One Energy Place
Pensacola, Florida 32520

Tel 850 444 6111

March 26, 2002

GULF POWER
A SOUTHERN COMPANY

Ms. Blanca Bayo, Director
Division of Records and Reporting
Florida Public Service Commission
2540 Shumard Oak Boulevard, Room 110
Tallahassee, Florida 32399-0870

Dear Ms. Bayo:

Re: Docket No. 010110-EI, Order Number PSC-01-0758-FOF-EI and Order Number PSC-01-0758A-FOF-EI Application of Gulf Power Company for authority to receive common equity contributions and to issue and sell securities

An original and three copies of the Consummation Report dated March 26, 2002, and four copies of the exhibits are enclosed with this letter for filing in the above referenced dockets.

Sincerely,

Linda G. Malone

Linda G. Malone
Assistant Secretary and
Assistant Treasurer

ck

Enclosures

cc: E. W. Boston, Southern Company Services
S. D. Ritenour, Gulf Power Company
J. A. Stone, Beggs & Lane

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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: Application of Gulf Power Company for authority to receive common equity contributions and to issue and sell securities.	)))))	Docket No.: 010110-EI Filed: March 26, 2002

TO THE HONORABLE FLORIDA PUBLIC SERVICE COMMISSION:

CONSUMMATION REPORT

GULF POWER COMPANY ("Gulf Power", "Gulf", or "the Company"), by and through its undersigned representative, and pursuant to Rule 25-8.009, Florida Administrative Code, and the reporting requirements of Order No. PSC-01-0758-FOF-EI entered in Docket No. 010110-EI on March 26, 2001, and Order No. PSC-01-0758A-FOF-EI entered in Docket No. 010110-EI on July 26, 2001, hereby reports for the fiscal year ending December 31, 2001:

A. 1. That on June 27, 2001, Gulf Power Company (the "Company") entered into an agreement with Bank One, N.A. (the "Bank"), as the holder of a single promissory note, dated July 2, 2001, payable in the principal amount of $100,000,000, due July 3, 2002. The Company will pay interest on the unpaid principal amount at the rate of 4.2375% per annum, such interest being payable in arrears on August 1, 2001, on the last day of each subsequent interest period, and at maturity. The interest rate of each subsequent interest period shall be equal to LIBOR (one month London interbank offered rate) plus 0.375%. The principal of the note may be prepaid in whole or in part without premium or penalty.

2. The note is subject to the terms and conditions set forth in the Loan Agreement dated as of June 27, 2001, by and between Gulf Power Company and Bank One, N.A. The note may be accelerated as therein provided.

3. The proceeds from the promissory note were applied by the Company to provide interim financing of portions of the capital expenditures related to Plant Smith Unit 3, the Company's 574 megawatt combined cycle facility currently under construction.

4. The note is unsecured.

B. 1. After negotiated arrangements, on July 31, 2001, Gulf Power Company (the "Company") entered into an Underwriting Agreement with Banc One Capital Markets, Inc. and SunTrust Capital Markets, Inc., (the "Underwriters"), for the purchase of an aggregate of $60,000,000 (denominations and multiples of $1,000 each) principal amount of Series C 4.69% Senior Notes (the "Notes") due August 1, 2003. The Depository Trust Company ("DTC") will act as the initial securities depositary for the notes. The notes will be issued only as fully registered securities in the name of Cede & Co., DTC's nominee. On August 3, 2001, the Company delivered such notes to the Underwriters. On August 3, 2001, the Company received $59,850,000 representing payment in full of the purchase price less $150,000 underwriting discount and commissions of the underwriters for their services.

2. The proceeds from the sale of the new notes were used to redeem in September, 2001, the $30,000,000 outstanding principal amount of its First Mortgage Bonds, 6-1/8% Series due July 1, 2003, and to repay a portion of its outstanding short-term indebtedness, which aggregated approximately $30,000,000 as of July 31, 2001.

3. Interest on the new notes will be payable at the rate of 4.69% per annum and payable semi-annually in arrears on February 1 and August 1 of each year, commencing February 1, 2002.

4. The notes will be direct, unsecured and unsubordinated obligations of the Company ranking pari passu (equal in priority) with all other unsecured and unsubordinated obligations of the Company.

C. 1. After negotiated arrangements, on October 5, 2001, Gulf Power Company (the "Company") entered into an Underwriting Agreement with A. G. Edwards & Sons, Inc., (the "Underwriter"), as Representative of the underwriters, for the purchase of an aggregate of $75,000,000 (denominations and multiples of $1,000 each) principal amount of Series D 6.10% Senior Notes (the "Notes") due September 30, 2016. The Depository Trust Company ("DTC") will act as the initial securities depositary for the notes. The notes will be issued only as fully registered securities in the name of Cede & Co., DTC's nominee. On October 18, 2001, the Company delivered such notes to the Underwriter. On October 18, 2001, the Company received $73,237,500 representing payment in full of the purchase price less $1,762,500 underwriting discount and commissions of the underwriters for their services.

2. The proceeds from the sale of the new notes were used to prepay in November, 2001, a portion of a $100,000,000 bank loan which matures in July, 2002.

3. Interest on the new notes will be payable at the rate of 6.10% per annum and payable quarterly in arrears on January 1, April 1, July 1, and October 1 of each year, commencing January 1, 2002.

4. Payment of the principal of and interest on the notes when due will be insured by a financial guaranty insurance policy (the "policy") to be issued by Ambac Assurance Corporation (the "insurer") simultaneously with the delivery of the notes. On October 18, 2001, the Company paid $553,180.99 to the insurer.

5. The notes will be direct, unsecured and unsubordinated obligations of the Company ranking pari passu (equal in priority) with all other unsecured and unsubordinated obligations of the Company.

D. 1. On November 26, 1997, Gulf Power Capital Trust III, a statutory business trust created under the laws of the State of Delaware (the "Trust"), was established as a wholly owned subsidiary of Gulf Power Company for the Company to participate in tax-advantaged preferred equity financing. The Trust will issue preferred securities and common securities and invest the proceeds in an equivalent amount of junior subordinated deferrable interest notes. After negotiated arrangements, on November 8, 2001, the Company and the Trust entered into an Underwriting Agreement with Salomon Smith Barney Inc., (the "Underwriter"), as Representative of several underwriters, for the purchase of 1,200,000 7.375% Trust Preferred Securities ("TRUPS") in the aggregate principal amount of $30,000,000, representing 97% of the assets of the Trust. Gulf Power Company owns all the Common Securities in the amount of $927,850, representing 3% of the assets of the Trust. The Depository Trust Company ("DTC") will act as the initial securities depositary for the TRUPS. The TRUPS will be issued only as fully registered securities in the name of Cede & Co., DTC's nominee. On November 16, 2001, the Company delivered such securities to Salomon Smith Barney Inc, as Underwriter, and $945,000 from the Company as compensation to the Underwriters for their services. JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank), as property trustee for the Trust, received from the Underwriter $30,000,000 constituting the purchase price of the securities at $25 per security and from the Company, the amount of $927,850 representing payment for the Gulf Power Capital Trust III Common Securities. The proceeds from the Trust Preferred Securities and Common Securities were then invested in an equivalent amount of the Company's Series D 7.375% Junior Subordinated Deferrable Interest Notes. On November 16, 2001, JPMorgan Chase Bank, as property trustee for the Trust, received $30,927,850 aggregate principal amount of the Company's Series D 7.375% Junior Subordinated Notes due September 30, 2041, and a Guarantee Agreement, dated as of November 1, 2001, between the

Company and JPMorgan Chase Bank, as Guarantee Trustee. The Company received funds from the notes in the aggregate principal amount of $30,927,850.

2. The proceeds from the sale of the new notes were used to pay a portion of a $25,000,000 bank loan which matures in July, 2002 and to repay a portion of its outstanding short-term indebtedness, which aggregated approximately $35,000,000 as of November 8, 2001.

3. Cumulative Cash Distributions on the securities will be payable at the Securities Rate (7.375%) per annum), accruing from the date of original issuance and payable quarterly in arrears on March 31, June 30, September 30 and December 31 of each year, commencing on March 31, 2002. The Securities Rate and the Distribution Dates for the Preferred Securities will correspond to the interest rate and payment dates on the Series D Junior Subordinated Notes. The payment of distributions on the Preferred Securities is guaranteed by the Company to the extent the Trust has funds available from payment on the Notes.

4. The Series D Junior Subordinated Notes are unsecured obligations of the Company and subordinate and junior in right of payment to senior indebtedness of the Company.

Pursuant to Rule 25-8.009, F.A.C., Gulf Power Company submits the following documents relative to the issuance of the above referenced notes:

A. Exhibits for $100,000,000 4.2375% Promissory Note:

1. Promissory Note dated July 2, 2001, executed by Gulf Power Company to Bank One, N.A.
2. Loan Agreement dated as of June 27, 2001, between Bank One, N.A. and Gulf Power Company.
3. Description of Holder.
4. Report of Expenses.

B. Exhibits for $60,000,000 4.69% Series C Senior Notes:

1. Underwriting Agreement dated July 31, 2001, between Gulf Power Company and Banc One Capital Markets, Inc. and SunTrust Capital Markets, Inc.
2. Senior Note Indenture dated as of January 1, 1998, between Gulf Power Company and The Chase Manhattan Bank, Trustee.
3. First Supplemental Indenture, dated June 24, 1998, to the Senior Note Indenture, between Gulf Power Company and The Chase Manhattan Bank, Trustee.
4. Second Supplemental Indenture, dated August 24, 1999, to the Note Indenture, between Gulf Power Company and The Chase Manhattan Bank, Trustee.
5. Third Supplemental Indenture, dated August 3, 2001, to the Note Indenture, between Gulf Power Company and The Chase Manhattan Bank, Trustee.
6. Prospectus supplement dated July 31, 2001 and prospectus dated June 1, 2001.
7. Opinion dated August 3, 2001 of Beggs & Lane, general counsel for the Company.
8. Opinion dated August 3, 2001 of Troutman Sanders LLP, counsel for the Company.

9. Statement on Form U-1 dated February 6, 1998, and amended on April 14 and May 12, 1998; and Certificate of Notification dated August 9, 2001, relating to among other things, the 4.69% Senior Notes, and Finance Statements made a part thereof filed with Securities and Exchange Commission File No. 70-9171 under the Public Utility Holding Company Act of 1935.
10. Description of Underwriters.
11. Report of Expenses.

C. Exhibits for $75,000,000 6.10% Series D Senior Notes:

1. Underwriting Agreement dated October 5, 2001, between Gulf Power Company and A. E. Edwards & Sons, Inc.
2. Senior Note Indenture dated as of January 1, 1998, between Gulf Power Company and The Chase Manhattan Bank, Trustee. (See Exhibit B.2.)
3. First Supplemental Indenture, dated June 24, 1998, to the Senior Note Indenture, between Gulf Power Company and The Chase Manhattan Bank, Trustee. (See Exhibit B.3.)
4. Second Supplemental Indenture, dated August 24, 1999, to the Note Indenture, between Gulf Power Company and The Chase Manhattan Bank, Trustee. (See Exhibit B.4.)
5. Third Supplemental Indenture, dated August 3, 2001, to the Note Indenture, between Gulf Power Company and The Chase Manhattan Bank, Trustee. (See Exhibit B.5.)
6. Fourth Supplemental Indenture, dated October 18, 2001, to the Note Indenture, between Gulf Power Company and The Chase Manhattan Bank, Trustee.
7. Prospectus supplement dated October 5, 2001 and prospectus dated June 1, 2001.
8. Opinion dated October 18, 2001 of Beggs & Lane, general counsel for the Company.
9. Opinion dated October 18, 2001 of Troutman Sanders LLP, counsel for the Company.

10. Statement on Form U-1 dated February 6, 1998, and amended on April 14 and May 12, 1998; and Certificate of Notification dated October 29, 2001, relating to among other things, the 6.10% Senior Notes, and Finance Statements made a part thereof filed with Securities and Exchange Commission File No. 70-9171 under the Public Utility Holding Company Act of 1935.
11. Description of Underwriters.
12. Report of Expenses.

D. Exhibits for $30,000,000 7.375% Series D Trust Preferred Securities:

1. Trust Agreement by and between Gulf Power Company, as Depositor, and Chase Manhattan Bank USA, National Association (formerly known as Chase Manhattan Bank Delaware), as Trustee, dated as of November 26, 1997.
2. Amended and Restated Trust Agreement among Gulf Power Company, as Depositor, JPMorgan Chase Bank, as Property Trustee, Chase Manhattan Bank USA, National Association, as Delaware Trustee, and Linda Malone and Wayne Boston as Administrative Trustees, dated as of November 1, 2001.
3. Guarantee Agreement dated as of November 1, 2001, between Gulf Power Company (as Guarantor) and JPMorgan Chase Bank (as Trustee).
4. Fourth Supplemental Indenture dated as of November 16, 2001, to the Subordinated Note Indenture between Gulf Power Company and JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank), Trustee.
5. Underwriting Agreement dated November 8, 2001, among Gulf Power Company, the Trust, and Soloman Smith Barney, Inc. for itself and as Representative of the other underwriters.
6. Prospectus Supplement dated November 8, 2001, and Prospectus dated June 1, 2001.
7. Opinion dated November 16, 2001, of Beggs & Lane, general counsel for the Company.
8. Opinion dated November 16, 2001, of Troutman Sanders LLP, counsel for the Company.

9. Opinion dated November 16, 2001, of Richards, Layton & Finger, Delaware counsel to the Trust.

10. Statement on Form U-1 dated August 29, 1994, and amended on November 16, December 14, December 15, 1994; October 10, October 25, 1995; January 16, January 22, June 18, August 23, 1996; January 10, January 27, January 31, May 2, May 13, June 10, 1997; January 14, February 4, October 23, December 4, 1998; June 19, 2000; May 4, and June 5, 2001; and Certificates of Notification dated February 10, August 11, 1997, January 29, 1998 and November 19, 2001, relating to among other things, the 7.375% Trust Preferred Securities, Series A, Series B, Series C and Series D Junior Subordinated Notes, and Finance Statements made a part thereof filed with Securities and Exchange Commission File No. 70-8461 under the Public Utility Holding Company Act of 1935.

11. Description of Underwriters.

12. Report of Expenses.

E. Exhibits Common For all Issues:

1. Form S-3 Registration Statement Nos. 333-59942, 333-59942-01, and 333-59942-02 as filed with the Securities Exchange Commission on May 1, 2001 under the Securities Act of 1933.

2. 10-K for the year ended December 31, 2000, filed with the Securities and Exchange Commission, File No. 0-2429, and 10-Q for the quarter ended September 30, 2001, filed with the Securities and Exchange Commission File No. 0-2429. On page 44 of the 10-Q is shown the Pro Forma Capitalization and Pretax Interest Coverage Statements. On page 41 of the 10-Q is shown the debt interest and preferred stock dividend requirements.

Respectfully submitted,

Linda G. Malone

Linda G. Malone
Assistant Secretary and
Assistant Treasurer

Dated March 26, 2002

GULF POWER COMPANY

July 2, 2001

FOR VALUE RECEIVED, the undersigned promises to pay to the order of BANK ONE, N.A. (the "Bank") at its office at 1 Bank One Plaza, Chicago, Illinois, the principal amount of One Hundred Million Dollars ($100,000,000) on July 3, 2002, and to pay interest (calculated on the basis of a year of 360 days, and the actual number of days elapsed) on the unpaid principal amount hereof at the rate of 4.23750% per annum from the date hereof to (but excluding) August 1, 2001, and at the rate determined as hereinafter provided for each Subsequent Interest Period, such interest being payable in arrears on August 1, 2001, on the last day of each Subsequent Interest Period (provided that, with respect to any Subsequent Interest Period of six months, interest shall also be payable on the date three months after the beginning of such Subsequent Interest Period) and at the maturity hereof. Any principal not paid when due shall bear interest from maturity until paid in full at a rate per annum equal to the Bank's prime rate plus 2.0%, such interest to be payable on demand and upon payment in full of such principal.

Except as otherwise expressly provided in this Note or in Section 2.04 of the Loan Agreement referred to below, the interest rate for each Subsequent Interest Period shall be equal to the sum of LIBOR for such Subsequent Interest Period plus .375%.

"LIBOR" means, with respect to any Subsequent Interest Period, the rate per annum equal to the applicable British Bankers' Association Interest Settlement Rate for deposits in U.S. dollars appearing on Reuters Screen FRBD as of 11:00 a.m. (London time) two Business Days prior to the first day of such Subsequent Interest Period, and having a maturity equal to such Subsequent Interest Period, *provided* that, (i) if Reuters Screen FRBD is not available to the Bank for any reason, the applicable LIBOR rate for the relevant Subsequent Interest Period shall instead be the applicable British Bankers' Association Interest Settlement Rate for deposits in U.S. dollars as reported by any other generally recognized financial information service as of 11:00 a.m. (London time) two Business Days prior to the first day of such Subsequent Interest Period, and having a maturity equal to such Subsequent Interest Period, and (ii) if no such British Bankers' Association Interest Settlement Rate is available to the Bank, the applicable LIBOR Rate for the relevant Subsequent Interest Period shall instead be the rate determined by the Bank to be the rate at which the Bank or one of its Affiliate banks offers to place deposits in U.S. dollars with first-class banks in the London interbank market at approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Subsequent Interest Period, in the approximate amount of the Loan and having a maturity equal to such Subsequent Interest Period.

"Subsequent Interest Period" means each period beginning on the last day of the immediately preceding interest period and ending one month, two months, three months or six months, as determined by the undersigned pursuant to the following paragraph. Only one Subsequent Interest Period with a single duration may be in effect at any given time. No Subsequent Interest Period may extend beyond July 3, 2002.

Subsequent Interest Period with a single duration may be in effect at any given time. No Subsequent Interest Period may extend beyond July 3, 2002.

In order for the Loan to bear interest at LIBOR plus .375% for any Subsequent Interest Period, the undersigned shall give the Bank irrevocable notice not later than 10:00 a.m. (Chicago time) at least three Business Days prior to (a) with respect to the first Subsequent Interest Period, August 1, 2001, (b) with respect to each subsequent Subsequent Interest Period, the last day of the Subsequent Interest Period then in effect and (c) if the Base Rate is then applicable to the Loan, any Business Day selected by the Borrower, specifying the duration of the Subsequent Interest Period which shall commence on such date. The undersigned's selection of each Subsequent Interest Period pursuant to the preceding sentence shall be given effect unless, on the last day of the Subsequent Interest Period then in effect, either (i) Section 2.04 of the Loan Agreement requires that the Loan bear interest at the Base Rate or (ii) an Event of Default under the Loan Agreement (or event which with the passage of time or giving of notice, or both, would constitute an Event of Default), has occurred and is continuing, in which case the Loan shall bear interest at the Base Rate (or the default rate specified in the first paragraph of this Note, if applicable). In the event that the undersigned fails to give any such notice in compliance with the first sentence of this paragraph, the Loan shall bear interest at the Base Rate until such time as a Subsequent Interest Period is selected and becomes effective in compliance with this paragraph.

On any day on which the Bank determines LIBOR for any Subsequent Interest Period, the Bank shall provide facsimile notice of the new LIBOR rate to the undersigned and to Southern Company Services, Inc., as provided in Section 7.04 of the Loan Agreement referred to below.

All payments hereunder shall be made in lawful money of the United States of America in immediately available funds and without setoff, counterclaim or other deduction. If any payment hereunder shall be specified to be made on a day which is not a Business Day, it shall be made on the next succeeding day which is a Business Day and such extension of time shall in such case be included in computing interest, if any, in connection with such payment.

The principal of this Note may be prepaid by the undersigned in whole or in part without premium or penalty on the last day of any Subsequent Interest Period (but not any other date) upon at least three Business Days' notice to the Bank. Any partial prepayment shall be in the principal amount of $1,000,000 or any integral multiple thereof.

Demand for payment, protest and notice of dishonor are hereby waived by the undersigned.

This Note evidences a loan made to the undersigned under and is entitled to the benefits of a certain Loan Agreement dated as of June 27, 2001, to which Loan Agreement reference is hereby made for, among other things, the terms under which this Note may be accelerated. Unless the context otherwise requires, capitalized terms used in this Note which are defined in such Loan Agreement shall have their defined meanings when used herein.

The undersigned promises to pay all out-of-pocket costs and expenses (including reasonable fees and out-of-pocket costs and expenses of legal counsel) which the Bank may incur in the enforcement against the undersigned of said Loan Agreement or this Note.

GULF POWER COMPANY

By: W E Dale

[SEAL] Title: SECRETARY & TREASURER

Attest:

By: Susan D. Ritenour

Title: Asst. Sec. & Asst. Treas.

LOAN AGREEMENT

Dated as of June 27, 2001

By and Between

GULF POWER COMPANY

AND

BANK ONE, N.A.

LOAN AGREEMENT

THIS LOAN AGREEMENT, dated as of June 27, 2001 (the "Agreement"), by and between GULF POWER COMPANY, a corporation organized and existing under the laws of the State of Maine (the "Borrower"), and BANK ONE, N.A., a national banking association with its main office in Chicago, Illinois (the "Bank").

W I T N E S S E T H:

WHEREAS, the Borrower has requested the Bank to extend the Loan (as hereinafter defined), and the Bank is willing to do so subject to and upon the terms and conditions set forth in this Agreement;

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

ARTICLE I

DEFINITIONS

SECTION 1.01. Definitions. In addition to the other terms defined herein, the following terms used herein shall have the meanings herein specified (such meanings to be equally applicable to both the singular and plural forms of the terms defined except where specifically defined):

"Affiliate" means, with respect to any person, any other person directly or indirectly controlling, controlled by or under direct or indirect common control with such person.

"Base Rate" means a fluctuating rate per annum equal to the higher of (a) the Federal Funds Rate plus 1/2 of 1% and (b) the rate of interest in effect for such day as publicly announced from time to time by the Bank as its "prime rate." The prime rate is a per annum rate of interest established from time to time by the Bank as its prime rate based upon various factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such announced rate. The prime rate may not be the lowest rate of interest charged by the Bank to its customers. Any change in the prime rate announced by the Bank shall take effect at the opening of business on the day specified in the public announcement of such change.

"Business Day" means (i) with respect to any borrowing, payment or interest period selection for the Loan, or any portion thereof, bearing interest at "LIBOR" (as defined in the Note), a day (other than a Saturday or Sunday) on which banks generally are open in Chicago and New York for the conduct of substantially all of their commercial lending activities, interbank wire transfers can be made on the Fedwire system and dealings in United States dollars are carried on in the London interbank market and (ii) for all other purposes, a day (other than a Saturday or Sunday) on which banks generally are open in Chicago for the conduct of

substantially all of their commercial lending activities and interbank wire transfers can be made on the Fedwire system.

"Capitalization," with respect to any person, shall mean the sum of (a) the aggregate of the capital stock (but excluding treasury stock and capital stock subscribed and unissued) and other equity accounts (including retained earnings, paid-in capital, and Trust Preferred Obligations) of such person as the same appears on the balance sheet of such person prepared in accordance with GAAP as of the date of determination, and (b) the amount of Indebtedness of such person as of the same date.

"Change of Control" means the failure of The Southern Company, a Delaware corporation, to own at least 51% of the outstanding shares of the capital stock of the Borrower entitled to vote generally for the election of directors of the Borrower.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as such Act may be amended.

"Federal Funds Rate" means, for any day, the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; provided that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average of the quotations at approximately 10:00 a.m. (Chicago time) on such day on such transactions received by the Bank from three Federal funds brokers of recognized standing selected by the Bank in its sole discretion.

"First Mortgage Indenture" shall mean the Indenture, dated as of September 1, 1941, between the Borrower and The Chase Manhattan Bank, as Successor Trustee, as supplemented and amended to date, and as may hereafter be supplemented and amended by supplemental indentures.

"GAAP" means generally accepted accounting principles in the United States applied on a consistent basis.

"Guaranty Obligations" means, in respect of any person, any legally enforceable obligation, contingent or otherwise, of such person directly or indirectly guaranteeing any Indebtedness of another person.

"Indebtedness" means, as to the Borrower, without duplication: (i) all obligations of the Borrower for borrowed money or evidenced by bonds, debentures, notes or similar instruments; (ii) all obligations of the Borrower for the deferred purchase price of property or services (except trade accounts payable arising in the ordinary course of business); (iii) all capital lease obligations of the Borrower; (iv) all Indebtedness of others secured by a Lien on any properties, assets or revenues of the Borrower (other than stock, partnership interests or other equity

interests of the Borrower or any of its Subsidiaries in other entities) to the extent of the lesser of the value of the property subject to such Lien or the amount of such Indebtedness; (v) all Guaranty Obligations; and (vi) all non-contingent obligations of the Borrower under any letters of credit or bankers' acceptances. It is understood and agreed that Indebtedness (including Guaranty Obligations) shall not include any obligations of the Borrower with respect to subordinated deferrable interest debt securities, and any related securities issued by a trust or other special purpose entity in connection therewith, as long as the maturity date of such debt is subsequent to the maturity date of the Note; provided that the amount of any mandatory principal amortization or defeasance of such debt prior to the maturity date of the Note shall be included in this definition of Indebtedness (such obligations, "Trust Preferred Obligations").

"Lien" means any mortgage, pledge, hypothecation, assignment, deposit arrangement, security interest, encumbrance, lien (statutory or otherwise), preference, priority or charge of any kind (including any agreement to give any of the foregoing, any conditional sale or other title retention agreement, any financing or similar statement or notice filed under the Uniform Commercial Code as adopted and in effect in the relevant jurisdiction or other similar recording or notice statute, and any lease in the nature thereof).

