENSE | (468,511) | 180,728 |
| INTEREST & DIVIDENDS RECEIVABLE | (41,800) | GRT/FPSC FEES ON CLAUSE REV ADJ & FRAN FEES | (1,538,313) | 593,404 |
| NORTH ESCAMBIA SITE | (4,549,398) | COMP SALES\TRANS REV\G/L SALE GAS\PROV RT REFN. ESC REV | (120,403) | (46,446) |
| UNAMORTIZED RATE CASE EXPENSE | (2,478,324) | GAIN\LOSS ON DISPOSITION OF PROPERTY | (21,642) | 8,348 |
| FUEL RELATED DEFERRED DEBITS | (19,704,982) | INTEREST SYNCHRONIZATION | 7,500,628 | 7,500,628 |
| UNREALIZED LOSS ON FWD CONTRACT | (208) | | | |
| ACCUM. PROV. FOR RATE REFUNDS | 0 | | | |
| FAS 143 WORKING CAPITAL | 78,448,778 | | | |
| FAS 158 REGULATORY ASSETS | (152,378,405) | | | |
| FAS 158 REGULATORY LIABILITIES | 152,378,405 | | | |
| PPA REGULATORY ASSETS | (170,406,696) | | | |
| PPA REGULATORY LIABILITIES | 170,406,696 | | | |
| FAS 133 REGULATORY ASSETS | (92,758,693) | | | |
| FAS 133 REGULATORY LIABILITIES | 92,758,693 | | | |

GULF POWER COMPANY
CAPITAL STRUCTURE
FPSC-ADJUSTED BASIS
February, 2016

SCHEDULE 4

| AVERAGE | ADJUSTMENTS | | | | | | | | | | LOW POINT | | | MIDPOINT | | | HIGH POINT | | |
|-----------------------------|------------------|------------------|-----------------|----------|-----------------|-----------|---------------|-------------------|---------------|-------------------|---------------|-------------------|---------------|-------------------|---------------|-------------------|---------------|-------------------|--|
| | SYSTEM PER BOOKS | RETAIL PER BOOKS | PRO RATA | SPECIFIC | ADJUSTED RETAIL | RATIO (%) | COST RATE (%) | WEIGHTED COST (%) | COST RATE (%) | WEIGHTED COST (%) | COST RATE (%) | WEIGHTED COST (%) | COST RATE (%) | WEIGHTED COST (%) | COST RATE (%) | WEIGHTED COST (%) | COST RATE (%) | WEIGHTED COST (%) | |
| LONG TERM DEBT | 1,317,960,567 | 1,201,428,857 | (497,276,580) | 0 | 704,152,277 | 35.11 | 4.49 | 1.58 | 4.49 | 1.58 | 4.49 | 1.58 | 4.49 | 1.58 | 4.49 | 1.58 | 4.49 | 1.58 | |
| SHORT TERM DEBT | 106,129,666 | 77,279,239 | (31,986,210) | 0 | 45,293,029 | 2.26 | 0.47 | 0.01 | 0.47 | 0.01 | 0.47 | 0.01 | 0.47 | 0.01 | 0.47 | 0.01 | 0.47 | 0.01 | |
| PREFERENCE STOCK | 146,504,039 | 133,550,768 | (55,277,238) | 0 | 78,273,530 | 3.90 | 6.14 | 0.24 | 6.14 | 0.24 | 6.14 | 0.24 | 6.14 | 0.24 | 6.14 | 0.24 | 6.14 | 0.24 | |
| CUSTOMER DEPOSITS | 35,753,220 | 35,994,431 | (14,898,250) | 0 | 21,096,181 | 1.05 | 2.36 | 0.02 | 2.36 | 0.02 | 2.36 | 0.02 | 2.36 | 0.02 | 2.36 | 0.02 | 2.36 | 0.02 | |
| COMMON EQUITY | 1,337,423,683 | 1,228,782,784 | (508,598,488) | 0 | 720,184,296 | 35.91 | 9.25 | 3.32 | 10.25 | 3.68 | 11.25 | 3.68 | 11.25 | 3.68 | 11.25 | 3.68 | 11.25 | 3.68 | |
| DEFERRED INCOME TAXES | 857,658,665 | 795,406,147 | (329,222,031) | 0 | 466,184,116 | 23.25 | | | | | | | | | | | | | |
| FASB 109 DEFERRED TAXES | (55,758,530) | (51,711,338) | 21,403,545 | 0 | (30,307,793) | (1.51) | | | | | | | | | | | | | |
| TAX CREDITS - ZERO COST | 0 | 0 | 0 | 0 | 0 | 0.00 | | | | | | | | | | | | | |
| TAX CREDITS - WEIGHTED COST | 2,319,093 | 692,735 | (286,726) | 0 | 406,009 | 0.02 | 6.86 | 0.00 | 7.34 | 0.00 | 7.82 | 0.00 | 7.82 | 0.00 | 7.82 | 0.00 | 7.82 | 0.00 | |
| TOTAL | 3,747,990,403 | 3,421,423,623 | (1,416,141,978) | 0 | 2,005,281,645 | 100.00 | | 5.17 | | 5.53 | | 5.53 | | 5.53 | | 5.89 | | 5.89 | |

| YEAR-END | ADJUSTMENTS | | | | | | | | | | LOW POINT | | | MIDPOINT | | | HIGH POINT | | |
|-----------------------------|------------------|------------------|-----------------|----------|-----------------|-----------|---------------|-------------------|---------------|-------------------|---------------|-------------------|---------------|-------------------|---------------|-------------------|---------------|-------------------|--|
| | SYSTEM PER BOOKS | RETAIL PER BOOKS | PRO RATA | SPECIFIC | ADJUSTED RETAIL | RATIO (%) | COST RATE (%) | WEIGHTED COST (%) | COST RATE (%) | WEIGHTED COST (%) | COST RATE (%) | WEIGHTED COST (%) | COST RATE (%) | WEIGHTED COST (%) | COST RATE (%) | WEIGHTED COST (%) | COST RATE (%) | WEIGHTED COST (%) | |
| LONG TERM DEBT | 1,282,870,236 | 1,178,175,424 | (487,286,293) | 0 | 690,889,131 | 34.19 | 4.45 | 1.52 | 4.45 | 1.52 | 4.45 | 1.52 | 4.45 | 1.52 | 4.45 | 1.52 | 4.45 | 1.52 | |
| SHORT TERM DEBT | 76,700,246 | 50,849,478 | (21,031,039) | 0 | 29,818,439 | 1.48 | 0.85 | 0.01 | 0.85 | 0.01 | 0.85 | 0.01 | 0.85 | 0.01 | 0.85 | 0.01 | 0.85 | 0.01 | |
| PREFERENCE STOCK | 146,504,320 | 134,548,128 | (55,648,299) | 0 | 78,899,829 | 3.90 | 6.14 | 0.24 | 6.14 | 0.24 | 6.14 | 0.24 | 6.14 | 0.24 | 6.14 | 0.24 | 6.14 | 0.24 | |
| CUSTOMER DEPOSITS | 36,102,375 | 36,565,000 | (15,123,065) | 0 | 21,441,935 | 1.06 | 2.22 | 0.02 | 2.22 | 0.02 | 2.22 | 0.02 | 2.22 | 0.02 | 2.22 | 0.02 | 2.22 | 0.02 | |
| COMMON EQUITY | 1,346,431,755 | 1,252,626,999 | (518,079,018) | 0 | 734,547,981 | 36.35 | 9.25 | 3.36 | 10.25 | 3.73 | 11.25 | 3.73 | 11.25 | 3.73 | 11.25 | 3.73 | 11.25 | 3.73 | |
| DEFERRED INCOME TAXES | 899,574,990 | 844,411,354 | (349,243,475) | 0 | 495,167,879 | 24.51 | | | | | | | | | | | | | |
| FASB 109 DEFERRED TAXES | (55,192,608) | (51,808,093) | 21,427,517 | 0 | (30,380,576) | (1.50) | | | | | | | | | | | | | |
| TAX CREDITS - ZERO COST | 0 | 0 | 0 | 0 | 0 | 0.00 | | | | | | | | | | | | | |
| TAX CREDITS - WEIGHTED COST | 1,996,208 | 501,560 | (207,442) | 0 | 294,118 | 0.01 | 6.88 | 0.00 | 7.37 | 0.00 | 7.86 | 0.00 | 7.86 | 0.00 | 7.86 | 0.00 | 7.86 | 0.00 | |
| TOTAL | 3,734,987,522 | 3,445,869,850 | (1,425,191,114) | 0 | 2,020,678,736 | 100.00 | | 5.16 | | 5.52 | | 5.52 | | 5.52 | | 5.89 | | 5.89 | |