"Net Tangible Assets" means, as of any date, the total assets shown on the balance sheet of the Borrower and its Subsidiaries, determined on a consolidated basis in accordance with GAAP less (a) all current liabilities and minority interests and (b) goodwill and other intangibles.

"Plan" shall mean any employee benefit plan or other plan maintained for employees.

"Significant Subsidiary," with respect to any person, shall mean a Subsidiary of such person which represents more than 10% of such person's assets on a consolidated basis.

"Subsidiary" means, as to any person, (a) any corporation more than 50% of whose stock of any class or classes having by the terms thereof ordinary voting power to elect a majority of the directors of such corporation (irrespective of whether or not at the time, any class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time owned by such person directly or indirectly through Subsidiaries and (b) any partnership, association, joint venture or other entity in which such person directly or indirectly through Subsidiaries has more than 50% equity interest at any time.

"Trust Preferred Obligations" has the meaning set forth in the definition of Indebtedness.

ARTICLE II

AMOUNT AND TERMS OF LOAN

SECTION 2.01. Loan and Note. Subject to and upon the terms and conditions set forth in this Agreement, the Bank agrees to lend to the Borrower One Hundred Million Dollars ($100,000,000) in immediately available funds on July 2, 2001 (the "Loan"). The Loan shall be evidenced by, and shall accrue interest and be payable as provided in, a single Promissory Note payable to the Bank in the form of Exhibit A attached hereto (the "Note").

SECTION 2.02. Increased Costs. If (i) Regulation D of the Board of Governors of the Federal Reserve System, or (ii) after the date hereof, the adoption of any applicable law, rule or regulation, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by the Bank with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency,

(1) shall subject the Bank to any tax, duty or other charge with respect to the Loan or the Note, or shall change the basis of taxation of payments to the Bank of the principal of or interest on the Note or any other amounts due under this Agreement in respect of the Loan (except for changes in the rate of tax on the overall net income of the Bank imposed by the jurisdiction in which the Bank's principal executive office is located); or

(2) shall impose, modify or deem applicable any reserve (including, without limitation, any reserve imposed by the Board of Governors of the Federal Reserve System), special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, the Bank; or

(3) shall impose on the Bank any other condition affecting the Loan or the Note;

and the result of any of the foregoing is to increase the cost to (or in the case of Regulation D referred to above, to impose a cost on) the Bank of extending or maintaining the Loan, or to reduce the amount of any sum received or receivable by the Bank under this Agreement or under the Note with respect thereto, then within 15 days after demand by the Bank (which demand shall be accompanied by a statement setting forth the basis of such demand and shall be presumed accurate absent manifest error), the Borrower shall pay directly to the Bank such additional amount or amounts as will compensate the Bank for such increased cost or such reduction. The Bank shall promptly notify the Borrower of any event of which it has knowledge, occurring after the date hereof, which will entitle the Bank to compensation pursuant to this Section 2.02 and will take such reasonable action, if such action will avoid the need for, or reduce the amount of, such compensation and will not, in the sole judgment of the Bank, be otherwise disadvantageous to the Bank.

SECTION 2.03. Capital Adequacy. If, after the date hereof, the Bank has determined that the adoption or effectiveness of any applicable law, rule or regulation regarding capital adequacy, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by the Bank or its parent with any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect or reducing the rate of return on the Bank's or its parent's capital or assets as a consequence of its commitments or obligations hereunder to a level below that which the Bank or its parent could have achieved but for such adoption, effectiveness, change or compliance (taking into consideration the Bank's and its parent's policies with respect to capital adequacy), then the Borrower shall pay to the Bank

within 15 days after demand, which demand shall contain the basis and calculations supporting such demand, such additional amount or amounts as will compensate the Bank and its parent for such reduction. Each determination by the Bank of amounts owing under this Section 2.03 shall, absent manifest error, be conclusive and binding on the Borrower.

SECTION 2.04. Illegality; Unavailability. If the Bank determines in good faith that any laws have made it unlawful, or that any governmental authority has asserted that it is unlawful, for Bank to make or maintain the Loan (or any conversion or continuation associated therewith), or materially restricts the authority of the Bank to purchase or sell, or to take deposits of, dollars in the LIBOR market, or to determine or charge interest rates based upon LIBOR (as defined in the Note), then, on notice thereof by the Bank to the Borrower, any obligation of the Bank to make, continue or convert Loans based on LIBOR shall be suspended until the Bank notifies the Borrower that the circumstances giving rise to such determination no longer exist. Upon receipt of such notice, the Borrower shall, upon demand from the Bank, prepay the Loan or convert the Loan to the Base Rate either on the last day of the Interest Period thereof, if the Bank may lawfully continue to maintain the Loan to such day, or immediately, if the Bank may not lawfully continue to maintain such LIBOR Loan. Further, if in connection with any LIBOR Loan, the Bank determines that (a) dollar deposits are not being offered to banks in the applicable offshore dollar market for the applicable amount and time period of the requested LIBOR Loan or (b) adequate and reasonable means do not exist for determining the underlying interest rate for such LIBOR Loan, the Bank shall promptly notify the Borrower. Thereafter, the obligation of the Bank to make or maintain such LIBOR Loan shall be suspended until the Bank revokes such notice. Upon receipt of such notice, the Borrower may revoke any pending request for a LIBOR Loan or, failing that, be deemed to have converted such request into a request for a Base Rate Loan in the amount specified therein.

SECTION 2.05. Taxes. Any and all payments by the Borrower to or for the account of the Bank under this Agreement or the Note shall be made free and clear of and without deduction for any and all present or future taxes, duties, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding taxes measured by net income and franchise taxes imposed on it by the jurisdiction under the laws of which the Bank is organized or transacting business or any political subdivision thereof. In addition, the Borrower agrees to pay, upon written notice from the Bank, any and all present or future stamp or documentary taxes and any other excise or property taxes or charges or similar levies which arise from any payment made under this Agreement or the Note.

SECTION 2.06. Making of Payments. All payments of principal of, or interest on, the Note shall be made in immediately available funds without setoff, counterclaim or other deduction to the Bank at its principal office in Chicago, Illinois. All such payments shall be made not later than 12:00 noon (Chicago time) on the date specified for payment.

SECTION 2.07. Telephonic Notices. The Borrower hereby authorizes the Bank to make the Loan, select "Subsequent Interest Periods" under the Note and to transfer funds based on telephonic notices made by any person or persons the Bank in good faith believes to be acting on behalf of the Borrower. The Borrower agrees to deliver promptly to the Bank a written confirmation, if such confirmation is requested by the Bank, of each telephonic notice signed by

an authorized officer of the Borrower. If the written confirmation differs in any material respect from the action taken by the Bank, the records of the Bank shall govern absent manifest error.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

SECTION 3.01. Representations and Warranties. The Borrower represents and warrants to the Bank as follows:

(a) the Borrower is a corporation duly organized, validly existing and in good standing under the laws of the State of Maine and each Significant Subsidiary, if any, of the Borrower is a corporation duly organized, validly existing and in good standing under the laws of its respective state of incorporation;

(b) the Borrower has taken all necessary corporate action to authorize its execution, delivery and performance of this Agreement and its obtaining the Loan;

(c) each of this Agreement and the Note is the valid and binding obligation of the Borrower enforceable in accordance with its terms, except as such enforcement may be limited by any bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting the enforcement of creditors' rights generally or general principles of equity;

(d) this Agreement, the Note and the Loan do not and will not violate in any material respect any provisions of any applicable law or conflict with, result in a breach of, or constitute a default under, the Borrower's Charter or By-laws or any material indenture or other material agreement or instrument, or any material legal restriction that the Borrower is a party to or bound by;

(e) no approval or consent of, or other filing with or notice to, any governmental body is legally required for the issuance by the Borrower of the Note or the execution, delivery and performance by the Borrower of this Agreement and the Note except for (i) an order or orders of the Securities and Exchange Commission under the Public Utility Holding Company Act of 1935, as amended, and (ii) an order or orders of the Florida Public Service Commission, which order or orders in each case have been obtained and are in effect;

(f) other than in the ordinary course of business (including, without limitation, actions, suits or proceedings involving rates or licenses or permits for the construction or operation of generating or transmission facilities), there are no actions, suits or proceedings pending or to the Borrower's knowledge threatened against or directly involving the Borrower or its properties before any court, arbitrator or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, except (i) actions, suits or proceedings which will not effect a material adverse change in the Borrower's financial condition or operations and (ii) as disclosed in or contemplated by the Borrower's Annual

Report on Form 10-K for the year ended December 31, 2000 or its Quarterly Report on Form 10-Q for the quarter ended March 31, 2001 (the "Exchange Act Documents");

(g) to the best knowledge of the Borrower, no Reportable Event (as defined in Title IV of ERISA) has occurred and is continuing with respect to any Plan of the Borrower;

(h) the Borrower has not incurred any material accumulated funding deficiency within the meaning of ERISA and the Borrower has not incurred any material liability to the Pension Benefit Guaranty Corporation established under ERISA (or any successor thereto) in connection with any Plan of the Borrower;

(i) no Event of Default (as defined in Section 5.01 hereof), or event which with the passage of time or giving of notice, or both, would constitute an Event of Default, has occurred and is continuing;

(j) the Borrower has furnished to the Bank its balance sheet as of December 31, 2000, and related statements of income and cash flows for the twelve months then ended, in each case audited by Arthur Andersen LLP, independent certified public accountants;

(k) such financial statements fairly present the Borrower's financial position as of December 31, 2000, and the results of its operations for the twelve months then ended, in conformity with generally accepted accounting principles consistently applied during such period (except as stated therein);

(l) there has been no material adverse change in the financial condition or operations of the Borrower and it subsidiaries (taken as a whole) since December 31, 2000, except as reflected in or contemplated by the Exchange Act Documents, it being understood and agreed that this exception is not intended to cover statements in the Exchange Act Documents that are stated therein to be applicable to the electric utility industry generally unless they describe specific problems or types of problems which, at the date hereof, are affecting the Borrower's financial condition or operations or its prospects; and

(m) the Borrower is not engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation U of the Board of Governors of the Federal Reserve System), and no proceeds of the Loan are to be used to purchase or carry any margin stock or to extend credit to others for such purpose.

As used in this Agreement, the term "material adverse change" shall mean a material adverse effect on (a) the operations, financial condition or business or the Borrower, (b) the ability of the Borrower to perform its obligations under this Agreement or the Note or (c) the validity or enforceability of this Agreement or the Note or the rights and remedies of the Bank hereunder or thereunder. The Bank recognizes and agrees that the Borrower is entering into this Agreement in

part because it foresees the possibility that from time to time during the term of this Agreement it may not be able to issue first mortgage bonds or preferred stock and that such inability shall not, in and of itself, constitute a material adverse change. The Bank further agrees that an unsuccessful or failed remarketing, auction or similar procedure with respect to any security subject to such procedure also shall not, in and of itself, constitute a material adverse change.

ARTICLE IV

AFFIRMATIVE COVENANTS

SECTION 4.01. Certain Covenants. So long as the Note shall remain unpaid, the Borrower will, unless the Bank shall otherwise consent in writing:

(a) pay and discharge all taxes, assessments and governmental charges or levies imposed upon the Borrower or upon its income or profits, or upon any properties belonging to the Borrower, prior to the date on which penalties attach thereto, and all lawful claims which, if unpaid, might become a lien or charge upon any properties of the Borrower, provided it shall not be required to pay any such tax, assessment, charge, levy or claim which is being contested in good faith and by proper proceedings;

(b) maintain insurance in accordance with Section 7.06 of the First Mortgage Indenture;

(c) preserve and maintain its corporate existence in Maine, and qualify and remain qualified as a foreign corporation in each jurisdiction in which such qualification is necessary or desirable in view of its business and operations or the ownership of its properties;

(d) comply with the requirements of all applicable laws, non-compliance with which would effect a material adverse change in its financial condition or operations except applicable laws being contested in good faith;

(e) provide the Bank with prompt notice in writing of any Event of Default or any event which with the passage of time or giving of notice, or both, would constitute an Event of Default; and

(f) comply with the provisions of the First Mortgage Indenture with respect to the maintenance and replacement of utility plant.

SECTION 4.02. Financial Statements. The Borrower, so long as any indebtedness under this Agreement is outstanding and unpaid, will furnish or cause to be furnished to the Bank (a) within 120 days after the end of each of its fiscal years, its consolidated balance sheet and related consolidated statements of income and cash flows, in each case audited by independent certified public accountants of nationally recognized standing, showing its financial position at the close of such year and the results of its operations and cash flows for such year; (b) within 55 days after the end of each of the first three quarters in each of its fiscal years, its unaudited condensed

consolidated balance sheet and related condensed consolidated statements of income and cash flows, such balance sheets to be as of the end of such quarter and such statements of income and cash flows to be for the period from the beginning of the fiscal year to the end of such quarter, in each case in the forms included in its Quarterly Report on Form 10-Q for such quarter filed with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, and subject to audit and year-end adjustments; and (c) such other information respecting the Borrower's business, properties or its condition or operations, financial or otherwise, as the Bank may from time to time reasonably request.

SECTION 4.03. Indebtedness to Capitalization. The ratio of (a) Indebtedness to (b) Capitalization shall at all times be less than or equal to .65 to 1.0.

ARTICLE V

NEGATIVE COVENANTS

The Borrower hereby covenants and agrees that, so long as the Note shall remain unpaid, unless the Bank shall otherwise consent in writing:

SECTION 5.01. Nature of Business. The Borrower will not alter the character of its business from that conducted as of the date hereof.

SECTION 5.02. Consolidation and Merger. The Borrower will not enter into any transaction of merger or consolidation or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution); provided that notwithstanding the foregoing provisions of this Section 5.02, the following actions may be taken if after giving effect thereto no Event of Default exists:

(a) a Subsidiary of the Borrower may be merged or consolidated with or into the Borrower; provided that the Borrower shall be the continuing or surviving corporation; and

(b) the Borrower may merge or consolidate with any other person (other than one of its Subsidiaries), if either (i) the Borrower shall be the continuing or surviving corporation or (ii) the Borrower shall not be the continuing or surviving corporation and the corporation so continuing or surviving (A) is a corporation organized and duly existing under the law of any state of the United States and (B) executes and delivers to the Bank an instrument in form satisfactory to the Bank pursuant to which it expressly assumes the Loan and all of the other obligations of the Borrower hereunder and procures for the Bank an opinion in form satisfactory to the Bank and from counsel satisfactory to the Bank in respect to the due authorization, execution, delivery and enforceability of such instrument and covering such other matters as the Bank may reasonably request.

SECTION 5.03. Sale or Lease of Assets. The Borrower will not convey, sell, lease, transfer or otherwise dispose of in one transaction or a series of transactions, all or substantially all of its business or assets whether now owned or hereafter acquired.

SECTION 5.04. Transactions with Affiliates. Except as otherwise required by law, the Borrower will not enter into any transaction or series of transactions, whether or not in the ordinary course of business, with any of its Affiliates other than on terms and conditions substantially as favorable as would be obtainable in a comparable arm's-length transaction with a person other than an Affiliate.

SECTION 5.05. Fiscal Year. The Borrower will not change its fiscal year (a) without prior written notification to the Bank and (b) if such change would materially affect the Bank's ability to read and interpret the financial statements delivered pursuant to Section 4.02.

SECTION 5.06. Liens. The Borrower will not contract, create, incur, assume or permit to exist any Lien with respect to any of its property or assets of any kind (whether real or personal, tangible or intangible), whether now owned or hereafter acquired, securing any Indebtedness (unless the Loan hereunder is equally and ratably secured with such other Indebtedness) other than the following: (a) Liens securing the Borrower's obligations hereunder or under the Note, (b) Liens for taxes not yet due or Liens for taxes being contested in good faith by appropriate proceedings for which adequate reserves determined in accordance with GAAP have been established (and as to which the property subject to any such Lien is not yet subject to foreclosure, sale or loss on account thereof), (c) Liens in respect of property imposed by law arising in the ordinary course of business such as materialmen's, mechanics', warehousemen's, carrier's, landlords' and other nonconsensual statutory Liens which are not yet due and payable, which have been in existence less than 90 days or which are being contested in good faith by appropriate proceedings for which adequate reserves determined in accordance with GAAP have been established (and as to which the property subject to any such Lien is not yet subject to foreclosure, sale or loss on account thereof), (d) pledges or deposits made in the ordinary course of business to secure payment of worker's compensation insurance, unemployment insurance, pensions or social security programs, (e) Liens arising from good faith deposits in connection with or to secure performance of tenders, bids, leases, government contracts, performance and return-of-money bonds and other similar obligations incurred in the ordinary course of business (other than obligations in respect of the payment of borrowed money), (f) Liens arising from good faith deposits in connection with or to secure performance of statutory obligations and surety and appeal bonds, (g) easements, rights-of-way, restrictions (including zoning restrictions), minor defects or irregularities in title and other similar charges or encumbrances not, in any material respect, impairing the use of the encumbered property for its intended purposes, (h) judgment Liens that would not constitute an Event of Default, (i) Liens arising by virtue of any statutory or common law provision relating to banker's liens, rights of setoff or similar rights as to deposit accounts or other funds maintained with a creditor depository institution, (j) Liens securing Indebtedness created under the First Mortgage Indenture, (k) any Lien created or arising over any property which is acquired, constructed or created by the Borrower, but only if (i) such Lien secures only principal amounts (not exceeding the cost of such acquisition, construction or creation) raised for the purposes of such acquisition, construction or creation, together with any costs, expenses, interest and fees incurred in relation thereto or a guarantee given in respect thereof, (ii) such Lien is created or arises on or before 180 days after the completion of such acquisition, construction or creation and (iii) such Lien is confined solely to the property so acquired, constructed and created and any improvements thereto, (l) any Lien on any property acquired from a corporation or other entity which is merged

with or into the Borrower in accordance with Section 5.02, and is not created in anticipation of any such transaction (unless such Lien is created to secure or provide for the payment of any part of the purchase price of such corporation or other entity), (m) any Lien on any property or assets existing at the time of acquisition of such property or assets by the Borrower and which is not created in anticipation of such acquisition (unless such Lien was created to secure or provide for the payment of any part of the purchase price of such property or assets), (n) any extension, renewal or replacement (or successive extensions, renewals or replacements), as a whole or in part, of any Liens referred to in the foregoing clauses (a) through (m), for amounts not exceeding the principal amount of the Indebtedness secured by the Lien so extended, renewed or replaced, provided that such extension, renewal or replacement Lien is limited to all or a part of the same property or assets that were covered by the Lien extended, renewed or replaced (plus improvements on such property or assets) and (o) Liens on property, in addition to those otherwise permitted by clauses (a) through (n) above, securing, directly or indirectly, Indebtedness which does not exceed, in the aggregate at any one time outstanding, ten percent (10%) of Net Tangible Assets.

ARTICLE VI

EVENTS OF DEFAULT AND REMEDIES

SECTION 6.01. Events of Default. Any one or more of the following shall constitute an Event of Default hereunder:

(a) the Borrower (or, in the case of an event described in (iii), (iv) or (v) below, either the Borrower or any Significant Subsidiary of the Borrower) shall:

(i) default in the payment when due of any principal of the Note, or default for 5 Business Days in the payment when due of any interest on the Note,

(ii) default in the performance of any other agreement or covenant contained in this Agreement (other than a covenant or agreement a default in the performance of which is elsewhere in this paragraph specifically dealt with) and such default shall continue for a period of 30 days after the Bank has given the Borrower written notice thereof,

(iii) default in the payment when due or within any applicable period of grace of any Indebtedness of the Borrower or any Significant Subsidiary (other than Indebtedness incurred under the Note and under agreements or instruments involving in the aggregate less than $25,000,000),

(iv) default under the provisions of any instrument evidencing Indebtedness of the Borrower or any Significant Subsidiary (other than Indebtedness incurred under the Note and under agreements or instruments involving in the aggregate less than $25,000,000), or of any agreement relating to any such Indebtedness of the Borrower or any Significant Subsidiary the effect of which default is to permit any party or parties to any such instrument or

agreement to cause such Indebtedness to become due prior to its stated maturity, or

(v) (A) apply for or consent to the appointment of a receiver, trustee, liquidator or the like of the Borrower or any Significant Subsidiary of the Borrower, or of all or a substantial part of its or any such Significant Subsidiary's property, (B) be unable, or admit in writing inability, to pay debts generally as they mature, (C) make a general assignment for the benefit of creditors, (D) be adjudicated a bankrupt or insolvent, or (E) file a voluntary petition in bankruptcy or a petition or answer seeking reorganization or an arrangement with creditors or to take advantage of any insolvency law or an answer admitting the material allegations of a petition filed against it or any such Significant Subsidiary in any bankruptcy, reorganization or insolvency proceeding, or corporate action shall be taken by it or any such Significant Subsidiary for the purpose of effecting any of the foregoing,

(b) any representation made by the Borrower hereunder shall prove incorrect in any material respect when made, or

(c) an order, judgment or decree shall be entered, without the application, approval or consent of the Borrower or any Significant Subsidiary of the Borrower, by any court or governmental agency of competent jurisdiction, approving a petition seeking the Borrower's or Significant Subsidiary's reorganization, or appointing a receiver, trustee, liquidator or the like of it or any such Significant Subsidiary, or of all or a substantial part of its or any such Significant Subsidiary's assets, and such order, judgment or decree shall continue unstayed and in effect for any period of 60 consecutive days, or

(d) one or more judgments, orders or decrees shall be entered against the Borrower involving a liability of $25,000,000 or more, in the aggregate (to the extent not paid or covered by insurance provided by a carrier who has acknowledged coverage), and such judgments, orders or decrees shall continue unsatisfied, undischarged and unstayed for a period ending on the first to occur of (i) the last day on which such judgment, order or decree becomes final and unappealable and, where applicable, with the status of a judicial lien or (ii) 30 days, or

(e) the occurrence of a Change of Control.

SECTION 6.02. Remedies on Default. Upon the occurrence and continuation of an Event of Default, then, except in the case of an event described in clause (A), (C), (D) or (E) of Section 6.01 (a)(v) above or in Section 6.01 (c) above, the Bank may, upon written notice to the Borrower, declare the principal and interest on the Note to be immediately due and payable, whereupon the outstanding principal amount of the Note, accrued interest thereon, and all other amounts payable under this Agreement and the Note, shall be immediately due and payable. In the case of an event described in clause (A), (C), (D) or (E) of Section 6.01 (a)(v) above or in

Section 6.01 (c) above, without any notice to the Borrower or declaration by the Bank, the outstanding principal amount of the Note, accrued interest thereon, and all other amounts payable by the Borrower under this Agreement and the Note shall be immediately due and payable.

ARTICLE VII

MISCELLANEOUS

SECTION 7.01. No Waiver. The Bank's rights and remedies under this Agreement and the Note are cumulative and not exclusive of any rights or remedies which the Bank would otherwise have, and no failure or delay by the Bank in exercising any right shall operate as a waiver of it, nor shall any single or partial exercise of any power or right preclude its other or further exercise or the exercise of any other power or right. Any term, covenant, agreement or condition of this Agreement and the Note may be amended by a writing executed by the parties hereto or the Bank may waive compliance therewith in writing (either generally or any particular instance or retrospectively or prospectively) and upon execution of such waiver or amendment, the failure to observe, perform or discharge any such term, covenant, agreement or condition (whether such amendment is executed or such waiver is given before or after such failure) shall not be construed as a breach of such term, covenant, agreement or condition or an Event of Default to the extent so amended or waived.

SECTION 7.02. Investment. The Bank represents that it is the present intention of the Bank to acquire the Note for its own account in the ordinary course of its banking business and not with a view to the distribution or sale thereof, subject, nevertheless, to the necessity that the Bank remain in control at all times of the disposition of property held by it for its own account, it being understood that the foregoing representation shall not affect the character of the Loan as a commercial lending transaction nor the ability or right of the Bank to grant participations in its rights and obligations hereunder and under the Note as specified in Section 7.03 hereof.

SECTION 7.03. Participations. The Bank may from time to time enter into participation agreements and pursuant thereto assign its rights under this Agreement and the Note. All amounts payable by the Borrower under this Agreement and the Note shall be determined as if the Bank had not entered into any such participation agreement. The Bank may furnish any information concerning the Borrower in the possession of the Bank from time to time to participants and prospective participants.

SECTION 7.04. Notices. All notices and other communications under this Agreement shall be mailed, telegraphed, telexed, telecopied or delivered to each party at the address set forth below, unless such address shall have been changed by written notice to the other party of such change, in which event it shall be addressed to such changed address:

If to the Bank, to it at:

BANK ONE, N.A.
1 Bank One Plaza
Chicago, Illinois 60670

Attention: Ms. Dawn Lawler
Telecopy No.: (312) 732-5435

If to the Borrower, to it at:

Gulf Power Company
500 Bayfront Parkway
Pensacola, Florida 32501
Attention: Mr. Warren Tate
Telecopy No.: (850) 444-6744

with a copy to:

Southern Company Services, Inc.
270 Peachtree Street, N.W.
Atlanta, Georgia 30303
Attention: Treasury Services
Telecopy No.: (404) 506-0735

All such notices and communications shall, when mailed, telegraphed, telexed or telecopied, be effective when deposited in the mails or delivered to the telegraph company or sent by telex or telecopy, respectively, addressed as aforesaid.

SECTION 7.05. Payment of Expenses; Indemnity. The Borrower agrees (a) to pay or reimburse the Bank for all costs and expenses incurred in connection with the execution of any amendment, waiver, consent, supplement or modification to this Agreement or the Note, and any other documents prepared in connection therewith, and the consummation and administration of the transactions contemplated thereby, including, without limitation, all reasonable costs and expenses of legal counsel, (b) to pay or reimburse the Bank for all costs and expenses incurred in connection with any refinancing, restructuring, reorganization (including a bankruptcy reorganization) and enforcement or attempted enforcement, or preservation of any rights under this Agreement or the Note, and any other documents prepared in connection therewith, or in connection with any refinancing, or restructuring of any such documents in the nature of a "workout" or of any insolvency or bankruptcy proceeding, including, without limitation, all reasonable costs and expenses of legal counsel, and (c) to indemnify the Bank, its Affiliates and each of their respective officers, directors, employees, representatives and agents from and hold each of them harmless against any and all losses, liabilities, claims, damages or expenses incurred by any of them as a result of, or arising out of, or in any way related to, or by reason of, any investigation, litigation or other proceedings (whether or not the Bank or any Affiliate is a party thereto) related to the entering into and/or performance of this Agreement or the use of proceeds of the Loan hereunder or the consummation of any other transactions contemplated in this Agreement, including, without limitation, the reasonable fees and disbursements of counsel incurred in connection with any such investigation, litigation or other proceeding; provided that the Borrower shall not be responsible for any such losses, liabilities, claims, damages or expenses to the extent incurred by reason of gross negligence or willful misconduct on the part of the

person to be indemnified; and provided further that in no event shall the Borrower have any liability with respect to the settlement or compromise of any claim or proceeding effected without its prior written consent nor shall the Borrower be liable for the fees and disbursements of more than one firm of attorneys in connection with the same matter in the same jurisdiction for all persons indemnified.

SECTION 7.06. Set-Off. In addition to any rights and remedies of the Bank or any participant of the Bank or any Affiliates thereof (each, a "Proceeding Party") provided by law, upon the occurrence and during the continuance of any Event of Default, each Proceeding Party is authorized at any time and from time to time, without prior notice to the Borrower, any such notice being waived by the Borrower to the fullest extent permitted by law, to proceed directly, by right of set-off, banker's lien or otherwise, against any assets of the Borrower which may be in the hands of such Proceeding Party (including all general or special, time or demand, provisional or other deposits and other indebtedness owing by such Proceeding Party to or for the credit or the account of the Borrower) and apply such assets against the obligations hereunder and under the Note, irrespective of whether such Proceeding Party shall have made any demand therefor and although such obligations may be unmatured.

SECTION 7.07. Governing Law; Waiver of Jury Trial. This Agreement and the Note shall be construed in accordance with and governed by the laws of the State of Illinois. EACH PARTY TO THIS AGREEMENT HEREBY EXPRESSLY WAIVES ITS RIGHT TO TRIAL BY JURY IN CONNECTION WITH ANY CLAIM, DEMAND OR CAUSE OF ACTION ARISING UNDER THIS AGREEMENT OR THE NOTE.

SECTION 7.08. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which, taken together, shall constitute one and the same instrument.

WITNESS the hand and seal of the parties hereto through their duly authorized officers, as of the date first above written.

GULF POWER COMPANY

By: W E Daly

Title: SECRETARY AND TREASURER

[CORPORATE SEAL]

BANK ONE, N.A.

By: Dawn M Lawler

Title: DAWN M. LAWLER
Vice President

Description of Holder

$100,000,000 4.2375% Promissory Note Payable

Bank One, N.A.
1 Bank One Plaza
Chicago, Illinois 60670

GULF POWER COMPANY
Summary of Debt Expenses in Conjunction with the
4.2375% Promissory Note due July 3, 2002

Item Number	Issuance Expenses For:	Amount $
1	Fees and expenses of Counsel	1,865.10
	Total Expenses of Note	1,865.10

$60,000,000 Series C 4.69% Senior Notes

due August 1, 2003

GULF POWER COMPANY

UNDERWRITING AGREEMENT

July 31, 2001

Banc One Capital Markets, Inc.
One Bank One Plaza
Chicago, Illinois 60670

SunTrust Capital Markets, Inc.
303 Peachtree Street, 23rd Floor
Atlanta, Georgia 30308

Ladies and Gentlemen:

Gulf Power Company, a Maine corporation (the "Company"), confirms its agreement (the "Agreement") with you as the Underwriters named in Schedule I hereto (collectively, the "Underwriters", which term shall include any underwriter substituted as hereinafter provided in Section 10 hereof), with respect to the sale by the Company and the purchase by the Underwriters, acting severally but not jointly, of $60,000,000 principal amount of the Series C 4.69% Senior Notes due August 1, 2003 (the "Senior Notes") as set forth in Schedule I hereto.

The Company understands that the Underwriters propose to make a public offering of the Senior Notes as soon as the Underwriters deem advisable after this Agreement has been executed and delivered. The Senior Notes will be issued pursuant to an indenture, dated as of January 1, 1998, as heretofore supplemented (the "Base Indenture"), between the Company and The Chase Manhattan Bank, as trustee (the "Trustee"), as supplemented by a third supplemental indenture to the Base Indenture relating to the Senior Notes (the "Supplemental Indenture," and together with the Base Indenture and any other amendments or supplements thereto, the "Indenture"), between the Company and the Trustee.

SECTION 1. REPRESENTATIONS AND WARRANTIES. The Company represents and warrants to the Underwriters as follows:

(a) A registration statement on Form S-3, as amended (File Nos. 333-59942, 333-59942-01 and 333-59942-02), in respect of the Senior Notes and certain other securities has been prepared and filed in accordance with the provisions of the Securities Act of 1933, as amended (the "1933 Act"), with the Securities and Exchange Commission (the "Commission"); such registration statement, as

amended, and any post-effective amendment thereto, each in the form heretofore delivered or to be delivered to the Underwriters, has been declared effective by the Commission in such form (except that copies of the registration statement, as amended, and any post-effective amendment delivered to the Underwriters need not include exhibits but shall include all documents incorporated by reference therein); and no stop order suspending the effectiveness of such registration statement has been issued and no proceeding for that purpose has been initiated or, to the best knowledge of the Company, threatened by the Commission (any preliminary prospectus, as supplemented by a preliminary prospectus supplement, included in such registration statement or filed with the Commission pursuant to Rule 424(a) of the rules and regulations of the Commission under the 1933 Act, being hereinafter called a "Preliminary Prospectus"); such registration statement, as it became effective, including the exhibits thereto and all documents incorporated by reference therein pursuant to Item 12 of Form S-3 at the time such registration statement became effective, being hereinafter called the "Registration Statement"; the prospectus relating to the Senior Notes, in the form in which it was included in the Registration Statement at the time it became effective, being hereinafter called the "Prospectus"; any reference herein to any Preliminary Prospectus or the Prospectus shall be deemed to refer to and include the documents incorporated by reference therein pursuant to Item 12 of Form S-3 under the 1933 Act, as of the date of such Preliminary Prospectus or Prospectus, as the case may be; any reference to any amendment or supplement to any Preliminary Prospectus or the Prospectus shall be deemed to refer to and include any documents filed after the date of such Preliminary Prospectus or Prospectus, as the case may be, under the Securities Exchange Act of 1934, as amended (the "1934 Act"), and incorporated by reference in such Preliminary Prospectus or Prospectus, as the case may be; any reference to any amendment to the Registration Statement shall be deemed to refer to and include any annual report of the Company filed pursuant to Section 13(a) or 15(d) of the 1934 Act after the effective date of the Registration Statement that is incorporated by reference in the Registration Statement; and the Prospectus as amended or supplemented in final form by a prospectus supplement relating to the Senior Notes in the form in which it is filed with the Commission, pursuant to Rule 424(b) under the 1933 Act in accordance with Section 3(f) hereof, including any documents incorporated by reference therein as of the date of such filing, being hereinafter called the "Final Supplemented Prospectus".

(b) The documents incorporated by reference in the Registration Statement or Prospectus, when they were filed with the Commission, complied in all material respects with the applicable provisions of the 1934 Act and the rules and regulations of the Commission thereunder, and as of such time of filing, when read together with the Prospectus, none of such documents contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and any further documents so filed and incorporated by reference in the Prospectus or any further amendment or supplement thereto, when such documents are filed with the

Commission, will comply in all material respects with the applicable provisions of the 1934 Act and the rules and regulations of the Commission thereunder and, when read together with the Prospectus as it otherwise may be amended or supplemented, will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that the Company makes no warranty or representation to the Underwriters with respect to: (A) any statements or omissions made in reliance upon and in conformity with information furnished in writing to the Company by the Underwriters expressly for use in the Final Supplemented Prospectus; or (B) any information set forth in the Final Supplemented Prospectus under the caption "Description of the Series C Senior Notes - Book-Entry Only Issuance -- The Depository Trust Company."

(c) The Registration Statement, the Prospectus and the Final Supplemented Prospectus comply and any further amendments or supplements to the Registration Statement or the Prospectus, when any such post-effective amendments are declared effective or supplements are filed with the Commission, as the case may be, will comply, in all material respects with the applicable provisions of the 1933 Act, the 1934 Act, the 1939 Act (hereinafter defined) and the General Rules and Regulations of the Commission thereunder and did not and will not, (i) as of the applicable effective date as to the Registration Statement and any amendment thereto and (ii) as of the applicable filing date as to the Final Supplemented Prospectus and any Prospectus as further amended or supplemented, contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; except that the Company makes no warranties or representations with respect to (A) that part of the Registration Statement which shall constitute the Statements of Eligibility (Form T-1) (collectively, the "Form T-1") under the Trust Indenture Act of 1939, as amended (the "1939 Act"), (B) statements or omissions made in the Registration Statement or the Final Supplemented Prospectus in reliance upon and in conformity with information furnished in writing to the Company by the Underwriters expressly for use therein or (C) any information set forth in the Final Supplemented Prospectus under the caption "Description of the Series C Senior Notes - Book-Entry Only Issuance -- The Depository Trust Company."

(d) With respect to the Registration Statement, the conditions for use of Form S-3, as set forth in the General Instructions thereof, have been satisfied.

(e) Since the respective dates as of which information is given in the Registration Statement and the Final Supplemented Prospectus, except as otherwise stated therein, there has been no material adverse change in the business, properties or financial condition of the Company.

(f) The Company is a corporation duly organized and existing under the laws of the State of Maine, is duly qualified to carry on its business as a foreign

corporation under the laws of the States of Florida, Georgia and Mississippi, and has due corporate authority to carry on the public utility business in which it is engaged and to own and operate the properties used by it in such business, to enter into and perform its obligations under this Agreement and the Indenture and to issue and sell the Senior Notes to the Underwriters.

(g) This Agreement has been duly authorized, executed and delivered by the Company.

(h) The Indenture has been duly authorized by the Company and, on the Closing Date (as defined herein), will have been duly executed and delivered by the Company, and, assuming due authorization, execution and delivery of the Indenture by the Trustee, the Indenture will, on the Closing Date, constitute a valid and binding obligation of the Company, enforceable against the Company in accordance with its terms except to the extent that enforcement thereof may be limited by (1) bankruptcy, insolvency, reorganization, receivership, liquidation, fraudulent conveyance, moratorium or other similar laws affecting creditors' rights generally or (2) general principles of equity (regardless of whether enforcement is considered in a proceeding at law or in equity) (the "Enforceability Exceptions"); the Indenture will conform in all material respects to all statements relating thereto contained in the Final Supplemented Prospectus; and, on the Closing Date, the Indenture will have been duly qualified under the 1939 Act.

(i) The issuance and delivery of the Senior Notes have been duly authorized by the Company and, on the Closing Date, the Senior Notes will have been duly executed by the Company and, when authenticated in the manner provided for in the Indenture and delivered against payment therefor as described in the Final Supplemented Prospectus, will constitute valid and legally binding obligations of the Company, enforceable against the Company in accordance with their terms, except to the extent that enforcement thereof may be limited by the Enforceability Exceptions, will be in the form contemplated by, and entitled to the benefits of, the Indenture and will conform in all material respects to all statements relating thereto in the Final Supplemented Prospectus.

(j) The execution, delivery and performance by the Company of this Agreement, the Indenture and the Senior Notes and the consummation by the Company of the transactions contemplated herein and therein and compliance by the Company with its obligations hereunder and thereunder shall have been duly authorized by all necessary corporate action on the part of the Company and do not and will not result in any violation of the charter or bylaws of the Company, and do not and will not conflict with, or result in a breach of any of the terms or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company under (A) any contract, indenture, mortgage, loan agreement, note, lease or other agreement or instrument to which the Company is a party or by which it may be bound or to which any of its properties may be subject (except for conflicts, breaches or defaults which would not, individually or in the aggregate, be materially adverse

to the Company or materially adverse to the transactions contemplated by this Agreement), or (B) any existing applicable law, rule, regulation, judgment, order or decree of any government, governmental instrumentality or court, domestic or foreign, or any regulatory body or administrative agency or other governmental body having jurisdiction over the Company, or any of its properties.

(k) No authorization, approval, consent or order of any court or governmental authority or agency is necessary in connection with the issuance and sale by the Company of the Senior Notes or the transactions by the Company contemplated in this Agreement, except (A) such as may be required under the 1933 Act or the rules and regulations thereunder; (B) such as may be required under the Public Utility Holding Company Act of 1935, as amended (the "1935 Act"); (C) the qualification of the Indenture under the 1939 Act; (D) the approval of the Florida Public Service Commission (the "Florida Commission"); and (E) such consents, approvals, authorizations, registrations or qualifications as may be required under state securities or Blue Sky laws.

SECTION 2. SALE AND DELIVERY TO THE UNDERWRITERS; CLOSING.

(a) On the basis of the representations and warranties herein contained and subject to the terms and conditions herein set forth, the Company agrees to sell to each Underwriter, and each Underwriter, severally and not jointly, agrees to purchase from the Company, the principal amount of Senior Notes set forth in Schedule I to this Agreement opposite the name of such Underwriter (plus any additional amount that such Underwriter may become obligated to purchase pursuant to the provisions of Section 10 hereof) at a price equal to 99.75% of the principal amount thereof.

(b) Payment for and delivery of certificates for the Senior Notes shall be made at the offices of Troutman Sanders LLP, 600 Peachtree Street, N.E., Suite 5200, Atlanta, Georgia at 10:00 A.M., Atlanta time, on August 3, 2001 (unless postponed in accordance with the provisions of Section 10) or such other time, place or date as shall be agreed upon by the Underwriters and the Company (such time and date of payment and delivery being herein called the "Closing Date"). Payment shall be made to the Company by wire transfer in federal funds at the Closing Date against delivery of the Senior Notes to the Underwriters. It is understood that Banc One Capital Markets, Inc. will accept delivery of, receipt for, and make payment of the principal amount of the Senior Notes which the Underwriters have agreed to purchase.

The delivery of the Senior Notes shall be made in fully registered form, registered in the name of CEDE & CO., to the offices of The Depository Trust Company in New York, New York or its designee, and the Underwriters shall accept such delivery.

The certificate(s) for the Senior Notes will be made available for examination by the Underwriters not later than 12:00 Noon, New York time, on the last business day prior to the Closing Date.

SECTION 3. COVENANTS OF THE COMPANY. The Company covenants with the Underwriters as follows:

(a) The Company, on or prior to the Closing Date, will deliver to the Underwriters conformed copies of the Registration Statement as originally filed and of all amendments thereto, heretofore or hereafter made, including any post-effective amendment (in each case including all exhibits filed therewith, and including unsigned copies of each consent and certificate included therein or filed as an exhibit thereto, except exhibits incorporated by reference, unless specifically requested). As soon as the Company is advised thereof, it will advise the Underwriters orally of the issuance of any stop order under the 1933 Act with respect to the Registration Statement, or the institution of any proceedings therefor, of which the Company shall have received notice, and will use its best efforts to prevent the issuance of any such stop order and to secure the prompt removal thereof, if issued. The Company will deliver to the Underwriters sufficient conformed copies of the Registration Statement, the Prospectus and the Final Supplemented Prospectus and of all supplements and amendments thereto (in each case without exhibits) for distribution to the Underwriters and, from time to time, as many copies of the Prospectus and the Final Supplemented Prospectus as the Underwriters may reasonably request for the purposes contemplated by the 1933 Act or the 1934 Act.

(b) The Company will furnish the Underwriters with copies of each amendment and supplement to the Final Supplemented Prospectus relating to the offering of the Senior Notes in such quantities as the Underwriters may from time to time reasonably request. If, during the period (not exceeding nine months) when the delivery of a prospectus shall be required by law in connection with the sale of any Senior Notes by an Underwriter, any event relating to or affecting the Company, or of which the Company shall be advised in writing by the Underwriters, shall occur, which in the opinion of the Company or of Underwriters' counsel should be set forth in a supplement to or an amendment of the Final Supplemented Prospectus in order to make the Final Supplemented Prospectus not misleading in the light of the circumstances when it is delivered, or if for any other reason it shall be necessary during such period to amend or supplement the Final Supplemented Prospectus or to file under the 1934 Act any document incorporated by reference in the Preliminary Prospectus or Prospectus in order to comply with the 1933 Act or the 1934 Act, the Company forthwith will (i) notify the Underwriters to suspend solicitation of purchases of the Senior Notes and (ii) at its expense, make any such filing or prepare and furnish to the Underwriters a reasonable number of copies of a supplement or supplements or an amendment or amendments to the Final Supplemented Prospectus which will supplement or amend the Final Supplemented Prospectus so that, as supplemented or amended, it will not contain any untrue statement of a material fact or omit to

state any material fact necessary in order to make the statements therein, in the light of the circumstances when the Final Supplemented Prospectus is delivered, not misleading or which will effect any other necessary compliance. In case any Underwriter is required to deliver a prospectus in connection with the sale of any Senior Notes after the expiration of the period specified in the preceding sentence, the Company, upon the request of such Underwriter, will furnish to such Underwriter, at the expense of such Underwriter, a reasonable quantity of a supplemented or amended prospectus, or supplements or amendments to the Final Supplemented Prospectus, complying with Section 10(a) of the 1933 Act. During the period specified in the second sentence of this subsection, the Company will continue to prepare and file with the Commission on a timely basis all documents or amendments required under the 1934 Act and the rules and regulations thereunder; provided, that the Company shall not file such documents or amendments without also furnishing copies thereof prior to such filing to the Underwriters and Dewey Ballantine LLP.

(c) The Company will endeavor, in cooperation with the Underwriters, to qualify the Senior Notes for offering and sale under the applicable securities laws of such states and the other jurisdictions of the United States as the Underwriters may designate; provided, however, that the Company shall not be obligated to qualify as a foreign corporation in any jurisdiction in which it is not so qualified or to file a consent to service of process or to file annual reports or to comply with any other requirements in connection with such qualification deemed by the Company to be unduly burdensome.

(d) The Company will make generally available to its security holders as soon as practicable but not later than 45 days after the close of the period covered thereby, an earnings statement of the Company (in form complying with the provisions of Rule 158 of the rules and regulations under the 1933 Act) covering a twelve-month period beginning not later than the first day of the Company's fiscal quarter next following the "effective date" (as defined in Rule 158) of the Registration Statement.

(e) During a period of 15 days from the date of this Agreement, the Company will not, without the Underwriters' prior written consent, directly or indirectly, sell, offer to sell, grant any option for the sale of, or otherwise dispose of, any Senior Notes or any security convertible into or exchangeable into or exercisable for the Senior Notes or any debt securities substantially similar to the Senior Notes (except for the Senior Notes issued pursuant to this Agreement).

(f) As soon as practicable after the date of this Agreement, and in any event within the time prescribed by Rule 424 under the 1933 Act, to file the Final Supplemented Prospectus with the Commission and to advise the Underwriters of such filing and to confirm such advice in writing.

SECTION 4. PAYMENT OF EXPENSES. The Company will pay all expenses incidental to the performance of its obligations under this Agreement, including

but not limited to, the expenses of (i) the printing and filing of the Registration Statement as originally filed and of each amendment thereto, (ii) the preparation, issuance and delivery of the certificate(s) for the Senior Notes, (iii) the fees and disbursements of the Company's counsel and accountants, (iv) the qualification of the Senior Notes under securities laws in accordance with the provisions of Section 3(c) hereof, including filing fees and the reasonable fees and disbursements of counsel for the Underwriters in connection therewith and in connection with the preparation of any blue sky survey (such fees and disbursements of counsel shall not exceed $3,500), (v) the printing and delivery to the Underwriters of copies of the Registration Statement as originally filed and of each amendment thereto and of the Prospectus, the Final Supplemented Prospectus, and any amendments or supplements thereto, (vi) the printing and delivery to the Underwriters of copies of any blue sky survey, (vii) the fee of the National Association of Securities Dealers, Inc. in connection with its review of the offering contemplated by this Agreement, if applicable, (viii) the fees and expenses of the Trustee, including the fees and disbursements of counsel for the Trustee in connection with the Indenture and the Senior Notes, (ix) any fees payable in connection with the rating of the Senior Notes, (x) the cost and charges of any transfer agent or registrar and (xi) the cost of qualifying the Senior Notes with The Depository Trust Company.

Except as otherwise provided in Section 9 hereof, the Underwriters shall pay all other expenses incurred by it in connection with its offering of the Senior Notes including fees and disbursements of its counsel, Dewey Ballantine LLP.

SECTION 5. CONDITIONS OF UNDERWRITERS' OBLIGATIONS. The obligations of the Underwriters to purchase and pay for the Senior Notes are subject to the following conditions:

(a) No stop order suspending the effectiveness of the Registration Statement shall be in effect on the Closing Date and no proceedings for that purpose shall be pending before, or to the knowledge of the Company threatened by, the Commission on such date. If filing of the Final Supplemented Prospectus, or any supplement thereto, is required pursuant to Rule 424, the Final Supplemented Prospectus, and any such supplement, shall have been filed in the manner and within the time period required by Rule 424.

(b) Any required orders of the Commission permitting the transactions contemplated hereby substantially in accordance with the terms and conditions hereof shall be in full force and effect and shall contain no provision unacceptable to the Underwriters or the Company (but all provisions of such order or orders heretofore entered, copies of which have heretofore been delivered to the Underwriters, are deemed acceptable to the Underwriters and the Company and all provisions of such order or orders hereafter entered shall be deemed acceptable to the Underwriters and the Company unless within 24 hours after receiving a copy of any such order any party to this Agreement shall give notice to the other parties to the effect that such order contains an unacceptable provision).

(c) On the Closing Date the Underwriters shall have received:

(1) The opinion, dated the Closing Date, of Beggs & Lane, a Registered Limited Liability Partnership ("Beggs & Lane"), general counsel for the Company, substantially in the form attached hereto as Schedule II-A.

(2) The opinion, dated the Closing Date, of Troutman Sanders LLP, counsel for the Company, substantially in the form attached hereto as Schedule II-B.

(3) The opinion, dated the Closing Date, of Cravath, Swaine & Moore, counsel to the Trustee, substantially in the form attached hereto as Schedule III.

(4) The opinion, dated as of the Closing Date, of Dewey Ballantine LLP, counsel for the Underwriters, substantially in the form attached hereto as Schedule IV.

(5) At the Closing Date, there shall not have been, since the date hereof or since the respective dates as of which information is given in the Registration Statement and the Final Supplemented Prospectus, any material adverse change in the business, properties or financial condition of the Company, whether or not arising in the ordinary course of business, and the Underwriters shall have received a certificate of the President or any Vice President of the Company, and dated as of the Closing Date, to the effect that (i) there has been no such material adverse change, (ii) the representations and warranties in Section 1 hereof are true and correct with the same force and effect as though expressly made at and as of the Closing Date, (iii) the Company has complied with all agreements and satisfied all conditions on its part to be performed or satisfied on or prior to the Closing Date, and (iv) no stop order suspending the effectiveness of the Registration Statement has been issued and no proceedings for that purpose have been initiated or, to the knowledge of the Company, threatened by the Commission.

(6) On the Closing Date, the Underwriters shall have received from Arthur Andersen LLP a letter dated the Closing Date to the effect that: (A) they are independent public accountants with respect to the Company within the meaning of the 1933 Act and the rules and regulations under the 1933 Act; (B) in their opinion, the financial statements audited by them and incorporated by reference in the Final Supplemented Prospectus comply as to form in all material respects with the applicable accounting requirements of the 1934 Act and the rules and regulations under the 1934 Act; and (C) on the basis of certain limited procedures performed through a specified date not more than five business days prior to the date of such letter, namely (i) reading the minute books of the Company; (ii) performing the procedures specified by the American Institute of Certified Public Accountants ("AICPA") for a review of interim financial information as described in Statement on Auditing Standards No. 71, "Interim Financial Information", on the unaudited financial statements, if any, of the Company incorporated in the Final Supplemented Prospectus and of the latest available unaudited financial statements of the Company, if any, for any calendar

quarter subsequent to the date of those incorporated in the Final Supplemented Prospectus; and (iii) making inquiries of certain officials of the Company who have responsibility for financial and accounting matters regarding such unaudited financial statements or any specified unaudited amounts derived therefrom (it being understood that the foregoing procedures do not constitute an audit performed in accordance with generally accepted auditing standards and they would not necessarily reveal matters of significance with respect to the comments made in such letter, and accordingly that Arthur Andersen LLP make no representations as to the sufficiency of such procedures for the Underwriters' purposes), nothing came to their attention that caused them to believe that: (1) any material modifications should be made to the unaudited condensed financial statements, if any, incorporated in the Final Supplemented Prospectus, for them to be in conformity with generally accepted accounting principles; (2) such unaudited condensed financial statements do not comply as to form in all material respects with the applicable accounting requirements of the 1934 Act as it applies to Form 10-Q and the related published rules and regulations thereunder; (3) the unaudited amounts for Operating Revenues, Earnings Before Interest and Income Taxes and Net Income After Dividends on Preferred Stock and the unaudited Ratio of Earnings to Fixed Charges set forth in the Final Supplemented Prospectus do not agree with the amounts set forth in or derived from the unaudited financial statements for the same period or were not determined on a basis substantially consistent with that of the corresponding audited amounts or ratios included or incorporated by reference in the Registration Statement; (4) as of a specified date not more than five business days prior to the date of delivery of such letter, there has been any change in the capital stock or long-term debt of the Company or any decrease in net assets as compared with amounts shown in the latest audited balance sheet incorporated in the Final Supplemented Prospectus, except in each case for changes or decreases which (i) the Final Supplemented Prospectus discloses have occurred or may occur, (ii) are occasioned by the declaration of dividends, (iii) are occasioned by draw-downs under existing pollution control financing arrangements, (iv) are occasioned by draw-downs and regularly scheduled payments of capitalized lease obligations, (v) are occasioned by the purchase or redemption of bonds or stock to satisfy mandatory or optional redemption provisions relating thereto, or (vi) are disclosed in such letter; and (5) the unaudited amounts for Operating Revenues, Earnings Before Interest and Income Taxes and Net Income After Dividends on Preferred Stock and the unaudited Ratio of Earnings to Fixed Charges for any calendar quarter subsequent to those set forth in (3) above, which if available shall be set forth in such letter, do not agree with the amounts set forth in or derived from the unaudited financial statements for the same period or were not determined on a basis substantially consistent with that of the corresponding audited amounts or ratios included or incorporated by reference in the Final Supplemented Prospectus.