GULF POWER COMPANY
Financial Integrity Indicators
February, 2016

A. Times Interest Earned with AFUDC

| | |
|---|--------------|
| Earnings Before Interest | 205,261,563 |
| AFUDC - Debt | 4,364,461 |
| Income Taxes | 89,115,920 |
| | <hr/> |
| Total | 298,741,943 |
| Interest Charges (Before Deducting AFUDC - Debt) | 60,287,285 |
| T.I.E. With AFUDC | <hr/> 4.96 x |

B. Times Interest Earned without AFUDC

| | |
|---|--------------|
| Earnings Before Interest | 205,261,563 |
| AFUDC - Other | (9,764,588) |
| Income Taxes | 89,115,920 |
| | <hr/> |
| Total | 284,612,895 |
| Interest Charges (Before Deducting AFUDC - Debt) | 60,287,285 |
| T.I.E. Without AFUDC | <hr/> 4.72 x |

C. Percent AFUDC To Net Income Available for Common Stockholders

| | |
|---|-------------|
| AFUDC - Debt | 4,364,461 |
| X (1 - Income Tax Rate) | 0.61425 |
| | <hr/> |
| Subtotal | 2,680,870 |
| AFUDC - Other | 9,764,588 |
| | <hr/> |
| Total | 12,445,458 |
| | <hr/> |
| Net Income Available for Common Stockholders | 140,336,239 |
| Percent AFUDC to Available Net Income | <hr/> 8.87% |

D. Percent Internally Generated Funds

| | |
|---|---------------|
| Net Income | 149,338,739 |
| Preference Dividends | (9,002,500) |
| Common Dividends | (127,637,000) |
| AFUDC (Debt & Other) | (14,129,048) |
| Depreciation & Amortization | 165,937,022 |
| Deferred Income Taxes | 76,841,407 |
| Investment Tax Credits | 0 |
| Other | 20,738,527 |
| | <hr/> |
| Total | 262,087,146 |
| | <hr/> |
| Construction Expenditures (Excluding AFUDC Other & Debt) | 198,042,114 |
| Percent Internally Generated Funds | <hr/> 132.34% |

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

| | |
|----------------------------|---------------|
| Long Term Debt | 704,152,277 |
| Short Term Debt | 45,293,029 |
| Preference Stock | 78,273,530 |
| Common Equity | 720,184,296 |
| | <hr/> |
| Total | 1,547,903,132 |
| | <hr/> |
| % Long Term Debt To Total | 45.49% |
| | <hr/> |
| % Short Term Debt To Total | 2.93% |

G. FPSC Adjusted Average Jurisdictional Return
On Common Equity

| | G. FPSC ADJ. | H. PROFORMA |
|---|-----------------|----------------|
| FPSC Adjusted Average Earned Rate of Return | 5.53% | 5.53% |
| Less: Reconciled Average Retail Weighted Cost Rates For: | | |
| Long Term Debt | (1.58) | (1.58) |
| Short Term Debt | (0.01) | (0.01) |
| Preference Stock | (0.24) | (0.24) |
| Customer Deposits | (0.02) | (0.02) |
| Tax Credits - Weighted Cost (Common Equity at Midpoint) | (0.00) | (0.00) |
| | <hr/> | <hr/> |
| Subtotal | (1.85) | (1.85) |
| | <hr/> | <hr/> |
| Total | 3.68 | 3.68 |
| Divided by Common Equity Ratio | 35.91 | 35.91 |
| | <hr/> | <hr/> |
| Jurisdictional Return on Common Equity | 10.24% | 10.24% |

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

Supplemental 1

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