(7) On the Closing Date, counsel for the Underwriters shall have been furnished with such documents and opinions as it may reasonably require for the purpose of enabling it to pass upon the issuance and sale of the Senior Notes as herein contemplated and related proceedings, or in order to evidence the accuracy

of any of the representations or warranties, or the fulfillment of any of the conditions, herein contained; and all proceedings taken by the Company in connection with the issuance and sale of the Senior Notes as herein contemplated shall be satisfactory in form and substance to the Underwriters and Dewey Ballantine LLP, counsel for the Underwriters.

(8) That no amendment or supplement to the Registration Statement or the Final Supplemented Prospectus filed subsequent to the date of this Agreement (including any filing made by the Company pursuant to Section 13 or 14 of the 1934 Act) shall be unsatisfactory in form to Dewey Ballantine LLP or shall contain information (other than with respect to an amendment or supplement relating solely to the activity of any Underwriter) which, in the reasonable judgment of the Underwriters, shall materially impair the marketability of the Senior Notes.

(9) The Company shall have performed its obligations when and as provided under this Agreement.

If any condition specified in this Section shall not have been fulfilled when and as required to be fulfilled, this Agreement may be terminated by the Underwriters by notice to the Company at any time prior to the Closing Date, and such termination shall be without liability of any party to any other party except as provided in Sections 4, 7 and 9(b) hereof.

SECTION 6. CONDITIONS OF THE OBLIGATIONS OF THE COMPANY.

The obligations of the Company shall be subject to the conditions set forth in the first sentence of Section 5(a) and in Section 5(b). In case such conditions shall not have been fulfilled, this Agreement may be terminated by the Company by mailing or delivering written notice thereof to the Underwriters. Any such termination shall be without liability of any party to any other party except as otherwise provided in Sections 4, 7 and 9(b) hereof.

SECTION 7. INDEMNIFICATION.

(a) The Company agrees to indemnify and hold harmless each of the Underwriters and each person, if any, who controls any such Underwriter within the meaning of Section 15 of the 1933 Act or Section 20(a) of the 1934 Act, against any and all losses, claims, damages or liabilities, joint or several, to which they or any of them may become subject under the 1933 Act, 1934 Act or otherwise, and to reimburse any such Underwriter and such controlling person or persons, if any, for any legal or other expenses incurred by them in connection with defending any actions, insofar as such losses, claims, damages, liabilities or actions arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in any Preliminary Prospectus, the Registration Statement, the Prospectus or the Final Supplemented Prospectus or, if the Company shall furnish to the Underwriters any amendments or any

supplements thereto, or shall make any filings pursuant to Section 13 or 14 of the 1934 Act which are incorporated therein by reference, in any Preliminary Prospectus, the Registration Statement, the Prospectus or the Final Supplemented Prospectus as so amended or supplemented, or arise out of or are based upon any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such losses, claims, damages, liabilities or actions arise out of or are based upon any such untrue statement or alleged untrue statement or omission or alleged omission which was made in such Registration Statement, Preliminary Prospectus, Prospectus or Final Supplemented Prospectus in reliance upon and in conformity with information furnished in writing to the Company by the Underwriters for use therein and except that this indemnity with respect to the Preliminary Prospectus, the Prospectus or the Final Supplemented Prospectus, if the Company shall have furnished any amendment or supplement thereto, shall not inure to the benefit of any Underwriter (or of any person controlling such Underwriter) on account of any losses, claims, damages, liabilities or actions arising from the sale of the Senior Notes to any person if a copy of the Preliminary Prospectus, the Prospectus or the Final Supplemented Prospectus (exclusive of documents incorporated therein by reference pursuant to Item 12 of Form S-3), as the same may then be amended or supplemented, shall not have been sent or given by or on behalf of such Underwriter to such person with or prior to the written confirmation of the sale involved and the untrue statement or alleged untrue statement or omission or alleged omission was corrected in the Preliminary Prospectus, the Prospectus or the Final Supplemented Prospectus as supplemented or amended at the time of such confirmation. Each Underwriter agrees, within ten days after the receipt by it of notice of the commencement of any action in respect of which indemnity may be sought by it, or by any person controlling it, from the Company on account of its agreement contained in this Section 7, to notify the Company in writing of the commencement thereof but the omission of such Underwriter so to notify the Company of any such action shall not release the Company from any liability which it may have to such Underwriter or to such controlling person otherwise than on account of the indemnity agreement contained in this Section 7. In case any such action shall be brought against an Underwriter or any such person controlling such Underwriter and such Underwriter shall notify the Company of the commencement thereof as above provided, the Company shall be entitled to participate in (and, to the extent that it shall wish, including the selection of counsel, to direct) the defense thereof, at its own expense. In case the Company elects to direct such defense and select such counsel, any Underwriter or controlling person shall have the right to employ its own counsel, but, in any such case, the fees and expenses of such counsel shall be at the expense of such Underwriter or such controlling person unless the employment of such counsel has been authorized in writing by the Company in connection with defending such action. No indemnifying party shall, without the written consent of the indemnified party, effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim in respect of which indemnification may be sought hereunder (whether or not the indemnified party is an actual or potential party to such action or claim) unless such settlement, compromise or judgment (i) includes an unconditional release of the indemnified party from all liability arising out of such action or claim and (ii) does not include any statement as to, or an admission of, fault,

culpability or a failure to act, by or on behalf of any indemnified party. In no event shall any indemnifying party have any liability or responsibility in respect of the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim effected without its prior written consent.

(b) Each Underwriter agrees, severally and not jointly, to indemnify and hold harmless the Company, its directors and such of its officers who have signed the Registration Statement and each person, if any, who controls the Company within the meaning of Section 15 of the 1933 Act or Section 20(a) of the 1934 Act to the same extent and upon the same terms as the indemnity agreement of the Company set forth in Section 7(a) hereof, but only with respect to alleged untrue statements or omissions made in the Registration Statement, the Preliminary Prospectus, the Prospectus or the Final Supplemented Prospectus, or such documents as amended or supplemented, in reliance upon and in conformity with information furnished in writing to the Company by the Underwriters for use therein.

SECTION 8. REPRESENTATIONS, WARRANTIES AND AGREEMENTS TO SURVIVE DELIVERY.

All representations, warranties and agreements contained in this Agreement, or contained in certificates of officers of the Company submitted pursuant hereto, shall remain operative and in full force and effect, regardless of any investigation made by or on behalf of any Underwriter or controlling person, or by, or on behalf of the Company and shall survive delivery of the Senior Notes to the Underwriters.

SECTION 9. TERMINATION OF AGREEMENT.

(a) The Underwriters may terminate this Agreement, by notice to the Company, at any time at or prior to the Closing Date if (i) trading in securities on the New York Stock Exchange shall have been generally suspended, (ii) minimum or maximum ranges for prices shall have been generally established on the New York Stock Exchange by the Commission or by the New York Stock Exchange, (iii) a general banking moratorium shall have been declared by federal or New York State authorities, or (iv) there shall have occurred any outbreak or escalation of major hostilities in which the United States is involved, any declaration of war by the United States Congress or any other substantial national or international calamity or emergency affecting the United States, in any such case provided for in clauses (i) through (iv) with the result that, in the reasonable judgement of the Underwriters, the marketability of the Senior Notes shall have been materially impaired.

(b) If this Agreement shall be terminated by the Underwriters pursuant to subsection (a) above or because of any failure or refusal on the part of the Company to comply with the terms or to fulfill any of the conditions of this Agreement, or if for any reason the Company shall be unable to perform its obligations under this Agreement, then in any such case, the Company will reimburse the Underwriters for the reasonable fees and disbursements of Dewey Ballantine LLP and for the out of pocket expenses (in an amount not exceeding $10,000) reasonably incurred by the Underwriters in making

preparations for the purchase, sale and delivery of the Senior Notes and, upon such reimbursement, the Company shall be absolved from any further liability hereunder, except as provided in Sections 4 and 7.

SECTION 10. DEFAULT BY AN UNDERWRITER

If an Underwriter shall fail on the Closing Date to purchase the Senior Notes that it is obligated to purchase under this Agreement (the "Defaulted Securities"), the Underwriter shall have the right, within 24 hours thereafter, to make arrangements for the non-defaulting Underwriter, or any other underwriters, to purchase all, but not less than all, of the Defaulted Securities in such amounts as may be agreed upon and upon the terms herein set forth. If, however, such non-defaulting Underwriter shall not have completed such arrangements within such 24-hour period, then:

(a) if the principal amount of Defaulted Securities does not exceed 10% of the Senior Notes, the non-defaulting Underwriter shall be obligated to purchase the full amount thereof, or

(b) if the principal amount of Defaulted Securities exceeds 10% of the Senior Notes, this Agreement shall terminate without liability on the part of any non-defaulting Underwriter.

No action taken pursuant to this Section shall relieve any defaulting Underwriter from liability in respect of its default.

In the event of any such default which does not result in a termination of this Agreement, either the Underwriters or the Company shall have the right to postpone the Closing Date for a period not exceeding seven days in order to effect any required changes in the Registration Statement or Final Supplemented Prospectus or in any other documents or arrangements.

SECTION 11. NOTICES. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given if mailed or transmitted by any standard form of telecommunication. Notices to the Underwriters shall be directed to the Underwriters at Banc One Capital Markets, Inc. at One Bank One Plaza, Chicago, Illinois 60670, Attention: Investment Grade Securities and SunTrust Capital Markets, Inc. at 303 Peachtree Street, 23rd Floor, Atlanta, Georgia 30308, Attention: Debt Capital Markets; notices to the Company shall be mailed to One Energy Place, Pensacola, Florida 32520-0100, Attention: Corporate Secretary, with a copy to Southern Company Services, Inc., 270 Peachtree Street, N.W., Atlanta, Georgia 30303, Attention: Christopher J. Kysar.

SECTION 12. PARTIES. This Agreement shall inure to the benefit of and be binding upon the Underwriters, the Company and their respective successors. Nothing expressed or mentioned in this Agreement is intended or shall be construed to give any person, firm or corporation, other than the Underwriters and the Company and their respective successors and the controlling persons and officers and directors referred

to in Section 7 and their heirs and legal representatives, any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision herein contained. This Agreement and all conditions and provisions hereof are intended to be for the sole and exclusive benefit of the Underwriters and the Company and their respective successors, and said controlling persons and officers and directors and their heirs and legal representatives, and for the benefit of no other person, firm or corporation. No purchaser of Senior Notes from any of the Underwriters shall be deemed to be a successor by reason merely of such purchase.

SECTION 13. GOVERNING LAW AND TIME. This Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to agreements made and to be performed in said State. Except as otherwise set forth herein, specified times of day refer to New York City time.

SECTION 14. COUNTERPARTS. This Agreement may be executed by any one or more of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such respective counterparts shall together constitute one and the same instrument.

If the foregoing is in accordance with your understanding of our agreement, please sign and return to the Company a counterpart hereof, whereupon this instrument, along with all counterparts, will become a binding agreement between the Underwriters and the Company in accordance with its terms.

Very truly yours,

GULF POWER COMPANY

By: _____
Name: W. E. TATE
Title: VP, SEC + TREAS

CONFIRMED AND ACCEPTED,
as of the date first above written

BANC ONE CAPITAL MARKETS, INC.

By: _____
Name: Wendy Breuder
Title: Managing Director

SUNTRUST CAPITAL MARKETS, INC.

By: _____
Name: _____
Title: _____

If the foregoing is in accordance with your understanding of our agreement, please sign and return to the Company a counterpart hereof, whereupon this instrument, along with all counterparts, will become a binding agreement between the Underwriters and the Company in accordance with its terms.

Very truly yours,

GULF POWER COMPANY

By: _____
Name: _____
Title: _____

CONFIRMED AND ACCEPTED,
as of the date first above written

BANC ONE CAPITAL MARKETS, INC.

By: _____
Name: _____
Title: _____

SUNTRUST CAPITAL MARKETS, INC.

By: _____
Name: James Stathis
Title: Managing Director

SCHEDULE I

NAME OF UNDERWRITER	Principal Amount of Senior Notes
Banc One Capital Markets, Inc.	$30,000,000
SunTrust Capital Markets, Inc.	$30,000,000
TOTAL	$60,000,000

Schedule II-A

[Letterhead of Beggs & Lane]

_____, 2001

Banc One Capital Markets, Inc.
One Bank One Plaza
Chicago, Illinois 60670

SunTrust Capital Markets, Inc.
303 Peachtree Street, 23rd Floor
Atlanta, Georgia 30308

GULF POWER COMPANY
Series C ____% Senior Notes
due August 1, 2003

Ladies and Gentlemen:

We have acted as general counsel to Gulf Power Company (the "Company") in connection with (i) the Company's issuance of $_____ aggregate principal amount of its Series C _____% Senior Notes due August 1, 2003 (the "Notes") pursuant to a Senior Note Indenture dated as of January 1, 1998, by and between the Company and The Chase Manhattan Bank, as trustee (the "Trustee"), as heretofore supplemented and as further supplemented by the Third Supplemental Indenture dated as of _____, 2001 (collectively, the "Indenture"); and (ii) the purchase by you of the Notes pursuant to the terms of an Underwriting Agreement dated _____, 2001, among the Company and you (the "Underwriters") (the "Underwriting Agreement"). This opinion is being delivered to you pursuant to Section 5(c)(1) thereof.

All capitalized terms not otherwise defined herein shall have the meanings set forth in the Underwriting Agreement.

In rendering the opinions expressed below, we have examined the registration statement on Form S-3 (Nos. 333-_____, 333-_____and 333-_____) pertaining to the Notes (the "Registration Statement") filed under the Securities Act of 1933, as amended (the "Act"), and the prospectus dated _____, 2001 as supplemented by a final prospectus supplement dated _____, 2001 (the "Final Supplemented Prospectus"), which pursuant to Form S-3 incorporates by reference the Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 2000, the Quarterly Reports on Form 10-Q of the Company for the quarters ended _____ and the Current Reports on Form 8-K of the Company dated _____ (the "Exchange

Act Documents"), each as filed under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

In addition, we have examined, and have relied as to matters of fact upon, the documents delivered to you at the closing (except the Notes, of which we have examined a specimen), and we have made such other and further investigations as we deemed necessary to express the opinions hereinafter set forth.

The Indenture and the Underwriting Agreement are herein referred to as the "Agreements".

We have also examined the opinion of Troutman Sanders LLP to you of even date with respect to matters relating to the Securities Act of 1933, as amended; the Securities Exchange Act of 1934, as amended; the Trust Indenture Act of 1939, as amended and to the applicable rules and regulations of the Commission under said Acts and in expressing the opinions stated herein, with respect to such matters, we are relying on such opinion.

Based upon the foregoing, and subject to the qualifications and limitations stated herein, we are of the opinion, relying as to matters of Georgia law and the federal law of the United States upon the opinion dated the date hereof rendered to you by Troutman Sanders LLP, and relying as to matters of New York law upon the opinion dated the date hereof rendered to you by Dewey Ballantine LLP, that:

1. The Company has been duly organized and is validly existing and in good standing as a corporation under the laws of the State of Maine, is duly qualified to carry on its business as a foreign corporation under the laws of the States of Florida, Georgia and Mississippi, and has due corporate authority to carry on the public utility business in which it is engaged and to own and operate the properties used by it in such business and to enter into and perform its obligations under the Agreements and the Notes.

2. The execution, delivery and performance by the Company of the Underwriting Agreement have been duly authorized by all necessary corporate action, and the Underwriting Agreement has been duly executed and delivered by the Company.

3. All orders, consents, or other authorizations or approvals of the Florida Public Service Commission and the Commission legally required for the issuance and sale of the Notes have been obtained; such orders are sufficient for the issuance and the sale of the Notes; the issuance and the sale of the Notes conform in all material respects with the terms of such orders; and no other order, consent or other authorization or approval of any Florida or United States governmental body (other than in connection or in compliance with the provisions of the securities or "blue sky" laws of any jurisdiction, as to which we express no opinion) is legally required for the issuance and sale of the Notes in accordance with the terms of the Underwriting Agreement.

4. The Indenture has been duly authorized, executed and delivered by the Company and, assuming the due authorization, execution and delivery thereof by the

Trustee, constitutes a valid and legally binding instrument of the Company, enforceable against the Company in accordance with its terms, subject to the qualifications that the enforceability of the Company's obligations under the Indenture may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); and the Indenture conforms as to legal matters in all material respects to the description thereof in the Final Supplemented Prospectus.

5. The Notes have been duly authorized and executed by the Company and, when authenticated by the Trustee in the manner provided in the Indenture and delivered to and paid for by the Underwriters pursuant to the Underwriting Agreement, will constitute valid and binding obligations of the Company, enforceable against the Company in accordance with their terms, subject to the qualifications that the enforceability of the Company's obligations under the Notes may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and by general principles of equity; and the Notes conform as to legal matters in all material respects to the description thereof in the Final Supplemented Prospectus.

6. The Indenture has been duly qualified under the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act").

We have not independently verified the accuracy, completeness or fairness of the statements made or included in the Registration Statement, the Final Supplemented Prospectus or the Exchange Act Documents and take no responsibility therefor, except as and to the extent set forth in paragraphs 4 and 5 above. In the course of the preparation by the Company of the Registration Statement, the Final Supplemented Prospectus and the Exchange Act Documents, we participated in conferences with certain officers and employees of the Company, with other counsel for the Company and with representatives of Arthur Andersen LLP. Based upon our examination of the Registration Statement, the Final Supplemented Prospectus and the Exchange Act Documents, our investigations made in connection with the preparation of the Registration Statement, the Final Supplemented Prospectus and the Exchange Act Documents and our participation in the conferences referred to above, (i) we are of the opinion that the Registration Statement, as of its effective date, and the Final Supplemented Prospectus, as of _____, complied as to form in all material respects with the requirements of the Act and the applicable rules and regulations of the Commission thereunder and that the Exchange Act Documents, as of their respective dates of filing with the Commission, complied as to form in all material respects with the relevant requirements of the Exchange Act and the applicable rules and regulations of the Commission thereunder, except that in each case we express no opinion as to the financial statements or other financial or statistical data contained or incorporated by reference in the Registration Statement, the Final Supplemented Prospectus or the Exchange Act Documents, and (ii) nothing came to our attention which gives us reason to believe that the Registration Statement, as of its effective date (including the Exchange Act Documents on file with the Commission as of

such date), contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading, or that the Final Supplemented Prospectus (including the Exchange Act Documents) contains any untrue statement therein of a material fact or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that in each case we express no opinion or belief with respect to the financial statements or other financial or statistical data contained or incorporated by reference in the Registration Statement, the Final Supplemented Prospectus or the Exchange Act Documents and with respect to information set forth in the Final Supplemented Prospectus under the caption "Description of the Series C Senior Notes – Book-Entry Only Issuance – The Depository Trust Company."

We are members of the State Bar of Florida and we do not express any opinion herein concerning any law other than the law of the States of Florida and Mississippi and, to the extent set forth herein, the laws of the States of Maine, Georgia and New York and the federal law of the United States.

This opinion is rendered to you in connection with the above-described transaction. This opinion may not be relied upon by you for any other purpose, or relied upon by or furnished to any other person without our prior written consent, except that Troutman Sanders LLP and Dewey Ballantine LLP may rely on this opinion in giving their opinions pursuant to the Underwriting Agreement insofar as such opinion relates to matters of Florida and Mississippi law.

Yours very truly,

BEGGS & LANE

Schedule II-B

[Letterhead of TROUTMAN SANDERS LLP]

_____, 2001

Banc One Capital Markets, Inc.
One Bank One Plaza
Chicago, Illinois 60670

SunTrust Capital Markets, Inc.
303 Peachtree Street, 23rd Floor
Atlanta, Georgia 30308

GULF POWER COMPANY
Series C ____% SENIOR NOTES
due August 1, 2003

Ladies and Gentlemen:

We have acted as counsel to Gulf Power Company (the "Company") in connection with (i) the Company's issuance of $60,000,000 aggregate principal amount of its Series C _____% Senior Notes due August 1, 2003 (the "Notes") pursuant to a Senior Note Indenture dated as of January 1, 1998, by and between the Company and The Chase Manhattan Bank, as trustee (the "Trustee"), as heretofore supplemented and as further supplemented by the Third Supplemental Indenture dated as of _____, 2001 (collectively, the "Indenture"); and (ii) the purchase by you of the Notes pursuant to the terms of an Underwriting Agreement dated _____, 2001 among the Company and you (the "Underwriting Agreement"). This opinion is being delivered to you pursuant to Section 5(c)(2) thereof.

All capitalized terms not otherwise defined herein shall have the meanings set forth in the Underwriting Agreement.

In rendering the opinions expressed below, we have examined the registration statement on Form S-3 (Nos. 333-_____, 333-_____and 333-_____) pertaining to the Notes (the "Registration Statement") filed under the Securities Act of 1933, as amended (the "Act"), and the prospectus dated _____, 2001 as supplemented by a final prospectus supplement dated _____, 2001 (the "Final Supplemented Prospectus"), which pursuant to Form S-3 incorporates by reference the Annual Report on Form 10-K of the Company for the fiscal year ended December, 31, 2000, the Quarterly Reports on Form 10-Q of the Company for the quarters ended _____ and the Current Reports on Form 8-K of the Company dated _____ (the "Exchange Act Documents"), each as filed under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

In addition, we have examined, and have relied as to matters of fact upon, the documents delivered to you at the closing (except the certificates representing the Notes, of which we have examined a specimen), and we have made such other and further investigations as we deemed necessary to express the opinions hereinafter set forth. In such examination, we have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies, and the authenticity of the originals of such latter documents.

The Indenture and the Underwriting Agreement are herein referred to collectively as the "Agreements".

Based upon the foregoing, and subject to the qualifications and limitations stated herein, we are of the opinion, relying as to matters of Florida and Mississippi law upon the opinion dated the date hereof rendered to you by Beggs & Lane, a Registered Limited Liability Partnership ("Beggs & Lane"), and relying as to matters of New York law upon the opinion dated the date hereof rendered to you by Dewey Ballantine LLP, that:

1. The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Maine, is duly qualified to carry on its business as a foreign corporation under the laws of the States of Florida, Georgia and Mississippi and has due corporate authority to carry on the public utility business in which it is engaged, to own and operate the properties used by it in such business and to enter into and perform its obligations under the Agreements and the Notes.

2. The execution, delivery and performance by the Company of the Underwriting Agreement have been duly authorized by all necessary corporate action, and the Underwriting Agreement has been duly executed and delivered by the Company.

3. All orders, consents or other authorizations or approvals of the Florida Public Service Commission and the Commission legally required for the issuance and sale of the Notes have been obtained; such orders are sufficient for the issuance and sale of the Notes; the issuance and sale of the Notes conform in all material respects with the terms of such orders; and no other order, consent or other authorization or approval of any Florida or United States governmental body (other than in connection or in compliance with the provisions of the securities or "blue sky" laws of any jurisdiction, as to which we express no opinion) is legally required for the issuance and sale of the Notes in accordance with the terms of the Underwriting Agreement.

4. The Indenture has been duly authorized, executed and delivered by the Company and, assuming the due authorization, execution and delivery thereof by the Trustee, constitutes a valid and legally binding instrument of the Company, enforceable against the Company in accordance with its terms, subject to the qualifications that the enforceability of the Company's obligations under the Indenture may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or

affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); and the Indenture conforms as to legal matters in all material respects to the description thereof in the Final Supplemented Prospectus.

5. The Notes have been duly authorized and executed by the Company and, when authenticated by the Trustee in the manner provided in the Indenture and delivered to and paid for by the Underwriters pursuant to the Underwriting Agreement, will constitute valid and binding obligations of the Company, enforceable against the Company in accordance with their terms, subject to the qualifications that the enforceability of the Company's obligations under the Notes may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); and the Notes conform as to legal matters in all material respects to the description thereof in the Final Supplemented Prospectus.

6. The Indenture has been duly qualified under the Trust Indenture Act of 1939, as amended.

We have not independently verified the accuracy, completeness or fairness of the statements made or included in the Registration Statement, the Final Supplemented Prospectus or the Exchange Act Documents and take no responsibility therefor, except as and to the extent set forth in paragraphs 4 and 5 above. In the course of the preparation by the Company of the Registration Statement, the Final Supplemented Prospectus and the Exchange Act Documents, we participated in conferences with certain officers and employees of the Company, with other counsel for the Company, with representatives of Arthur Andersen LLP and with your counsel. Based upon our examination of the Registration Statement, the Final Supplemented Prospectus and the Exchange Act Documents, our investigations made in connection with the preparation of the Registration Statement, the Final Supplemented Prospectus and the Exchange Act Documents and our participation in the conferences referred to above, (i) we are of the opinion that the Registration Statement, as of its effective date, and the Final Supplemented Prospectus, as of _____, complied as to form in all material respects with the requirements of the Act and the applicable rules and regulations of the Commission thereunder and that the Exchange Act Documents, as of their respective dates of filing with the Commission, complied as to form in all material respects with the relevant requirements of the Exchange Act and the applicable rules and regulations of the Commission thereunder, except that in each case we express no opinion as to the financial statements or other financial or statistical data contained or incorporated by reference in the Registration Statement, the Final Supplemented Prospectus or the Exchange Act Documents, and (ii) nothing came to our attention which gives us reason to believe that the Registration Statement, as of its effective date (including the Exchange Act Documents on file with the Commission as of such date), contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading, or that the

Final Supplemented Prospectus (including the Exchange Act Documents) contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that in each case we express no opinion or belief with respect to the financial statements or other financial or statistical data contained or incorporated by reference in the Registration Statement, the Final Supplemented Prospectus or the Exchange Act Documents and with respect to information set forth in the Final Supplemented Prospectus under the caption "Description of the Series C Senior Notes - Book-Entry Only Issuance - The Depository Trust Company."

We are members of the State Bar of Georgia and we do not express any opinion herein concerning any law other than the law of the State of Georgia and the federal law of the United States and, to the extent set forth herein, the laws of the States of Maine, Florida, Mississippi and New York.

This opinion is rendered to you in connection with the above-described transaction. This opinion may not be relied upon by you for any other purpose, or relied upon by or furnished to any other person without our prior written consent, except that Beggs & Lane may rely on this opinion in giving their opinion pursuant to the Underwriting Agreement insofar as such opinion relates to matters of Georgia law and the federal law of the United States and Dewey Ballantine LLP may rely on this opinion in giving their opinion pursuant to the Underwriting Agreement insofar as such opinion relates to matters of Georgia law.

Yours very truly,

TROUTMAN SANDERS LLP

Schedule III

[Letterhead of Cravath, Swaine & Moore]

_____ __, 2001

Banc One Capital Markets, Inc.
One Bank One Plaza
Chicago, Illinois 60670

SunTrust Capital Markets, Inc.
303 Peachtree Street, 23rd Floor
Atlanta, Georgia 30308

Gulf Power Company
500 Bayfront Parkway
Pensacola, Florida 32501

Gulf Power Company
Series C ____% Senior Notes
due August 1, 2003

Ladies and Gentlemen:

We have acted as counsel to The Chase Manhattan Bank (the "Bank") in connection with (a) the Senior Note Indenture, dated as of January 1, 1998 as heretofore supplemented (the "Original Indenture"), between Gulf Power Company (the "Company") and the Bank, as Trustee, and (b) the Third Supplemental Indenture dated as of _____, 2001 (together with the Original Indenture, herein called the "Indenture"), between the Company and the Bank, as Trustee.

In that connection, we have examined originals, or copies certified or otherwise identified to our satisfaction, of such documents, records and other instruments as we have deemed necessary or appropriate for the purpose of this opinion, including copies of the Indenture and certain resolutions adopted by the Board of Directors of the Bank.

Based upon the foregoing, we are of the opinion that:

i) the Bank has been duly incorporated and is validly existing as a banking corporation in good standing under the laws of the State of New York;

ii) the Bank has the corporate trust power and authority to execute, deliver and perform its duties under the Indenture, has duly executed and

delivered the Indenture, and, insofar as the laws governing the trust powers of the Bank are concerned and assuming due authorization, execution and delivery thereof by the Company, the Indenture constitutes a legal, valid and binding agreement of the Bank, enforceable against the Bank in accordance with its terms subject to applicable bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium or other laws affecting creditors' rights generally from time to time in effect and to general principles of equity (including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing), regardless of whether considered in a proceeding in equity or at law;

iii) the execution, delivery and performance by the Bank of the Indenture do not conflict with or constitute a breach of the charter or bylaws of the Bank; and

iv) no approval, authorization or other action by, or filing with, any governmental authority of the United States of America or the State of New York having jurisdiction over the trust powers of the Bank is required in connection with the execution and delivery by the Bank of the Indenture or the performance by the Bank of its duties thereunder, except such as have been obtained, taken or made.

We are admitted to practice only in the State of New York, and we express no opinion as to matters governed by any laws other than the laws of the State of New York and the Federal law of the United States of America. We are furnishing this opinion to you solely for your benefit. This opinion is not to be relied upon by any other person or used, circulated, quoted or otherwise referred to for any other purpose.

Very truly yours,

CRAVATH, SWAINE & MOORE

Schedule IV

[Letterhead of DEWEY BALLANTINE LLP]

_____ __, 2001

Banc One Capital Markets, Inc.
One Bank One Plaza
Chicago, Illinois 60670

SunTrust Capital Markets, Inc.
303 Peachtree Street, 23rd Floor
Atlanta, Georgia 30308

GULF POWER COMPANY
Series C ____% Senior Notes
due August 1, 2003

Ladies and Gentlemen:

We have represented you (the "Underwriters") in connection with (i) the issuance by Gulf Power Company (the "Company") of $60,000,000 of its Series C _____% Senior Notes (the "Notes") pursuant to a Senior Note Indenture dated as of January 1, 1998, by and between the Company and The Chase Manhattan Bank, as trustee (the "Trustee"), as heretofore supplemented and as further supplemented by the Third Supplemental Indenture dated as of _____ __, 2001 (collectively, the "Indenture"); and (ii) the purchase by you of the Notes pursuant to the terms of an Underwriting Agreement dated _____, 2001, among the Company and the Underwriters (the "Underwriting Agreement"). This opinion is being delivered to you pursuant to Section 5(c)(4) thereof.

All capitalized terms not otherwise defined herein shall have the meanings set forth in the Underwriting Agreement.

In rendering the opinions expressed below, we have examined the registration statement on Form S-3 (Nos. 333-_____, 333-_____ and 333-_____) pertaining to the Notes (the "Registration Statement"), filed under the Securities Act of 1933, as amended (the "Act"), and the prospectus dated _____, 2001, as supplemented by a final prospectus supplement dated _____, which pursuant to Form S-3 incorporates by reference the Annual Report on Form 10-K of the Company for

the fiscal year ended December 31, 2000, the Quarterly Reports on Form 10-Q of the Company for the quarters ended _____ the Current Reports on Form 8-K of the Company, dated _____ (the "Exchange Act Documents"), each as filed under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

In addition, we have examined, and have relied as to matters of fact upon, the documents delivered to you at the closing (except the Notes, of which we have examined a specimen), and we have made such other and further investigations as we deemed necessary to express the opinions hereinafter set forth. In such examination, we have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies, and the authenticity of the originals of such latter documents.

The Indenture and the Underwriting Agreement are herein referred to as the "Agreements".

Based upon the foregoing, and subject to the qualifications and limitations stated herein, we are of the opinion, relying as aforesaid and as to all matters covered hereby which are governed by or dependent upon the laws of the States of Florida and Mississippi upon the opinion of Beggs & Lane, a Registered Limited Liability Partnership ("Beggs & Lane"), dated the date hereof and addressed to you and as to all matters covered hereby which are governed by or dependent upon the laws of the State of Georgia upon the opinion of Troutman Sanders LLP dated the date hereof and addressed to you, that:

1. The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Maine, is duly qualified to carry on its business as a foreign corporation in the States of Florida, Georgia and Mississippi, and has due corporate authority to carry on the public utility business in which it is engaged and to own and operate the properties used by it in such business and to enter into and perform its obligations under the Agreements and the Notes.

2. The execution, delivery and performance by the Company of the Underwriting Agreement have been duly authorized by all necessary corporate action, and the Underwriting Agreement has been duly executed and delivered by the Company.

3. All orders, consents, or other authorizations or approvals of the Florida Public Service Commission and the Commission legally required for the issuance and sale of the Notes have been obtained; such orders are sufficient for the issuance and sale of the Notes; the issuance and sale of the Notes conform in all material respects with the terms of such orders; and no other order, consent or other authorization or approval of any Florida or United States governmental body (other than in connection or in compliance with the provisions of the securities or "blue sky" laws of any jurisdiction, as to which we express no opinion) is legally required for the issuance and sale of the Notes in accordance with the terms of the Underwriting Agreement.

4. The Indenture has been duly authorized, executed and delivered by the Company and, assuming the due authorization, execution and delivery thereof by the Trustee, constitutes a valid and legally binding instrument of the Company, enforceable against the Company in accordance with its terms, subject to the qualifications that the enforceability of the Company's obligations under the Indenture may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); and the Indenture conforms as to legal matters in all material respects to the description thereof in the Final Supplemented Prospectus.

5. The Notes have been duly authorized and executed by the Company and, when authenticated by the Trustee in the manner provided in the Indenture and delivered to and paid for by the Underwriters pursuant to the Underwriting Agreement, will constitute valid and binding obligations of the Company enforceable against the Company in accordance with their terms, subject to the qualifications that the enforceability of the Company's obligations under the Notes may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); and the Notes conform as to legal matters in all material respects to the description thereof in the Final Supplemented Prospectus.

6. The Indenture has been duly qualified under the Trust Indenture Act of 1939, as amended.

We have not independently verified the accuracy, completeness or fairness of the statements made or included in the Registration Statement, the Final Supplemented Prospectus or the Exchange Act Documents and take no responsibility therefor, except as and to the extent set forth in paragraphs 4 and 5 above. In the course of the preparation by the Company of the Registration Statement, the Final Supplemented Prospectus and the Exchange Act Documents, we participated in conferences with certain officers and employees of the Company, with representatives of Arthur Andersen LLP and with counsel to the Company. Based upon our examination of the Registration Statement, the Final Supplemented Prospectus and the Exchange Act Documents, our investigations made in connection with the preparation of the Registration Statement and the Final Supplemented Prospectus and our participation in the conferences referred to above, (i) we are of the opinion that the Registration Statement, as of its effective date, and the Final Supplemented Prospectus, as of _____, complied as to form in all material respects with the requirements of the Act and the applicable rules and regulations of the Commission thereunder and that the Exchange Act Documents, as of their respective dates of filing with the Commission, complied as to form in all material respects with the relevant requirements of the Exchange Act and the applicable rules and regulations of the Commission thereunder, except that in each case we express no opinion as to the financial statements or other financial or statistical data contained or incorporated by reference in the Registration Statement, the Final Supplemented Prospectus or the

Exchange Act Documents, and (ii) nothing came to our attention which gives us reason to believe that the Registration Statement, as of its effective date (including the Exchange Act Documents on file with the Commission as of such date), contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading, or that the Final Supplemented Prospectus (including the Exchange Act Documents) contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that in each case we express no opinion or belief with respect to the financial statements or other financial or statistical data contained or incorporated by reference in the Registration Statement, the Final Supplemented Prospectus or the Exchange Act Documents and with respect to information set forth in the Final Supplemented Prospectus under the caption "Description of the Series C Senior Notes - Book-Entry Only Issuance - The Depository Trust Company."

We are members of the State Bar of New York and we do not express any opinion herein concerning any law other than the law of the State of New York and the federal law of the United States, and to the extent set forth herein, the law of the States of Maine, Florida, Mississippi and Georgia.

This opinion is rendered solely to you in connection with the above matter. This opinion may not be relied upon by you for any other purpose or relied upon by or furnished to any other person without our prior written consent except that Beggs & Lane and Troutman Sanders LLP may rely on this opinion in giving their opinions pursuant to Section 5 of the Underwriting Agreement, insofar as such opinions relate to matters of New York law, and Troutman Sanders LLP may rely on this opinion in giving its opinion pursuant to Sections 102, 302 and 904 of the Indenture, insofar as such opinion relates to matters of New York law.

Very truly yours,

DEWEY BALLANTINE LLP

EXHIBIT B. 2.

EXHIBIT C. 2.

GULF POWER COMPANY

TO

THE CHASE MANHATTAN BANK,
TRUSTEE.

SENIOR NOTE INDENTURE

DATED AS OF JANUARY 1, 1998

GULF POWER COMPANY
RECONCILIATION AND TIE BETWEEN TRUST INDENTURE ACT OF 1939 AND SENIOR NOTE INDENTURE, DATED AS OF JANUARY 1, 1998

	TRUST INDENTURE ACT SECTION	INDENTURE SECTION
(S)	310(a)(1)	609
	(a)(2)	609
	(a)(3)	Not Applicable
	(a)(4)	Not Applicable
	(b)	608
		610
(S)	311(a)	613
	311(b)(4)	613(a)
	(b)(6)	613(b)
(S)	312(a)	701
		702(a)
	(c)	702(b)
(S)	313(a)	703(a)
	313(b)	703(b)
	313(c)	703(c)
		704
	(d)	703(c)
(S)	314(a)	704, 1005
	(b)	Not Applicable
	(c)(1)	102
	(c)(2)	102
	(c)(3)	Not Applicable
	(d)	Not Applicable
	(e)	102
(S)	315(a)	601(a)
	(b)	602
	(c)	601(b)
	(d)	601(c)
	(d)(1)	601(a)(1)
	(d)(2)	601(c)(2)
	(d)(3)	601(c)(3)
	(e)	514
(S)	316(a)	101
	(a)(1)(A)	502
		512
	(a)(1)(B)	513
	(a)(2)	Not Applicable
	(b)	508
(S)	317(a)(1)	503
	(a)(2)	504
	(b)	1003

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SENIOR NOTE INDENTURE

THIS SENIOR NOTE INDENTURE is made as of January 1, 1998, between GULF POWER COMPANY, a corporation duly organized and existing under the laws of the State of Maine (herein called the "Company"), having its principal office at 500 Bayfront Partkway, Pensacola, Florida 32501, and THE CHASE MANHATTAN BANK, a banking corporation duly organized and existing under the laws of the State of New York, having its principal corporate trust office at 450 West 33rd Street, New York, New York 10001, as Trustee (herein called the "Trustee").

WITNESSETH:

WHEREAS, the Company has duly authorized the execution and delivery of this Senior Note Indenture to provide for the issuance from time to time of its unsecured senior debentures, notes or other evidences of indebtedness (herein called the "Senior Notes"), to be issued in one or more series as in this Senior Note Indenture provided; and

WHEREAS, all things necessary to make this Senior Note Indenture a valid agreement of the Company, in accordance with its terms, have been done.

NOW, THEREFORE, for and in consideration of the premises and the purchase of the Senior Notes by the Holders thereof, it is mutually covenanted and agreed, for the equal and proportionate benefit of all Holders of the Senior Notes or of series thereof, as follows:

ARTICLE ONE

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

SECTION 101. DEFINITIONS.

For all purposes of this Senior Note Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(1) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular;

(2) all other terms used herein which are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein;

(3) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles in the United States of America, and, except as otherwise herein expressly provided, the term "generally accepted accounting principles" with respect to any computation required or permitted hereunder shall mean such accounting principles as are generally accepted in the United States of America at the date of such computation; and

(4) the words "herein", "hereof" and "hereunder" and other words of similar import refer to this Senior Note Indenture as a whole and not to any particular Article, Section or other subdivision.

Certain terms, used principally in Article Six, are defined in that Article.

"Act" when used with respect to any Holder of a Senior Note, has the meaning specified in Section 104.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect 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.

"Authenticating Agent" means any Person or Persons authorized by the Trustee to authenticate one or more series of Senior Notes.

"Board of Directors" means either the board of directors of the Company or any duly authorized committee of the officers and/or directors of the Company appointed by that board.

"Board Resolution" means a copy of a resolution certified by the Secretary or an Assistant Secretary of the Company to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"Business Day" means a day other than (i) a Saturday or a Sunday, (ii) a day on which banks in New York, New York are authorized or obligated by law or executive order to remain closed, or (iii) a day on which the Trustee's Corporate Trust Office is closed for business.

"Certificate of a Firm of Independent Public Accountants" means a certificate signed by an independent public accountant or a firm of independent public accountants who may be the independent public accountants regularly retained by the Company or who may be other independent public accountants. Such accountant or firm shall be entitled to rely upon an Opinion of Counsel as to the interpretation of any legal matters relating to such certificate.

"Commission" means the Securities and Exchange Commission, as from time to time constituted, created under the Securities Exchange Act of 1934, as amended, or, if at any time after the execution of this instrument such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body performing such duties at such time.

"Company" means the Person named as the "Company" in the first paragraph of this instrument until a successor corporation shall have become such pursuant to the applicable provisions of this Senior Note Indenture, and thereafter "Company" shall mean such successor corporation.

"Company Request" or "Company Order" means a written request or order signed in the name of the Company by its Chairman of the Board, its President or a Vice President, and by its Treasurer, an Assistant Treasurer, its Secretary or an Assistant Secretary, and delivered to the Trustee.

"Corporate Trust Office" means the office of the Trustee in the Borough of Manhattan, New York City, at which at any particular time its corporate trust business shall be principally administered, which office at the date of execution of this Senior Note Indenture is located at 450 West 33rd Street, New York, New York 10001.

"Corporation" includes corporations, partnerships, limited liability companies, associations, companies and business trusts.

"Defaulted Interest" has the meaning specified in Section 305.

"Depositary" means, unless otherwise specified by the Company pursuant to either Section 203 or 301, with respect to Senior Notes of any series issuable or issued as a Global Security, The Depository Trust Company, New York, New York, or any successor thereto registered as a clearing agency under the Securities Exchange Act of 1934, as amended, or other applicable statute or regulation.

"Event of Default" has the meaning specified in Section 501.

"Global Security" means, with respect to any series of Senior Notes issued hereunder, a Senior Note that is executed by the Company and authenticated and delivered by the Trustee to the Depositary or pursuant to the Depositary's instruction, all in accordance with Section 203 of this Indenture and any indenture supplemental hereto.

"Holder," when used with respect to any Senior Note, means the Person in whose name the Senior Note is registered in the Security Register.

"Indenture" means this instrument as originally executed or as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof and shall include the terms of the particular series of Senior Notes established as contemplated by Section 301.

"Interest Payment Date," when used with respect to any series of Senior Notes, means the dates established for the payment of interest thereon, as provided in the supplemental indenture for such series.

"Maturity," when used with respect to any Senior Note, means the date on which the principal of such Senior Note or an installment of principal becomes due and payable as therein or herein provided, whether at the Stated Maturity or by declaration of acceleration, call for redemption or otherwise.

"Officers' Certificate" means a certificate signed by the Chairman of the Board, the President or a Vice President, and by the Treasurer, an Assistant Treasurer, the Secretary or an Assistant Secretary, of the Company, and delivered to the Trustee.

"Opinion of Counsel" means a written opinion of counsel, who may be counsel for the Company, and who shall be acceptable to the Trustee.

"Outstanding," when used with respect to Senior Notes, means, as of the date of determination, all Senior Notes theretofore authenticated and delivered under this Indenture, except:

(i) Senior Notes theretofore canceled by the Trustee or delivered to the Trustee for cancellation;

(ii) Senior Notes for whose payment or redemption money in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent (other than the Company) in trust or set aside and segregated in trust by the Company (if the Company shall act as its own Paying Agent) for the Holders of such Senior Notes; provided that if such Senior Notes are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture or provision therefor satisfactory to the Trustee has been made;

(iii) Senior Notes that have been paid or in exchange for or in lieu of which other Senior Notes have been authenticated and delivered pursuant to this Indenture, other than any such Senior Notes in respect of which there shall have been presented to the Trustee proof satisfactory to it that such Senior Notes are held by a bona fide purchaser in whose hands such Senior Notes are valid obligations of the Company; and

(iv) Senior Notes, or portions thereof, converted into or exchanged for another security if the terms of such Senior Notes provide for such conversion or exchange;

provided, however, that in determining, during any period in which any Senior Notes of a series are owned by any Person other than the Company or any Affiliate thereof, whether the Holders of the requisite principal amount of Outstanding Senior Notes of such series have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Senior Notes of such series owned by the Company or any Affiliate thereof shall be disregarded and deemed not to be Outstanding. In determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Senior Notes that the Trustee knows to be so owned by the Company or an Affiliate of the Company in the above circumstances shall be so disregarded. Senior Notes 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 Senior Notes and that the pledgee is not the Company or any Affiliate of the Company.

"Paying Agent" means any Person authorized by the Company to pay the principal of (and premium, if any) or interest on any Senior Notes on behalf of the Company.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Predecessor Security" of any particular Senior Note means every previous Senior Note evidencing all or a portion of the same debt as that evidenced by such particular Senior Note; and, for the purposes of this definition, any Senior Note authenticated and delivered under Section 304 in exchange for or in lieu of a mutilated, destroyed, lost or stolen Senior Note shall be deemed to evidence the same debt as the mutilated, destroyed, lost or stolen Senior Note.

"Redemption Date," when used with respect to any Senior Note to be redeemed, means the date fixed for such redemption by or pursuant to this Indenture.

"Redemption Price," when used with respect to any Senior Note to be redeemed, means the price at which it is to be redeemed pursuant to this Indenture.

"Regular Record Date" for the interest payable on any Interest Payment Date on the Senior Notes of any series means the date specified for that purpose as contemplated by Section 301, whether or not a Business Day.

"Responsible Officer," when used with respect to the Trustee, means the chairman or any vice-chairman of the board of directors, the chairman or any vice-chairman of the executive committee of the board of directors, the chairman of the trust committee, the president, any vice president, the secretary, any assistant secretary, the treasurer, any assistant treasurer, the cashier, any assistant cashier, any senior trust officer, any trust officer or assistant trust officer, the controller

or any assistant controller or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

"Security Register" and "Security Registrar" have the respective meanings specified in Section 303.

"Senior Note" has the meaning stated in the first recital of this Indenture and more particularly means any Senior Notes authenticated and delivered under this Indenture.

"Special Record Date" for the payment of any Defaulted Interest on the Senior Notes of any series means a date fixed by the Trustee pursuant to Section 305.

"Stated Maturity," when used with respect to any Senior Note or any installment of principal thereof or interest thereon, means the date specified in such Senior Note as the fixed date on which the principal of such Senior Note or such installment of principal or interest is due and payable.

"Trust Indenture Act" means the Trust Indenture Act of 1939, as amended, and any reference herein to the Trust Indenture Act or a particular provision thereof shall mean such Trust Indenture Act or provision, as the case may be, as amended or replaced from time to time.

"Trustee" means the Person named as the "Trustee" in the first paragraph of this instrument until a successor Trustee shall have become such with respect to one or more series of Senior Notes pursuant to the applicable provisions of this Indenture, and thereafter "Trustee" shall mean or include each Person who is then a Trustee hereunder, and if at any time there is more than one such Person, "Trustee" as used with respect to the Senior Notes of any series shall mean the Trustee with respect to Senior Notes of that series.

"Vice President," when used with respect to the Company or the Trustee, means any vice president, whether or not designated by a number or a word or words added before or after the title "vice president."

SECTION 102. COMPLIANCE CERTIFICATES AND OPINIONS

Upon any application or request by the Company to the Trustee to take any action under any provision of this Indenture, the Company shall furnish to the Trustee an Officers' Certificate stating that all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with and an Opinion of Counsel stating that in the opinion of such counsel all such conditions precedent, if any, have been complied with, except that in the case of any such application or request as to which the furnishing of such documents is specifically

required by any provision of this Indenture relating to such particular application or request, no additional certificate or opinion need be furnished.

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

(i) a statement that each individual signing such certificate or opinion has 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 individual, he has made such examination or investigation as is necessary to enable him 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 individual, such condition or covenant has been complied with.

SECTION 103. FORM OF DOCUMENTS DELIVERED TO TRUSTEE.

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 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.

Any certificate or opinion of an officer of the Company 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 or 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 Company stating that the information with respect to such factual matters is in the possession of the Company, unless such 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.

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.

SECTION 104. ACTS OF HOLDERS.

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by agent duly appointed in writing. 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 Company. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders 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 601) conclusive in favor of the Trustee and the Company, if made in the manner provided in this Section.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by a certificate of a notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Where such execution is by a signer in a capacity other than his individual capacity, such certificate or affidavit shall also constitute sufficient proof of his authority.

(c) The principal amount and serial numbers of Senior Notes held by any Person, and the date of holding the same, shall be proved by the Security Register.

(d) Any request, demand, authorization, direction, notice, consent, election, waiver or other Act of the Holder of any Senior Note shall bind every future Holder of the same Senior Note and the Holder of every Senior Note issued upon the registration of transfer 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 Company in reliance thereon, whether or not notation of such action is made upon such Senior Note.

(e) The fact and date of execution of any such instrument or writing and the authority of the Person executing the same may also be proved in any other manner which the Trustee deems sufficient; and the Trustee may in any instance require further proof with respect to any of the matters referred to in this Section.

(f) If the Company shall solicit from the Holders of Senior Notes of any series any Act, the Company may, at its option, by Board Resolution, fix in advance a record date for the determination of Holders of Senior Notes entitled to take such Act, but the Company shall have no obligation to do so. Any such record date shall be fixed at the Company's discretion. If such a record date is fixed, such Act may be sought or given before or after the record date, but only the

Holders of record at the close of business on such record date shall be deemed to be Holders of Senior Notes for the purpose of determining whether Holders of the requisite proportion of Senior Notes of such series Outstanding have authorized or agreed or consented to such Act, and for that purpose the Senior Notes of such series Outstanding shall be computed as of such record date.

SECTION 105. NOTICES, ETC., TO TRUSTEE AND COMPANY.

Any request, demand, authorization, direction, notice, consent, election, waiver or Act of Holders or other document provided or permitted by this Indenture to be made upon, given or furnished to, or filed with,

(1) the Trustee by any Holder of a Senior Note or by the Company shall be sufficient for every purpose hereunder if made, given, furnished or filed in writing to or with the Trustee at its Corporate Trust Office, Attention: Corporate Trustee Administration Department, or

(2) the Company by the Trustee or by any Holder shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to the Company addressed to the attention of its Treasurer at One Energy Place, Pensacola, Florida 32520, or at any other address previously furnished in writing to the Trustee by the Company.

SECTION 106. NOTICE TO HOLDERS OF SENIOR NOTES; WAIVER.

Except as otherwise expressly provided herein, where this Indenture provides for notice to Holders of Senior Notes of any event, such notice shall be sufficiently given if in writing and mailed, first-class postage prepaid, to each Holder affected by such event, at his address as it appears in the Security Register, not later than the latest date, and not earlier than the earliest date, prescribed for the giving of such Notice.

In case by reason of the suspension of regular mail service or by reason of any other cause it shall be impracticable to give such notice by mail, then such notification as shall be made with the approval of the Trustee shall constitute a sufficient notification for every purpose hereunder. In any case where notice to Holders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder shall affect the sufficiency of such notice with respect to other Holders.

Where this Indenture provides for notice in any manner, such notice may be waived in writing by the 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 Holders of Senior Notes 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 waiver.

SECTION 107. CONFLICT WITH TRUST INDENTURE ACT.

If any provision hereof limits, qualifies or conflicts with a provision of the Trust Indenture Act that is required to be a part of and govern this Indenture, such required provision shall control.

SECTION 108. EFFECT OF HEADINGS AND TABLE OF CONTENTS.

The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

SECTION 109. SUCCESSORS AND ASSIGNS.

All covenants and agreements in this Indenture by the Company shall bind its successors and assigns, whether so expressed or not.

SECTION 110. SEPARABILITY CLAUSE.

In case any provision in this Indenture or the Senior Notes 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 111. BENEFITS OF INDENTURE.

Nothing in this Indenture or the Senior Notes, express or implied, shall give to any Person, other than the parties hereto, their successors hereunder and the Holders of Senior Notes any benefit or any legal or equitable right, remedy or claim under this Indenture.

SECTION 112. GOVERNING LAW.

This Indenture and the Senior Notes shall be governed by, and construed in accordance with, the internal laws of the State of New York.

SECTION 113. LEGAL HOLIDAYS.

In any case where any Interest Payment Date, Redemption Date or Stated Maturity of any Senior Note shall not be a Business Day, then (notwithstanding any other provision of this Indenture or of the Senior Notes) payment of interest or principal (and premium, if any) need not be made on such date, but may be made on the next succeeding Business Day, except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on the Interest Payment Date or Redemption Date, or at the Stated Maturity, provided that no interest shall

accrue on the amount so payable for the period from and after such Interest Payment Date, Redemption Date or Stated Maturity, as the case may be.

SECTION 114. APPOINTMENT OF AGENT FOR SERVICE

By the execution and delivery of this Indenture, the Company hereby appoints the Trustee as its agent upon which process may be served in any legal action or proceeding which may be instituted in any Federal or State court in the Borough of Manhattan, New York City, arising out of or relating to the Senior Notes or this Indenture. Service of process upon such agent at the office of such agent at 450 West 33rd Street, New York, New York 10001, Attention: Corporate Trustee Administration Department (or such other address in the Borough of Manhattan, New York City, as may be the Corporate Trust Office of the Trustee), and written notice of such service to the Company by the Person serving the same addressed as provided in Section 105, shall be deemed in every respect effective service of process upon the Company in any such legal action or proceeding, and the Company hereby submits to the jurisdiction of any such court in which any such legal action or proceeding is so instituted. Such appointment shall be irrevocable so long as the Holders of Senior Notes shall have any rights pursuant to the terms thereof or of this Indenture until the appointment of a successor by the Company with the consent of the Trustee and such successor's acceptance of such appointment. The Company further agrees to take any and all action, including the execution and filing of any and all such documents and instruments, as may be necessary to continue such designation and appointment of such agent or successor.

By the execution and delivery of this Indenture, the Trustee hereby agrees to act as such agent and undertakes promptly to notify the Company of receipt by it of service of process in accordance with this Section.

ARTICLE TWO

SECTION 201. FORMS GENERALLY.

The Senior Notes of each series shall be in substantially the form appended to the supplemental indenture authorizing such series, in each case 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 be required to comply with the rules of any securities exchange or as may, consistently herewith, be determined by the officers executing such Senior Notes, as evidenced by their execution of the Senior Notes.

The Senior Notes of each series shall be issuable in registered form without coupons.

The definitive Senior Notes may be printed, typewritten, lithographed or engraved on steel

engraved borders or may be produced in any other manner, all as determined by the officers executing such Senior Notes, as evidenced by their execution of such Senior Notes.

SECTION 202. FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION.

The form of the Trustee's Certificate of Authentication for a series of Senior Notes shall be in substantially the form appended to the Supplemental Indenture authorizing such series.

SECTION 203. SENIOR NOTES ISSUABLE IN THE FORM OF A GLOBAL SECURITY.

(a) If the Company shall establish pursuant to Section 301 that the Senior Notes of a particular series are to be issued in whole or in part in the form of one or more Global Securities, then the Company shall execute and the Trustee shall, in accordance with Section 302 and the Company Order delivered to the Trustee thereunder, authenticate and deliver such Global Security or Securities, which (i) shall represent, and shall be denominated in an amount equal to the aggregate principal amount of the Outstanding Senior Notes of such series to be represented by such Global Security or Securities, (ii) may provide that the aggregate amount of Outstanding Senior Notes represented thereby may from time to time be increased or reduced to reflect exchanges, (iii) shall be registered in the name of the Depositary for such Global Security or Securities or its nominee, (iv) shall be delivered by the Trustee to the Depositary or pursuant to the Depositary's instruction and (v) shall bear a legend in accordance with the requirements of the Depositary.

(b) Notwithstanding any other provision of this Section 203 or of Section 303, subject to the provisions of paragraph (c) below, unless the terms of a Global Security expressly permit such Global Security to be exchanged in whole or in part for individual Senior Notes, a Global Security may be transferred, in whole but not in part and in the manner provided in Section 303, only to a nominee of the Depositary for such Global Security, or to the Depositary, or to a successor Depositary for such Global Security selected or approved by the Company, or to a nominee of such successor Depositary.

(c) (1) If at any time the Depositary for a Global Security notifies the Company that it is unwilling or unable to continue as Depositary for such Global Security or if at any time the Depositary for the Senior Notes for such series shall no longer be eligible or in good standing under the Securities Exchange Act of 1934, as amended, or other applicable statute or regulation, the Company shall appoint a successor Depositary with respect to such Global Security. If a successor Depositary for such Global Security is not appointed by the Company within 90 days after the Company receives such notice or becomes aware of such ineligibility, the Company will execute, and the Trustee, upon receipt of a Company Order for the authentication and delivery of individual Senior Notes of such series in exchange for such Global Security, will authenticate and deliver individual Senior Notes of such series of

like tenor and terms in definitive form in an aggregate principal amount equal to the principal amount of the Global Security in exchange for such Global Security.

(2) The Company may at any time and in its sole discretion determine that the Senior Notes of any series issued or issuable in the form of one or more Global Securities shall no longer be represented by such Global Security or Securities. In such event the Company will execute, and the Trustee, upon receipt of a Company Request for the authentication and delivery of individual Senior Notes of such series in exchange in whole or in part for such Global Security, will authenticate and deliver individual Senior Notes of such series of like tenor and terms in definitive form in an aggregate principal amount equal to the principal amount of such Global Security or Securities representing such series in exchange for such Global Security or Securities.

(3) If specified by the Company pursuant to Section 301 with respect to Senior Notes issued or issuable in the form of a Global Security, the Depositary for such Global Security may surrender such Global Security in exchange in whole or in part for individual Senior Notes of such series of like tenor and terms in definitive form on such terms as are acceptable to the Company and such Depositary. Thereupon the Company shall execute, and the Trustee shall authenticate and deliver, without service charge, (A) to each Person specified by such Depositary a new Senior Note or Notes of the same series of like tenor and terms and of any authorized denomination as requested by such Person in aggregate principal amount equal to and in exchange for such Person's beneficial interest in the Global Security; and (B) to such Depositary a new Global Security of like tenor and terms and in an authorized denomination equal to the difference, if any, between the principal amount of the surrendered Global Security and the aggregate principal amount of Senior Notes delivered to Holders thereof.

(4) In any exchange provided for in any of the preceding three paragraphs, the Company will execute and the Trustee will authenticate and deliver individual Senior Notes in definitive form in authorized denominations. Upon the exchange of the entire principal amount of a Global Security for individual Senior Notes, such Global Security shall be cancelled by the Trustee. Except as provided in the preceding paragraph, Senior Notes issued in exchange for a Global Security pursuant to this Section shall be registered in such names and in such authorized denominations as the Depositary for such Global Security, pursuant to instructions from its direct or indirect participants or otherwise, shall instruct the Trustee. Provided that the Company and the Trustee have so agreed, the Trustee shall deliver such Senior Notes to the Persons in whose names the Senior Notes are registered.

(5) Any endorsement of a Global Security to reflect the amount, or any increase or decrease in the amount, or changes in the rights of Holders, of Outstanding Senior Notes represented thereby shall be made in such manner and by such Person or Persons as shall be specified therein or in the Company Order to be delivered pursuant to Section 302 with

respect thereto. Subject to the provisions of Section 302, the Trustee shall deliver and redeliver any such Global Security in the manner and upon instructions given by the Person or Persons specified therein or in the applicable Company Order. If a Company Order pursuant to Section 302 has been, or simultaneously is, delivered, any instructions by the Company with respect to such Global Security shall be in writing but need not be accompanied by or contained in an Officers' Certificate and need not be accompanied by an Opinion of Counsel.

ARTICLE THREE

THE SENIOR NOTES

SECTION 301. AMOUNT UNLIMITED; ISSUABLE IN SERIES.

The aggregate principal amount of Senior Notes which may be authenticated and delivered under this Indenture is unlimited.

The Senior Notes may be issued in one or more series. There may be established, pursuant to one or more indentures supplemental hereto, prior to the issuance of Senior Notes of any series,

(1) the title of the Senior Notes of the series (which shall distinguish the Senior Notes of the series from Senior Notes of all other series);

(2) any limit upon the aggregate principal amount of the Senior Notes of the series which may be authenticated and delivered under this Indenture (except for Senior Notes authenticated and delivered upon registration of transfer of, or in exchange for, or in lieu of, other Senior Notes of the series pursuant to Sections 203, 303, 304, 907 or 1107);

(3) the Person to whom interest on a Senior Note of the series shall be payable if other than the Person in whose name that Senior Note (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest;

(4) the date or dates on which the principal of the Senior Notes of the series is payable;

(5) the rate or rates at which the Senior Notes of the series shall bear interest, if any, or any method by which such rate or rates shall be determined, the date or dates from which such interest shall accrue, the Interest Payment Dates on which such interest shall be payable, the Regular Record Date for the interest payable on Senior Notes on any Interest Payment Date and the basis upon which interest shall be calculated if other than that of a

360-day year consisting of twelve 30-day months;

(6) the place or places where the principal of (and premium, if any) and interest, if any, on Senior Notes of the series shall be payable;

(7) the period or periods within which, the price or prices at which and the terms and conditions upon which Senior Notes of the series may be redeemed, in whole or in part, at the option of the Company;

(8) the obligation, if any, of the Company to redeem or purchase Senior Notes of the series pursuant to any sinking fund or analogous provision or at the option of a Holder thereof and the period or periods within which, the price or prices at which, and the terms and conditions upon which, Senior Notes of the series shall be redeemed or purchased, in whole or in part, pursuant to such obligation;

(9) the denominations in which Senior Notes of the series shall be issuable;

(10) if the amount of payments of principal of (and premium, if any) or interest on the Senior Notes of the series may be determined with reference to an index or formula, the manner in which such amounts shall be determined;

(11) if other than the principal amount thereof, the portion of the principal amount of Senior Notes of the series which shall be payable upon declaration of acceleration of the Maturity thereof pursuant to Section 502;

(12) any deletions from, modifications of or additions to the Events of Default or covenants of the Company as provided herein pertaining to the Senior Notes of the series, and any change in the rights of the Trustee or Holders of such series pursuant to Section 901 or 902;

(13) any additions to the definitions currently set forth in this Indenture with respect to such series;

(14) whether the Senior Notes of the series shall be issued in whole or in part in the form of a Global Security or Securities; the terms and conditions, if any, upon which such Global Security or Securities may be exchanged in whole or in part for certificated Senior Notes of such series and of like tenor of any authorized denomination and the circumstances under which such exchange may occur, if other than in the manner provided for in Section 203; the Depositary for such Global Security or Securities; and the form of any legend or legends to be borne by any such Global Security in addition to or in lieu of the legend referred to in Section 203;

(15) any restriction or condition on the transferability of such Senior Notes; and

(16) any other terms of the series.

All Senior Notes of any one series shall be substantially identical except as to the date or dates from which interest, if any, shall accrue and denomination and except as may otherwise be provided in the terms of such Senior Notes determined or established as provided above. All Senior Notes of any one series need not be issued at the same time and, unless otherwise provided, a series may be reopened for issuances of additional Senior Notes of such series.

SECTION 302. EXECUTION, AUTHENTICATION, DELIVERY AND DATING.

The Senior Notes shall be executed on behalf of the Company by its Chairman of the Board, its President, one of its Vice Presidents or its Treasurer, under its corporate seal reproduced thereon attested by its Secretary or one of its Assistant Secretaries. The signature of any of these officers on the Senior Notes may be manual or facsimile.

Senior Notes bearing the manual or facsimile signatures of individuals who were at the time relevant to the authorization thereof the proper officers of the Company shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Senior Notes or did not hold such offices at the date of such Senior Notes.

At any time and from time to time after the execution and delivery of this Indenture, the Company may deliver Senior Notes of any series executed by the Company to the Trustee for authentication, together with a Company Order for the authentication and delivery of such Senior Notes, and the Trustee, in accordance with the Company Order, shall authenticate and deliver such Senior Notes. If all of the Senior Notes of any series are not to be issued at one time and if the supplemental indenture establishing such series shall so permit, such Company Order may set forth procedures acceptable to the Trustee for the issuance of such Senior Notes and determining the terms of particular Senior Notes of such series, such as interest rate, maturity date, date of issuance and date from which interest shall accrue. In authenticating Senior Notes hereunder, and accepting the additional responsibilities under this Indenture in relation to such Senior Notes, the Trustee shall be entitled to receive, and (subject to Section 601) shall be fully protected in relying upon:

(1) an Opinion of Counsel, to the effect that:

(a) the form and terms of such Senior Notes or the manner of determining such terms have been established in conformity with the provisions of this Indenture; and

(b) such Senior Notes, when authenticated and delivered by the

Trustee and issued by the Company in the manner and subject to any conditions specified in such Opinion of Counsel, will constitute valid and legally binding obligations of the Company, enforceable in accordance with their terms, subject, as to enforcement, to bankruptcy, insolvency, reorganization and other laws of general applicability relating to or affecting the enforcement of creditors' rights and to general equity principles; and

(2) an Officers' Certificate stating, to the best knowledge of each signer of such certificate, that no event which is, or after notice or lapse of time would become, an Event of Default with respect to any of the Senior Notes shall have occurred and be continuing.

The Trustee shall not be required to authenticate such Senior Notes if the issue of such Senior Notes pursuant to this Indenture will affect the Trustee's own rights, duties or immunities under the Senior Notes and this Indenture or otherwise in a manner which is not reasonably acceptable to the Trustee.

If all the Senior Notes of any series are not to be issued at one time, it shall not be necessary to deliver an Opinion of Counsel and Officers' Certificate at the time of issuance of each such Senior Note, but such opinion and certificate shall be delivered at or before the time of issuance of the first Senior Note of such series to be issued.

Each Senior Note shall be dated the date of its authentication.

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

SECTION 303. REGISTRATION, REGISTRATION OF TRANSFER AND EXCHANGE.

The Company shall cause to be kept at the office of the Security Registrar designated pursuant to this Section 303 or Section 1002 a register (referred to as the "Security Register") in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Senior Notes and of transfers of Senior Notes. The Trustee is hereby initially appointed as Security Registrar for the purpose of registering Senior Notes and transfers of Senior Notes as herein provided.

Subject to Section 203, upon surrender for registration of transfer of any Senior Note of any series at the office or agency maintained for such purpose for such series, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or

transferees, one or more new Senior Notes of the same series, Stated Maturity and original issue date, of any authorized denominations and of like tenor and aggregate principal amount.

Subject to Section 203, Senior Notes of any series may be exchanged, at the option of the Holder, for Senior Notes of the same series, Stated Maturity and original issue date, of any authorized denominations and of like tenor and aggregate principal amount, upon surrender of the Senior Notes to be exchanged at any such office or agency.

Whenever any Senior Notes are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, the Senior Notes that the Holder making the exchange is entitled to receive.

All Senior Notes issued upon any registration of transfer or exchange of Senior Notes shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Senior Notes surrendered upon such registration of transfer or exchange.

Every Senior Note presented or surrendered for registration of transfer or for exchange shall (if so required by the Company or the Trustee) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar duly executed, by the Holder thereof or his attorney duly authorized in writing.

No service charge shall be made for any registration of transfer or exchange of Senior Notes, but the Company may require payment 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 Senior Notes, other than exchanges pursuant to Section 304, 907 or 1107 not involving any transfer.

The Company shall not be required (i) to issue, to register the transfer of or to exchange Senior Notes of any series during a period of 15 days immediately preceding the date notice is given identifying the serial numbers of the Senior Notes of that series called for redemption, or (ii) to issue, to register the transfer of or to exchange any Senior Notes so selected for redemption in whole or in part, except the unredeemed portion of any Senior Note being redeemed in part.

None of the Company, the Trustee, any Paying Agent or the Security Registrar will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests of a Global Security or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

SECTION 304. MUTILATED, DESTROYED, LOST AND STOLEN SENIOR NOTES.

If any mutilated Senior Note is surrendered to the Trustee, the Company shall execute and

the Trustee shall authenticate and deliver in exchange therefor a new Senior Note of the same series, Stated Maturity and original issue date, and of like tenor and principal amount and bearing a number not contemporaneously outstanding.

If there shall be delivered to the Company and the Trustee (i) evidence to their satisfaction of the destruction, loss or theft of any Senior Note and (ii) such security or indemnity as may be required by them to save each of them and any agent of either of them harmless, then, in the absence of notice to the Company or the Trustee that such Senior Note has been acquired by a bona fide purchaser, the Company shall execute and upon its request the Trustee shall authenticate and deliver, in lieu of any such destroyed, lost or stolen Senior Note, a new Senior Note of the same series, Stated Maturity and original issue date, and of like tenor and principal amount and bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost or stolen Senior Note has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Senior Note, pay such Senior Note.

Upon the issuance of any new Senior Note under this Section, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith.

Every new Senior Note of any series issued pursuant to this Section in lieu of any destroyed, lost or stolen Senior Note shall constitute an original additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Senior Note shall be at any time enforceable by anyone, and any such new Senior Note shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Senior Notes of that series duly issued hereunder.

The provisions of this Section 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 Senior Notes.

SECTION 305. PAYMENT OF INTEREST; INTEREST RIGHTS PRESERVED.

Unless otherwise provided as contemplated by Section 301 with respect to any series of Senior Notes, interest on any Senior Note that is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person in whose name that Senior Note (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest.

Any interest on any Senior Note of any series that is payable, but is not punctually paid or

duly provided for, on any Interest Payment Date (herein called "Defaulted Interest") shall forthwith cease to be payable to the Holder on the relevant Regular Record Date by virtue of having been such Holder, and such Defaulted Interest may be paid by the Company, at its election in each case, as provided in Clause (1) or (2) below:

(1) The Company may elect to make payment of any Defaulted Interest to the Persons in whose names the Senior Notes of such series (or their respective Predecessor Securities) are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Company shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Senior Note of such series and the date of the proposed payment, and at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this Clause provided. Thereupon the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 days and not less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such Special Record Date and, in the name and at the expense of the Company, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each Holder of Senior Notes of such series at the address of such Holder as it appears in the Security Register, not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been so mailed, such Defaulted Interest shall be paid to the Persons in whose names the Senior Notes of such series (or their respective Predecessor Securities) are registered at the close of business on such Special Record Date and shall no longer be payable pursuant to the following Clause (2).

(2) The Company may make payment of any Defaulted Interest on the Senior Notes of any series in any other lawful manner not inconsistent with the requirements of any securities exchange on which such Senior Notes may be listed, and upon such notice as may be required by such exchange, if, after notice given by the Company to the Trustee of the proposed payment pursuant to this Clause, such manner of payment shall be deemed practicable by the Trustee.

Subject to the foregoing provisions of this Section, each Senior Note delivered under this Indenture upon registration of transfer of or in exchange for or in lieu of any other Senior Note shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Senior Note.

SECTION 306. PERSONS DEEMED OWNERS.

Prior to due presentment of a Senior Note for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name such Senior Note is registered as the absolute owner of such Senior Note for the purpose of receiving payment of principal of (and premium, if any) and (subject to Section 305) interest on such Senior Note and for all other purposes whatsoever, whether or not such Senior Note be overdue, and neither the Company, the Trustee nor any agent of the Company or the Trustee shall be affected by notice to the contrary.

SECTION 307. CANCELLATION.

All Senior Notes surrendered for payment, redemption, registration of transfer or exchange or for credit against any sinking fund payment shall, if surrendered to any Person other than the Trustee, be delivered to the Trustee and shall be promptly cancelled by the Trustee. The Company may at any time deliver to the Trustee for cancellation any Senior Notes previously authenticated and delivered hereunder which the Company may have acquired in any manner whatsoever, and all Senior Notes so delivered shall be canceled by the Trustee. No Senior Notes shall be authenticated in lieu of or in exchange for any Senior Notes canceled as provided in this Section, except as expressly permitted by this Indenture. All cancelled Senior Notes held by the Trustee shall be disposed of in accordance with a Company Order and the Trustee shall promptly deliver a certificate of disposition to the Company.

SECTION 308. COMPUTATION OF INTEREST.

Except as otherwise specified as contemplated by Section 301 for Senior Notes of any series, interest on the Senior Notes of each series shall be computed on the basis of a 360-day year consisting of twelve 30-day months.

ARTICLE FOUR

SATISFACTION AND DISCHARGE

SECTION 401. SATISFACTION AND DISCHARGE OF INDENTURE.

This Indenture shall, upon Company Request, cease to be of further effect (except as to any surviving rights of registration of transfer or exchange of Senior Notes herein expressly provided for) and the Trustee, at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture, when

(1) either

(A) all Senior Notes theretofore authenticated and delivered (other than (i) Senior Notes that have been destroyed, lost or stolen and that have been replaced as provided for in Section 304 and (ii) Senior Notes for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust, as provided in Section 1003) have been delivered to the Trustee for cancellation; or

(B) all such Senior Notes not theretofore delivered to the Trustee for cancellation have become due and payable, or have been called for redemption,

and the Company, in the case of (B) above, has deposited or caused to be deposited with the Trustee as funds in trust for the purpose described above an amount sufficient to pay and discharge the entire indebtedness on such Senior Notes not theretofore delivered to the Trustee for cancellation, for principal (and premium, if any) and interest to the date of the Stated Maturity or Redemption Date, as the case may be, or if later, the date of payment;

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

(3) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture have been complied with.

In the event there are Senior Notes of two or more series hereunder, the Trustee shall be required to execute an instrument acknowledging satisfaction and discharge of this Indenture only if requested to do so with respect to Senior Notes of all series as to which it is Trustee and if the other conditions thereto are met. In the event there are two or more Trustees hereunder, then the effectiveness of any such instrument shall be conditioned upon receipt of such instruments from all Trustees hereunder.

Notwithstanding the satisfaction and discharge of this Indenture, the obligations of the Company to the Trustee under Section 607, the obligations of the Trustee to any Authenticating Agent under Section 614 and, if money shall have been deposited with the Trustee pursuant to subclause (B) of clause (1) of this Section, the obligations of the Trustee under Section 402 and the last paragraph of Section 1003 shall survive.

SECTION 402. APPLICATION OF TRUST.

Subject to the provisions of the last paragraph of Section 1003, all money deposited with the Trustee pursuant to Section 401 shall be held in trust and applied by it, in accordance with the provisions of the Senior Notes, and this Indenture, to the payment, either directly or through any

Paying Agent (including the Company or an Affiliate acting as its own Paying Agent) as the Trustee may determine, to the Persons entitled thereto, of the principal (and premium, if any) and interest for whose payment such money has been deposited with the Trustee.

ARTICLE FIVE

REMEDIES

SECTION 501. EVENTS OF DEFAULT.

"Event of Default", wherever used herein with respect to Senior Notes of any series, 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):

(1) default in the payment of any interest upon any Senior Note of that series when it becomes due and payable on an Interest Payment Date other than at Maturity and continuance of such default for a period of ten (10) days; or

(2) default in the payment of the principal of, (or premium, if any) or interest on any Senior Note of that series at its Maturity; or

(3) default in the deposit of any sinking fund payment, when and as due by the terms of a Senior Note of that series and continuance of such default for a period of 3 Business Days; or

(4) default in the performance or breach of any covenant or warranty of the Company in this Indenture (other than a covenant or warranty a default in whose performance or whose breach is elsewhere in this Section specifically dealt with or which has expressly been included in this Indenture solely for the benefit of one or more series of Senior Notes other than that series), and continuance of such default or breach for a period of 90 days after there has been given, by registered or certified mail, to the Company by the Trustee, or to the Company and the Trustee by the Holders of at least 25% in principal amount of the Outstanding Senior Notes of that series, a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder; or

(5) the entry by a court having jurisdiction in the premises of (A) a decree or order for relief in respect of the Company in an involuntary case or proceeding under any applicable federal or state bankruptcy, insolvency, reorganization or other similar law or (B) a decree or order adjudging the Company a bankrupt or insolvent, or approving as properly

filed a petition by one or more Persons other than the Company seeking reorganization, arrangement, adjustment or composition of or in respect of the Company under any applicable federal or state law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator or other similar official for the Company or for any substantial part of its property, or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order for relief or any such other decree or order unstayed and in effect for a period of 90 consecutive days; or

(6) the commencement by the Company of a case or proceeding under any applicable federal or state bankruptcy, insolvency, reorganization or other similar law or of any other case or proceeding to be adjudicated a bankrupt or insolvent, or the consent by it to the entry of a decree or order for relief in respect of the Company in a case or proceeding under any applicable federal or state bankruptcy, insolvency, reorganization or other similar law or to the commencement of any bankruptcy or insolvency case or proceeding against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under any applicable federal or state law, or the consent by it to the filing of such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator or similar official of the Company or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due, or the taking of corporate action by the Company in furtherance of any such action; or

(7) any other Event of Default provided with respect to Senior Notes of that series in the supplemental indenture authorizing such series.

SECTION 502. ACCELERATION OF MATURITY; RESCISSION AND ANNULMENT.

If an Event of Default with respect to Senior Notes of any series at the time Outstanding occurs and is continuing, then in every such case the Trustee or the Holders of not less than 25% in principal amount of the Outstanding Senior Notes of that series may declare the principal amount (or such portion of the principal amount as may be specified in the terms of that series) of all of the Senior Notes of that series to be due and payable immediately, by a notice in writing to the Company (and to the Trustee if given by Holders), and upon any such declaration such principal amount (or specified amount) shall become immediately due and payable.

At any time after such a declaration of acceleration with respect to Senior Notes of any series has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee as hereinafter in this Article provided, the Holders of not less than a majority in principal amount of the Outstanding Senior Notes of that series, by written notice to the Company and the Trustee, may rescind and annul such declaration and its consequences if

(1) the Company has paid or deposited with the Trustee a sum sufficient to pay

(A) all overdue interest on all Senior Notes of that series,

(B) the principal of (and premium, if any) any Senior Notes of that series which have become due otherwise than by such declaration of acceleration and interest thereon at the rate or rates prescribed therefor in such Senior Notes,

(C) to the extent that payment of such interest is lawful, interest upon overdue interest at the rate or rates prescribed therefor in such Senior Notes, and

(D) all sums paid or advanced by the Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due to the Trustee under Section 607; and

(2) all Events of Default with respect to Senior Notes of that series, other than the non-payment of the principal of Senior Notes of that series which have become due solely by such declaration of acceleration, have been cured or waived as provided in Section 513.

No such rescission shall affect any subsequent default or impair any right consequent thereon.

SECTION 503. COLLECTION OF INDEBTEDNESS AND SUITS FOR ENFORCEMENT BY TRUSTEE.

The Company covenants that if an Event of Default occurs under Section 501(1), (2) or (3) with respect to any Senior Notes the Company will, upon demand of the Trustee, pay to it, for the benefit of the Holders of such Senior Notes, the whole amount then due and payable on such Senior Notes for principal (and premium, if any) and interest and, to the extent that payment of such interest shall be legally enforceable, interest on any overdue principal (and premium, if any) and on any overdue interest, at the rate or rates prescribed therefor in such Senior Notes, and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due to the Trustee under Section 607.

If the Company fails to pay such amounts forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, may institute a judicial proceeding for the collection of the sums so due and unpaid, may prosecute such proceeding to judgment or final decree and may enforce the same against the Company or any other obligor upon such Senior Notes and collect the moneys adjudged or decreed to be payable in the manner provided by law out of the property of the Company or any other obligor upon such Senior Notes, wherever situated.

If an Event of Default with respect to Senior Notes of any series occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders of Senior Notes of such series by such appropriate judicial proceedings as the Trustee shall deem most effectual 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.

SECTION 504. TRUSTEE MAY FILE PROOFS OF CLAIM.

In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Company or any other obligor upon the Senior Notes or the property of the Company or of such other obligor or their creditors, the Trustee (irrespective of whether the principal of the Senior Notes 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 on the Company for the payment of overdue principal or interest) shall be entitled and empowered, by intervention in such proceeding or otherwise,

(1) to file and prove a claim for the whole amount of principal (and premium, if any) and interest owing and unpaid in respect of the Senior Notes 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 the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due to the Trustee under Section 607) and of the Holders of Senior Notes allowed in such judicial proceeding, and

(2) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Holder of Senior Notes to make such payments to the Trustee and, in the event that the Trustee shall consent to the making of such payments directly to the Holders of Senior Notes, to pay to the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 607.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder of a Senior Note any plan of reorganization, arrangement, adjustment or composition affecting the Senior Notes or the rights of any Holder thereof or to authorize the Trustee to vote in respect of the claim of any Holder of a Senior Note in any such proceeding.

SECTION 505. TRUSTEE MAY ENFORCE CLAIMS WITHOUT POSSESSION OF SENIOR NOTES.

All rights of action and claims under this Indenture or the Senior Notes may be prosecuted and enforced by the Trustee without the possession of any of the Senior Notes or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Holders of the Senior Notes in respect of which such judgment has been recovered.

SECTION 506. APPLICATION OF MONEY COLLECTED.

Any money collected by the Trustee pursuant to this Article shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal (or premium, if any) or interest, upon presentation of the Senior Notes, and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

First: To the payment of all amounts due the Trustee under Section 607; and

Second: To the payment of the amounts then due and unpaid for principal of (and premium, if any) and interest on the Senior Notes in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable on such Senior Notes for principal (and premium, if any) and interest, respectively; and

Third: The balance, if any, to the Person or Persons entitled thereto.

SECTION 507. LIMITATION ON SUITS.

No Holder of any Senior Note of any series shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless:

(1) such Holder has previously given written notice to the Trustee of a continuing Event of Default with respect to the Senior Notes of that series;

(2) the Holders of not less than 25% in principal amount of the Outstanding Senior Notes of that series shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;

(3) such Holder or Holders have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

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

(5) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of a majority in principal amount of the Outstanding Senior Notes of that series;

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

SECTION 508. UNCONDITIONAL RIGHT OF HOLDERS TO RECEIVE PRINCIPAL, PREMIUM AND INTEREST.

Notwithstanding any other provision in this Indenture, the Holder of any Senior Notes shall have the right, which is absolute and unconditional, to receive payment of the principal of (and premium, if any) and (subject to Section 305) interest on such Senior Note on the due dates expressed in such Senior Note (or, in the case of redemption, on the Redemption Date) and to institute suit for the enforcement of any such payment, and such rights shall not be impaired without the consent of such Holder.

SECTION 509. RESTORATION OF RIGHTS AND REMEDIES.

If the Trustee or any Holder of a Senior Note 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 Holder, then and in every such case, subject to any determination in such proceeding, the Company, the Trustee and the Holders of Senior Notes shall be restored severally and respectively to their former positions hereunder and thereafter all rights and remedies of the Trustee and the Holders shall continue as though no such proceeding had been instituted.

SECTION 510. RIGHTS AND REMEDIES CUMULATIVE.

Except as otherwise provided with respect to the replacement or payment of mutilated, destroyed, lost or stolen Senior Notes in the last paragraph of Section 304, no right or remedy herein conferred upon or reserved to the Trustee or to the Holders of Senior Notes is intended to be 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 511. DELAY OR OMISSION NOT WAIVER.

No delay or omission of the Trustee or of any Holder of any Senior Note to exercise any right or remedy upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Trustee or to the Holders of Senior Notes may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders of Senior Notes.

SECTION 512. CONTROL BY HOLDERS OF SENIOR NOTES.

The Holders of not less than a majority in principal amount of the Outstanding Senior Notes of any series shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred on the Trustee, with respect to the Senior Notes of such series, provided that

(1) such direction shall not be in conflict with any rule of law or with this Indenture, and could not involve the Trustee in personal liability in circumstances where reasonable indemnity would not be adequate, and

(2) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction.

SECTION 513. WAIVER OF PAST DEFAULTS.

The Holders of not less than a majority in principal amount of the Outstanding Senior Notes of any series may, on behalf of the Holders of all the Senior Notes of such series, waive any past default hereunder with respect to such series and its consequences, except a default

(1) in the payment of the principal of (or premium, if any) or interest on any Senior Note of such series, or

(2) in respect of a covenant or provision hereof which under Article Nine cannot be modified or amended without the consent of the Holder of each Outstanding Senior Note of such series affected.

Upon any such waiver, such default shall cease to exist, and any Event of Default arising

therefrom shall be deemed to have been cured, for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

SECTION 514. UNDERTAKING FOR COSTS.

All parties to this Indenture agree, and each Holder of any Senior Note by his acceptance thereof 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 the provisions of this Section shall not apply to any suit instituted by the Company, to any suit instituted by the Trustee, to any suit instituted by any Holder, or group of Holders, holding in the aggregate more than 10% in principal amount of the Outstanding Senior Notes of any series, or to any suit instituted by any Holder of any Senior Note for the enforcement of the payment of the principal of (or premium, if any) or interest on any Senior Note on or after the Stated Maturity or Maturities expressed in such Senior Note (or, in the case of redemption, on or after the Redemption Date).

SECTION 515. WAIVER OF STAY OR EXTENSION LAWS.

The Company 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, which may affect the covenants or the performance of this Indenture; and the Company (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.

ARTICLE SIX

THE TRUSTEE

SECTION 601. CERTAIN DUTIES AND RESPONSIBILITIES.

(a) Except during the continuance of an Event of Default with respect to Senior Notes of any series,

(1) the Trustee undertakes to perform, with respect to Senior Notes of such series, 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

(2) in the absence of bad faith on its part, the Trustee may, with respect to Senior Notes of such series, 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; but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture.

(b) In case an Event of Default with respect to Senior Notes of any series has occurred and is continuing, the Trustee shall exercise, with respect to Senior Notes of such series, such of 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 man would exercise or use under the circumstances in the conduct of his own affairs.

(c) No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own wilful misconduct, except that

(1) this Subsection shall not be construed to limit the effect of Subsection (a) of this Section;

(2) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts;

(3) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of a majority in principal amount of the Outstanding Senior Notes of any series relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture with respect to the Senior Notes of such series; and

(4) no provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any 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 for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(d) Whether or not therein expressly so provided, 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.

SECTION 602. NOTICE OF DEFAULTS.

Within 90 days after the occurrence of any default hereunder with respect to the Senior Notes of any series, the Trustee shall transmit by mail to all Holders of Senior Notes of such series entitled to receive reports pursuant to Section 313(c) of the Trust Indenture Act, notice of all defaults hereunder known to the Trustee, unless such default shall have been cured or waived; provided, however, that, except in the case of a default in the payment of the principal of (or premium, if any) or interest on any Senior Note of such series or in the payment of any sinking fund installment with respect to Senior Notes of such series, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee or a trust committee of directors or Responsible Officers of the Trustee in good faith determine that the withholding of such notice is in the interest of the Holders of Senior Notes of such series; and provided, further, that in the case of any default of the character specified in Section 501(4) with respect to Senior Notes of such series, no such notice to Holders shall be given until at least 45 days after the occurrence thereof. For the purpose of this Section, the term "default" means any event which is, or after notice or lapse of time or both would become, an Event of Default with respect to Senior Notes of such series.

SECTION 603. CERTAIN RIGHTS OF TRUSTEE.

Subject to the provisions of Section 601:

(a) the Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request or direction of the Company mentioned herein shall be sufficiently evidenced by a Company Request or Company Order and a resolution of the Board of Directors may be sufficiently evidenced by a Board Resolution;

(c) whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officers' Certificate;

(d) the Trustee may consult with counsel and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance

thereon;

(e) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders of Senior Notes of any series pursuant to this Indenture, unless such Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

(f) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company, personally or by agent or attorney;

(g) 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 and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder; and

(h) the Trustee shall not be charged with knowledge of any Event of Default with respect to the Senior Notes of any series for which it is acting as Trustee unless either (1) a Responsible Officer of the Trustee assigned to the Corporate Trustee Administration Department and agency group of the Trustee (or any successor division or department of the Trustee) shall have actual knowledge of the Event of Default or (2) written notice of such Event of Default shall have been given to the Trustee by the Company, any other obligor on such Senior Notes or by any Holder of such Senior Notes.

SECTION 604. NOT RESPONSIBLE FOR RECITALS OR ISSUANCE OF SENIOR NOTES.

The recitals contained herein and in the Senior Notes (except the Trustee's certificates of authentication) shall be taken as the statements of the Company, and the Trustee or any Authenticating Agent assumes no responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Senior Notes. The Trustee or any Authenticating Agent shall not be accountable for the use or application by the Company of Senior Notes or the proceeds thereof.

SECTION 605. MAY HOLD SENIOR NOTES.

The Trustee, any Authenticating Agent, any Paying Agent, any Security Registrar or any other agent of the Company, in its individual or any other capacity, may become the owner or pledgee of Senior Notes and, subject to Sections 608 and 613, may otherwise deal with the Company with the same rights it would have if it were not Trustee, Authenticating Agent, Paying Agent, Security Registrar or such other agent.

SECTION 606. MONEY HELD IN TRUST.

Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise agreed with the Company.

SECTION 607. COMPENSATION AND REIMBURSEMENT.

The Company agrees

(1) to pay to the Trustee from time to time reasonable compensation for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(2) except as otherwise expressly provided herein, to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Indenture (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to its negligence, willful misconduct or bad faith; and

(3) to indemnify the Trustee for, and to hold it harmless against, any loss, liability or expense incurred without negligence, willful misconduct or bad faith on its part, arising out of or in connection with the acceptance or administration of the trust or trusts hereunder, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder.

As security for the performance of the obligations of the Company under this Section the Trustee shall have a lien prior to the Senior Notes upon all property and funds held or collected by the Trustee as such, except funds held in trust for the payment of principal of, premium, if any, or interest, if any, on particular Senior Notes.

SECTION 608. DISQUALIFICATION; CONFLICTING INTERESTS.

If the Trustee has or shall acquire any conflicting interest, within the meaning of the Trust

Indenture Act, it shall, within 90 days after ascertaining that it has such conflicting interest, either eliminate such conflicting interest or resign, to the extent and in the manner provided by, and subject to the provisions of, the Trust Indenture Act and this Indenture.

SECTION 609. CORPORATE TRUSTEE REQUIRED; ELIGIBILITY.

There shall at all times be a Trustee hereunder which shall be a corporation organized and doing business under the laws of the United States of America, any State thereof or the District of Columbia, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least $50,000,000, subject to supervision or examination by federal or state authority and qualified and eligible under this Article and otherwise permitted by the Trust Indenture Act to act as Trustee under an Indenture qualified under the Trust Indenture Act. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of said supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such corporation shall be deemed to be its combined capital surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

SECTION 610. RESIGNATION AND REMOVAL; APPOINTMENT OF SUCCESSOR.

(a) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee in accordance with the applicable requirements of Section 611.

(b) The Trustee may resign at any time with respect to the Senior Notes of one or more series by giving written notice thereof to the Company. If the instrument of acceptance by a successor Trustee required by Section 611 shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Senior Notes of such series.

(c) The Trustee may be removed at any time with respect to the Senior Notes of any series by Act of the Holders of a majority in principal amount of the Outstanding Senior Notes of such series delivered to the Trustee and to the Company.

(d) If at any time:

(1) the Trustee shall fail to comply with Section 608 after written request therefor by the Company or by any Holder of a Senior Note who has been a Holder of a Senior Note for at least six months, or

(2) the Trustee shall cease to be eligible under Section 609 and shall fail to resign after written request therefor by the Company or by any such Holder, or

(3) the Trustee shall become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, (i) the Company, by a Board Resolution, may remove the Trustee with respect to all Senior Notes, or (ii) subject to Section 514, any Holder of a Senior Note who has been a bona fide Holder of a Senior Note for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee with respect to all Senior Notes and the appointment of a successor Trustee or Trustees.

(e) If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause, with respect to the Senior Notes of one or more series, the Company, by a Board Resolution, shall promptly appoint a successor Trustee or Trustees with respect to the Senior Notes of that or those series (it being understood that any such successor Trustee may be appointed with respect to the Senior Notes of one or more or all of such series and that at any time there shall be only one Trustee with respect to the Senior Notes of any particular series) and shall comply with the applicable requirements of Section 611. If, within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee with respect to the Senior Notes of any series shall be appointed by Act of the Holders of a majority in principal amount of the Outstanding Senior Notes of such series delivered to the Company and the retiring Trustee, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment in accordance with the applicable requirements of Section 611, become the successor Trustee with respect to the Senior Notes of such series and to that extent supersede the successor Trustee appointed by the Company. If no successor Trustee with respect to the Senior Notes of any series shall have been so appointed by the Company or the Holders of Senior Notes and accepted appointment in the manner required by Section 611, any Holder of a Senior Note who has been a bona fide Holder of a Senior Note of such series for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Senior Notes of such series.

(f) The Company shall give notice of each resignation and each removal of the Trustee with respect to the Senior Notes of any series and each appointment of a successor Trustee with respect to the Senior Notes of any series by mailing written notice of such event by first-class mail, postage prepaid, to all Holders of such series of Senior Notes as their names and addresses appear in the Security Register.

SECTION 611. ACCEPTANCE OF APPOINTMENT BY SUCCESSOR.

(a) In case of the appointment hereunder of a successor Trustee with respect to all Senior Notes, every such successor Trustee so appointed shall execute, acknowledge and deliver to the Company and to the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee; but, on the request of the Company or the successor Trustee, such retiring Trustee shall, upon payment of its charges, execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the retiring Trustee and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder.

(b) In case of the appointment hereunder of a successor Trustee with respect to the Senior Notes of one or more (but not all) series, the Company, the retiring Trustee and each successor Trustee with respect to the Senior Notes of one or more series shall execute and deliver an indenture supplemental hereto wherein each successor Trustee shall accept such appointment and which (1) shall contain such provisions as shall be necessary or desirable to transfer and confirm to, and to vest in, each successor Trustee all the rights, powers, trusts and duties of the retiring Trustee with respect to the Senior Notes of that or those series to which the appointment of such successor Trustee relates, (2) if the retiring Trustee is not retiring with respect to all Senior Notes, shall contain such provisions as shall be deemed necessary or desirable to confirm that all the rights, powers, trusts and duties of the retiring Trustee with respect to the Senior Notes of that or those series as to which the retiring Trustee is not retiring shall continue to be vested in the retiring Trustee, and (3) shall add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, it being understood that nothing herein or in such supplemental indenture shall constitute such Trustees co-trustees of the same trust and that each such Trustee shall be trustee of a trust or trusts hereunder separate and apart from any trust or trusts hereunder administered by any other such Trustee; and upon the execution and delivery of such supplemental indenture the resignation or removal of the retiring Trustee shall become effective to the extent provided therein and each such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee with respect to the Senior Notes of that or those series to which the appointment of such successor Trustee relates; but, on request of the Company or any successor Trustee, such retiring Trustee shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder with respect to the Senior Notes of that or those series to which the appointment of such successor Trustee relates.

(c) Upon request of any such successor Trustee, the Company shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and trusts referred to in paragraph (a) or (b) of this Section, as the case may be.

(d) No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible under this Article.

SECTION 612. MERGER, CONVERSION, CONSOLIDATION OR SUCCESSION TO BUSINESS.

Any corporation into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Senior Notes shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Senior Notes so authenticated with the same effect as if such successor Trustee had itself authenticated such Senior Notes.

SECTION 613. PREFERENTIAL COLLECTION OF CLAIMS AGAINST COMPANY.

If and when the Trustee shall be or become a creditor of the Company (or any other obligor upon the Senior Notes), the Trustee shall be subject to the provisions of the Trust Indenture Act regarding the collection of claims against the Company (or any such other obligor). For purposes of Section 311(b)(4) and (6) of the Trust Indenture Act:

(a) "cash transaction" means any transaction in which full payment for goods or securities sold is made within seven days after delivery of the goods or securities in currency or in checks or other orders drawn upon banks or bankers and payable upon demand; and

(b) "self-liquidating paper" means any draft, bill of exchange, acceptance or obligation which is made, drawn, negotiated or incurred by the Company (or any such obligor) for the purpose of financing the purchase, processing, manufacturing, shipment, storage or sale of goods, wares or merchandise and which is secured by documents evidencing title to, possession of, or a lien upon, the goods, wares or merchandise or the receivables or proceeds arising from the sale of the goods, wares or merchandise previously constituting the security, provided the security is received by the Trustee simultaneously with the creation of the creditor relationship with the Company (or any such obligor) arising from the making, drawing, negotiating or incurring of the draft, bill of exchange, acceptance or obligation.

SECTION 614. APPOINTMENT OF AUTHENTICATING AGENT.

At any time when any of the Senior Notes remain Outstanding the Trustee may appoint an Authenticating Agent or Agents with respect to one or more series of Senior Notes that shall be

authorized to act on behalf of the Trustee to authenticate Senior Notes of such series issued upon exchange, registration of transfer or partial redemption thereof or pursuant to Section 304, and Senior Notes so authenticated shall be entitled to the benefits of this Indenture and shall be valid and obligatory for all purposes as if authenticated by the Trustee hereunder. Wherever reference is made in this Indenture to the authentication and delivery of Senior Notes by the Trustee or the Trustee's certificate of authentication, such reference shall be deemed to include authentication and delivery on behalf of the Trustee by an Authenticating Agent and a certificate of authentication executed on behalf of the Trustee by an Authenticating Agent. Each Authenticating Agent shall be acceptable to the Company and shall at all times be a corporation organized and doing business under the laws of the United States of America, any State thereof or the District of Columbia, authorized under such laws to act as Authenticating Agent, having a combined capital and surplus of not less than $50,000,000 and subject to supervision or examination by federal or state authority. If such Authenticating Agent publishes reports of condition at least annually, pursuant to law or to the requirements of said supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such Authenticating Agent shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time an Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, such Authenticating Agent shall resign immediately in the manner and with the effect specified in this Section.

Any corporation into which an Authenticating Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which such Authenticating Agent shall be a party, or any corporation succeeding to the corporate agency or corporate trust business of an Authenticating Agent, shall continue to be an Authenticating Agent, provided such corporation shall be otherwise eligible under this Section, without the execution or filing of any paper or any further act on the part of the Trustee or the Authenticating Agent.

An Authenticating Agent may resign at any time by giving written notice thereof to the Trustee and to the Company. The Trustee may at any time terminate the agency of an Authenticating Agent by giving written notice thereof to such Authenticating Agent and to the Company. Upon receiving such a notice of resignation or upon such a termination, or in case at any time such Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, the Trustee may appoint a successor Authenticating Agent which shall be acceptable to the Company and shall mail written notice of such appointment by first-class mail, postage prepaid, to all Holders of Senior Notes, if any, of the series with respect to which such Authenticating Agent will serve, as their names and addresses appear in the Security Register. Any successor Authenticating Agent upon acceptance of its appointment hereunder shall become vested with all the rights, powers and duties of its predecessor hereunder, with like effect as if originally named as an Authenticating Agent. No successor Authenticating Agent shall be appointed unless eligible under the provisions of this Section.

The Trustee agrees to pay to each Authenticating Agent from time to time reasonable compensation for its services under this Section, and the Trustee shall be entitled to be reimbursed for such payments, subject to the provisions of Section 607.

The provisions of Sections 306, 604 and 605 shall be applicable to each Authenticating Agent.

If an appointment with respect to one or more series is made pursuant to this Section, the Senior Notes of such series may have endorsed thereon, in addition to the Trustee's certificate of authentication, an alternate certificate of authentication in the following form:

This is one of the Senior Notes of the series designated therein referred to in the within-mentioned Indenture.

_____

As Trustee

By: _____

As Authenticating Agent

By: _____

Authorized Signatory

ARTICLE SEVEN

HOLDERS' LISTS AND REPORTS BY TRUSTEE AND COMPANY

SECTION 701. COMPANY TO FURNISH TRUSTEE NAMES AND ADDRESSES OF HOLDERS.

The Company will furnish or cause to be furnished to the Trustee

(a) semi-annually, not later than June 1 and December 1, in each year, a list, in such form as the Trustee may reasonably require, containing all the information in the possession or control of the Company, or any of its Paying Agents other than the Trustee, as to the names and addresses of the Holders of Senior Notes as of the preceding May 15 or November 15, as the case may be, and

(b) at such other times as the Trustee may request in writing, within 30 days after the receipt by the Company of any such request, a list of similar form and content as of the most recent Regular Record Date;

excluding from any such list names and addresses received by the Trustee in its capacity as Security Registrar.

SECTION 702. PRESERVATION OF INFORMATION; COMMUNICATIONS TO HOLDERS.

(a) The Trustee shall comply with the obligations imposed on it pursuant to Section 312 of the Trust Indenture Act.

(b) Every Holder of Senior Notes, by receiving and holding the same, agrees with the Company and the Trustee that neither the Company nor the Trustee nor any agent of either of them shall be held accountable by reason of the disclosure of any such information as to the names and addresses of the Holders of Senior Notes in accordance with Section 312(b) of the Trust Indenture Act, regardless of the source from which such information was derived, and that the Trustee shall not be held accountable by reason of mailing any material pursuant to a request made under Section 312(b) of the Trust Indenture Act.

SECTION 703. REPORTS BY TRUSTEE.

(a) Within 60 days after May 15 of each year commencing with the first May 15 after the first issuance of Senior Notes pursuant to this Indenture, if required by Section 313(a) of the Trust Indenture Act, the Trustee shall transmit a brief report dated as of such May 15 with respect to any of the events specified in such Section 313(a) that may have occurred since the later of the immediately preceding May 15 and the date of this Indenture.

(b) The Trustee shall transmit the reports required by Section 313(b) of the Trust Indenture Act at the times specified therein.

(c) Reports pursuant to this Section shall be transmitted in the manner and to the Persons required by Sections 313(c) and (d) of the Trust Indenture Act.

SECTION 704. REPORTS BY COMPANY.

The Company, pursuant to Section 314(a) of the Trust Indenture Act, shall:

(1) file with the Trustee, within 15 days after the Company is required to file the same with the Commission, 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 Commission may from time to time by rules and regulations prescribe) that the Company may be required to file with the Commission pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934, as amended; or, if the Company is not required to file

information, documents or reports pursuant to either of said Sections, then it shall file with the Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such of the supplementary and periodic information, documents and reports which may be required pursuant to Section 13 of the Securities Exchange Act of 1934, as amended, in respect of a security listed and registered on a national securities exchange as may be prescribed from time to time in such rules and regulations;

(2) file with the Trustee and the Commission, in accordance with rules and regulations prescribed from time to time by the Commission, such additional information, documents and reports with respect to compliance by the Company with the conditions and covenants of this Indenture as may be required from time to time by such rules and regulations;

(3) transmit, within 30 days after the filing thereof with the Trustee, to the Holders of Senior Notes, in the manner and to the extent provided in Section 313(c) of the Trust Indenture Act, such summaries of any information, documents and reports required to be filed by the Company pursuant to paragraphs (1) and (2) of this Section 704 as may be required by rules and regulations prescribed from time to time by the Commission; and

(4) notify the Trustee when and as the Senior Notes of any series become admitted to trading on any national securities exchange.

ARTICLE EIGHT

CONSOLIDATION, MERGER, CONVEYANCE, TRANSFER OR LEASE

SECTION 801. COMPANY MAY CONSOLIDATE, ETC., ONLY ON CERTAIN TERMS.

The Company shall not consolidate with or merge into any other corporation or convey, transfer or lease its properties and assets substantially as an entirety to any Person, unless

(1) in case the Company shall consolidate with or merge into another corporation or convey, transfer or lease its properties and assets substantially as an entirety to any Person, the corporation formed by such consolidation or into which the Company is merged or the Person which acquires by conveyance or transfer, or which leases, the properties and assets of the Company substantially as an entirety shall be a corporation organized and existing under the laws of the United States of America, any State thereof or the District of Columbia and shall 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 premium, if any) and interest on all the Senior Notes and the performance of every covenant of this Indenture on the part of the Company to be performed or observed;

(2) immediately after giving effect to such transactions, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have happened and be continuing; and

(3) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger, conveyance, transfer or lease complies with this Article and that all conditions precedent herein provided for relating to such transaction have been complied with.

SECTION 802. SUCCESSOR CORPORATION SUBSTITUTED.

Upon any consolidation by the Company with or merger by the Company into any corporation or any conveyance, transfer or lease of the properties and assets of the Company substantially as an entirety in accordance with Section 801, the successor corporation formed by such consolidation or into which the Company is merged or to which such conveyance, transfer or lease is made shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture with the same effect as if such successor corporation had been named as the Company herein, and thereafter, except in the case of a lease, the predecessor corporation shall be relieved of all obligations and covenants under this Indenture and the Senior Notes.

ARTICLE NINE

SUPPLEMENTAL INDENTURES

SECTION 901. SUPPLEMENTAL INDENTURES WITHOUT CONSENT OF HOLDERS.

Without the consent of any Holders of Senior Notes, the Company, when authorized by a Board Resolution, and the Trustee, at any time and from time to time, may enter into one or more indentures supplemental hereto, in form satisfactory to the Trustee, for any of the following purposes:

(1) to evidence the succession of another corporation to the Company and the assumption by any such successor of the covenants of the Company herein and in the Senior Notes; or

(2) to add to the covenants of the Company for the benefit of the Holders of all or any series of Senior Notes (and if such covenants are to be for the benefit of less than all series of Senior Notes, stating that such covenants are expressly being included solely for the benefit of such series) or to surrender any right or power herein conferred upon the Company; or

(3) to add any additional Events of Default; or

(4) to add to or change any of the provisions of this Indenture, to change or eliminate any restrictions on the payment of principal (or premium, if any) on Senior Notes or to permit the issuance of Senior Notes in uncertificated form, provided any such action shall not adversely affect the interests of the Holders of Senior Notes of any series in any material respect; or

(5) to change or eliminate any of the provisions of this Indenture with respect to any series of Senior Notes theretofore unissued; or

(6) to secure the Senior Notes; or

(7) to establish the form or terms of Senior Notes of any series as permitted by Sections 201 and 301; or

(8) to evidence and provide for the acceptance of appointment hereunder by a successor Trustee with respect to the Senior Notes of one or more series and to add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, pursuant to the requirements of Section 611(b); or

(9) to cure any ambiguity, to correct or supplement any provision herein which may be inconsistent with any other provision herein, or to make provisions with respect to matters or questions arising under this indenture, provided such action shall not adversely affect the interests of the Holders of Senior Notes of any series in any material respect; or

(10) to modify, eliminate or add to the provisions of this Indenture to such extent as shall be necessary to effect the qualification of this Indenture under the Trust Indenture Act or under any similar federal statute hereafter enacted, and to add to this Indenture such other provisions as may be expressly required by the Trust Indenture Act.

SECTION 902. SUPPLEMENTAL INDENTURES WITH CONSENT OF HOLDERS.

With the consent of the Holders of not less than a majority in principal amount of the Outstanding Senior Notes of each series affected by such supplemental indenture, by Act of said Holders delivered to the Company and the Trustee, the Company, when authorized by a Board Resolution, and the Trustee may 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 of Senior Notes of such series under this Indenture; provided, however, that no such supplemental indenture shall, without the consent of the Holder of each Outstanding Senior Note affected thereby,

(1) change the Stated Maturity of the principal of, or any installment of principal of or interest on, any Senior Note, or reduce the principal amount thereof or the rate of interest thereon or any premium payable upon the redemption thereof, or change the method of calculating the rate of interest thereon, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the Redemption Date), or

(2) reduce the percentage in principal amount of the Outstanding Senior Notes of any series, the consent of whose Holders is required for any such supplemental indenture, or the consent of whose Holders is required for any waiver (of compliance with certain provisions of this Indenture or certain defaults hereunder and their consequences) provided for in this Indenture, or

(3) modify any of the provisions of this Section 902, Section 513 or Section 1006, except to increase any such percentage or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each Outstanding Senior Note affected thereby, provided, however, that this clause shall not be deemed to require the consent of any Holder of a Senior Note with respect to changes in the references to "the Trustee" and concomitant changes in this Section and Section 1006, or the deletion of this proviso, in accordance with the requirements of Sections 611(b) and 901(8).

SECTION 903. GENERAL PROVISIONS REGARDING SUPPLEMENTAL INDENTURE.

(a) A supplemental indenture which changes or eliminates any covenant or other provision of this Indenture which has expressly been included solely for the benefit of one or more particular series of Senior Notes, or which modifies the rights of the Holders of Senior Notes of such series with respect to such covenant or other provision, shall be deemed not to affect the rights under this Indenture of the Holders of Senior Notes of any other series.

(b) It shall not be necessary for any Act of Holders of Senior Notes under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act or action shall approve the substance thereof.

SECTION 904. EXECUTION OF SUPPLEMENTAL INDENTURES.

In executing, or accepting the additional trusts created by, any supplemental indenture permitted by this Article or the modifications thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and (subject to Section 601) shall be fully protected in relying upon, an 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 which affects the Trustee's own rights, duties, immunities or liabilities under this Indenture or otherwise.

SECTION 905. EFFECT OF SUPPLEMENTAL INDENTURES.

Upon the execution of any supplemental indenture under this Article, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes; and every Holder of Senior Notes theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

SECTION 906. CONFORMITY WITH TRUST INDENTURE ACT.

Every supplemental indenture executed pursuant to this Article shall conform to the requirements of the Trust Indenture Act.

SECTION 907. REFERENCE IN SENIOR NOTES TO SUPPLEMENTAL INDENTURES.

Senior Notes of any series authenticated and delivered after the execution of any supplemental indenture pursuant to this Article may, and shall if required by the Trustee, bear a notation in form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company shall so determine, new Senior Notes of any series so modified as to conform, in the opinion of the Trustee and the Company, to any such supplemental indenture may be prepared and executed by the Company and authenticated and delivered by the Trustee in exchange for Outstanding Senior Notes of such series.

ARTICLE TEN

COVENANTS

SECTION 1001. PAYMENT OF PRINCIPAL AND INTEREST.

The Company covenants and agrees for the benefit of each series of Senior Notes that it will duly and punctually pay the principal of (and premium, if any) and interest on the Senior Notes of that series in accordance with the terms of the Senior Notes and this Indenture.

SECTION 1002. MAINTENANCE OF OFFICE OR AGENCY.

The Company or its Affiliate will maintain an office or agency where Senior Notes of each series may be presented or surrendered for payment, where Senior Notes of that series may be surrendered for registration of transfer or exchange and where notices and demands to or upon the Company in respect of the Senior Notes of that series and this Indenture may be served. The Company will give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Company shall fail to maintain any such required office or agency in respect of any series of Senior Notes or shall fail to furnish the Trustee with the address thereof, such presentations and surrenders of Senior Notes of that series may be made and notices and demands may be made or served at the Corporate Trust Office of the Trustee, and the Company hereby appoints the Trustee as its agent to receive such respective presentations, surrenders, notices and demands.

The Company may also from time to time designate one or more other offices or agencies where the Senior Notes of one or more series may be presented or surrendered for any or all such purposes and may from time to time rescind such designations. The Company will give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

SECTION 1003. MONEY FOR SENIOR NOTES PAYMENTS TO BE HELD IN TRUST.

If the Company or one of its Affiliates shall at any time act as its own Paying Agent with respect to any series of Senior Notes, it will, on or before each due date of the principal of (and premium, if any) or interest on any of the Senior Notes of that series, segregate and hold in trust for the benefit of the Persons entitled thereto a sum sufficient to pay the principal (and premium, if any) or interest so becoming due until such sums shall be paid to such Persons or otherwise disposed of as herein provided and will promptly notify the Trustee of its action or failure so to act.

Whenever the Company shall have one or more Paying Agents for any series of Senior Notes, it will, prior to each due date of the principal of (and premium, if any) or interest on any Senior Notes of that series, deposit with a Paying Agent a sum sufficient to pay the principal (and

premium, if any) or interest so becoming due, such sum to be held in trust for the benefit of the Persons entitled to such principal, premium or interest, and (unless such Paying Agent is the Trustee) the Company will promptly notify the Trustee of its action or failure so to act.

The Company will cause each Paying Agent for any series of Senior Notes other than the Trustee to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section, that such Paying Agent will:

(1) hold all sums held by it for the payment of the principal of (and premium, if any) or interest on Senior Notes of that series 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;

(2) give the Trustee notice of any default by the Company (or any other obligor upon the Senior Notes of that series) in the making of any payment of principal of (and premium, if any) or interest on the Senior Notes of that series; and

(3) 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.

The Company may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, pay, or by Company Order direct any Paying Agent to pay, to the Trustee all sums held in trust by the Company or such Paying Agent, such sums to be held by the Trustee upon the same trusts as those upon which such sums were held by the Company or 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.

Any money deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal of (and premium, if any) or interest on any Senior Note of any series and remaining unclaimed for two years after such principal (and premium, if any) or interest has become due and payable shall be paid to the Company on Company Request, or (if then held by the Company) shall be discharged from such trust; and the Holder of such Senior Note shall thereafter, as an unsecured general creditor, look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, 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 Company cause to be published once, in a newspaper of general circulation in New York City 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 Company.

SECTION 1004. CORPORATE EXISTENCE

Subject to Article Eight, the Company will do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence and the rights (charter and statutory) and franchises of the Company; provided, however, that the Company shall not be required to preserve any such right or franchise if the Board of Directors shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Company, and that the loss thereof is not disadvantageous in any material respect to the Holders.

SECTION 1005. STATEMENT AS TO COMPLIANCE

(a) The Company shall deliver to the Trustee, within 120 days after the end of each fiscal year, a written statement, which need not comply with Section 102, signed by the principal executive officer, the principal financial officer or the principal accounting officer of the Company, as to his or her knowledge of the Company's compliance with all conditions and covenants under this Indenture. For purposes of this Section 1005, such compliance shall be determined without regard to any period of grace or requirement of notice under this Indenture.

(b) The Company shall deliver to the Trustee, within five days after the occurrence thereof, written notice of any event which after notice or lapse of time or both would become an Event of Default pursuant to Section 501.

SECTION 1006. WAIVER OF CERTAIN COVENANTS

The Company may omit in any particular instance to comply with any term, provision or condition set forth in Section 1004 with respect to the Senior Notes of any series if before the time for such compliance the Holders of at least a majority in principal amount of the Outstanding Senior Notes of such series shall, by Act of such Holders, either waive such compliance in such instance or generally waive compliance with such term, provision or condition, but no such waiver shall extend to or affect such term, provision or condition except to the extent so expressly waived, and, until such waiver shall become effective, the obligations of the Company and the duties of the Trustee in respect of any such term, provision or condition shall remain in full force and effect.

ARTICLE ELEVEN

REDEMPTION OF SENIOR NOTES

SECTION 1101. APPLICABILITY OF ARTICLE.

Senior Notes of any series which are redeemable before their Stated Maturity shall be redeemable in accordance with their terms and (except as otherwise specified as contemplated by Section 301 for Senior Notes of any series) in accordance with this Article.

SECTION 1102. ELECTION TO REDEEM; NOTICE TO TRUSTEE.

The election of the Company to redeem any Senior Notes shall be evidenced by a Board Resolution. In case of any redemption at the election of the Company of all of the Senior Notes of any series, the Company shall, at least 60 days prior to the Redemption Date fixed by the Company (unless a shorter notice shall be satisfactory to the Trustee), notify the Trustee in writing of such Redemption Date. In case of any redemption at the election of the Company of less than all the Senior Notes of any series, the Company shall, at least 60 days prior to the Redemption Date fixed by the Company (unless a shorter notice shall be satisfactory to the Trustee), notify the Trustee in writing of such Redemption Date and of the principal amount of Senior Notes of such series to be redeemed. In the case of any redemption of Senior Notes (i) prior to the expiration of any restriction on such redemption provided in the terms of such Senior Notes or elsewhere in this Indenture, or (ii) pursuant to an election of the Company which is subject to a condition specified in the terms of such Senior Notes, the Company shall furnish the Trustee with an Officers' Certificate evidencing compliance with such restriction or condition.

SECTION 1103. SELECTION BY TRUSTEE OF SENIOR NOTES TO BE REDEEMED.

If the Senior Notes are registered in the name of only one Holder, any partial redemptions shall be pro rata. If the Senior Notes are held in definitive form by more than one Holder and if less than all the Senior Notes of any series are to be redeemed, the particular Senior Notes to be redeemed shall be selected not more than 60 days prior to the Redemption Date by the Trustee, from the Outstanding Senior Notes of such series not previously called for redemption, by lot or other such method as the Trustee shall deem fair and appropriate and which may provide for the selection for redemption of portions (equal to the minimum authorized denomination for Senior Notes of that series or any integral multiple thereof) of the principal amount of Senior Notes of such series of a denomination larger than the minimum authorized denomination for Senior Notes of that series.

The Trustee shall promptly notify the Company in writing of the Senior Notes selected for redemption and, in the case of any Senior Notes selected for partial redemption, the principal amount thereof to be redeemed.

For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of Senior Notes shall relate, in the case of any Senior Notes redeemed or to be redeemed only in part, to the portion of the principal amount of such Senior Notes which has been or is to be redeemed.

SECTION 1104. NOTICE OF REDEMPTION.

Notice of redemption shall be given in the manner provided in Section 106 to the Holders of Senior Notes to be redeemed not less than 30 nor more than 60 days prior to the Redemption Date.

All notices of redemption shall state:

(1) the Redemption Date,

(2) the Redemption Price,

(3) if less than all the Outstanding Senior Notes of any series are to be redeemed, the identification (and, in the case of partial redemption, the principal amounts) of the particular Senior Notes to be redeemed,

(4) that on the Redemption Date the Redemption Price will become due and payable upon each such Senior Note to be redeemed and, if applicable, that interest thereon will cease to accrue on and after said date,

(5) the place or places where such Senior Notes are to be surrendered for payment of the Redemption Price, and

(6) that the redemption is for a sinking fund, if such is the case.

Notice of redemption of Senior Notes to be redeemed at the election of the Company shall be given by the Company or, at the Company's request, by the Trustee in the name and at the expense of the Company.

SECTION 1105. DEPOSIT OF REDEMPTION PRICE.

Except as otherwise provided in a supplemental indenture pursuant to Section 301, prior to any Redemption Date, the Company shall deposit with the Trustee or with a Paying Agent (or, if the Company or its Affiliate is acting as its own Paying Agent, segregate and hold in trust as provided in Section 1003) an amount of money sufficient to pay the Redemption Price of and accrued interest, if any, on all the Senior Notes which are to be redeemed on that date.

SECTION 1106. SENIOR NOTES PAYABLE ON REDEMPTION DATE

Notice of redemption having been given as aforesaid, the Senior Notes so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified together with any accrued interest thereon, and from and after such date (unless the Company shall default in the payment of the Redemption Price and accrued interest) such Senior Notes shall cease to bear interest. Upon surrender of any such Senior Note for redemption in accordance with such notice, such Senior Note shall be paid by the Company at the Redemption Price, together with accrued interest, if any; provided, however, that, except as otherwise provided in a supplemental indenture pursuant to Section 301, installments of interest on Senior Notes whose Stated Maturity is on or prior to the Redemption Date shall be payable to the Holders of such Senior Notes, or one or more Predecessor Securities, registered as such at the close of business on the relevant Record Dates according to their terms and the provisions of Section 305.

If any Senior Note called for redemption shall not be so paid upon surrender thereof for redemption, the principal (and premium, if any) shall, until paid, bear interest from the Redemption Date at the rate prescribed therefor in the Senior Note.

SECTION 1107. SENIOR NOTES REDEEMED IN PART.

Any Senior Note that is to be redeemed only in part shall be surrendered at an office or agency of the Company therefor (with, if the Company or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Company and the Trustee duly executed by, the Holder thereof or his attorney duly authorized in writing), and the Company shall execute, and the Trustee shall authenticate and deliver to the Holder of such Senior Note without service charge, a new Senior Note of the same series, Stated Maturity and original issue date of any authorized denomination as requested by such Holder, in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Senior Note so surrendered.

ARTICLE TWELVE

SINKING FUNDS

SECTION 1201. APPLICABILITY OF ARTICLE.

The provisions of this Article shall be applicable to any sinking fund for the retirement of Senior Notes of a series except as otherwise specified as contemplated by Section 301 for Senior Notes of such series.

The minimum amount of any sinking fund payment provided for by the terms of Senior

Notes of any series is herein referred to as a "mandatory sinking fund payment", and any payment in excess of such minimum amount provided for by the terms of Senior Notes of any series is herein referred to as an "optional sinking fund payment". If provided for by the terms of Senior Notes of any series, the cash amount of any sinking fund payment may be subject to reduction as provided in Section 1202. Each sinking fund payment shall be applied to the redemption of Senior Notes of any series as provided for by the terms of Senior Notes of such series.

SECTION 1202. SATISFACTION OF SINKING FUND PAYMENTS WITH SENIOR NOTES.

The Company (1) may deliver Outstanding Senior Notes of a series (other than any previously called for redemption), and (2) may apply as a credit Senior Notes of a series which have been redeemed either at the election of the Company pursuant to the terms of such Senior Notes or through the application of permitted optional sinking fund payments pursuant to the terms of such Senior Notes, in each case in satisfaction of all or any part of any sinking fund payment with respect to the Senior Notes of such series required to be made pursuant to the terms of such Senior Notes as provided for by the terms of such series; provided that such Senior Notes have not been previously so credited. Such Senior Notes shall be received and credited for such purpose by the Trustee at the Redemption Price specified in such Senior Notes for redemption through operation of the sinking fund and the amount of such sinking fund payment shall be reduced accordingly.

SECTION 1203. REDEMPTION OF SENIOR NOTES FOR SINKING FUND.

Not less than 60 days prior to each sinking fund payment date for any series of Senior Notes, the Company will deliver to the Trustee an Officers' Certificate specifying the amount of the next ensuing sinking fund payment for that series pursuant to the terms of that series, the portion thereof, if any, which is to be satisfied by payment of cash and the portion thereof, if any, which is to be satisfied by delivering and crediting Senior Notes of that series pursuant to Section 1202 and stating the basis for such credit and that such Senior Notes have not previously been so credited and will also deliver to the Trustee any Senior Notes to be so delivered. Not less than 30 days before each such sinking fund payment date the Trustee shall select the Senior Notes to be redeemed upon such sinking fund payment date in the manner specified in Section 1103 and cause notice of the redemption thereof to be given in the name of and at the expense of the Company in the manner provided in Section 1104. Such notice having been duly given, the redemption of such Senior Notes shall be made upon the terms and in the manner stated in Sections 1106 and 1107.

ARTICLE THIRTEEN

MISCELLANEOUS PROVISIONS

SECTION 1301. NO RECOURSE AGAINST OTHERS

An incorporator or any past, present or future director, officer, employee or stockholder, as such, of the Company shall not have any liability for any obligations of the Company under the Senior Notes or this Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. By accepting a Senior Note, each Holder shall waive and release all such liability. Such waiver and release shall be part of the consideration for the issue of the Senior Notes.

SECTION 1302. ASSIGNMENT; BINDING EFFECT

The Company shall have the right at all times to assign any of its rights or obligations under this Indenture to a direct or indirect wholly-owned subsidiary of the Company, provided that, in the event of any such assignment, the Company shall remain primarily liable for the performance of all such obligations. This Indenture may also be assigned by the Company in connection with a transaction described in Article Eight. This Indenture shall be binding upon and inure to the benefit of the Company, the Trustee, the Holders, any Security Registrar, Paying Agent, and Authenticating Agent and their respective successors and assigns.

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

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed, and their respective corporate seals to be hereunto affixed and attested, all as of the day and year first above written.

GULF POWER COMPANY

By _____
A. E. Scarbrough
Vice President

Attest:

Susan Cranmer
Susan Cranmer
Assistant Secretary

THE CHASE MANHATTAN BANK
Trustee

By _____
R. Lorenzen
Senior Trust Officer

Attest:

_____
L. O'Brien
Senior Trust Officer

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed, and their respective corporate seals to be hereunto affixed and attested, all as of the day and year first above written.

GULF POWER COMPANY

By _____
A. E. Scarbrough
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Attest:

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Susan Cranmer
Assistant Secretary

THE CHASE MANHATTAN BANK
Trustee

By _____
R. Lorenzen
Senior Trust Officer

Attest:

_____
L. O'Brien
Senior Trust Officer

EXHIBIT B. 3.

EXHIBIT C. 3.

GULF POWER COMPANY

TO

THE CHASE MANHATTTAN BANK,
TRUSTEE.

FIRST SUPPLEMENTAL INDENTURE

DATED AS OF JUNE 24, 1998

$50,000,000

SERIES A 6.70% SENIOR INSURED QUARTERLY NOTES

DUE JUNE 30, 2038

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[1]This Table of Contents does not constitute part of the Indenture or have any bearing upon the interpretation of any of its terms and provisions.

THIS FIRST SUPPLEMENTAL INDENTURE is made as of the 24th day of June, 1998, by and between GULF POWER COMPANY, a Maine corporation, One Energy Place, Pensacola, Florida 32520-0102 (the "Company"), and THE CHASE MANHATTAN BANK, a New York banking corporation, 450 West 33rd Street, New York, New York 10001 (the "Trustee").

WITNESSETH:

WHEREAS, the Company has heretofore entered into a Senior Note Indenture, dated as of January 1, 1998 (the "Original Indenture"), with The Chase Manhattan Bank;

WHEREAS, the Original Indenture is incorporated herein by this reference and the Original Indenture, as supplemented by this First Supplemental Indenture, is herein called the "Indenture";

WHEREAS, under the Original Indenture, a new series of Senior Notes may at any time be established pursuant to a supplemental indenture executed by the Company and the Trustee;

WHEREAS, the Company proposes to create under the Indenture a new series of Senior Notes;

WHEREAS, additional Senior Notes of other series hereafter established, except as may be limited in the Original Indenture as at the time supplemented and modified, may be issued from time to time pursuant to the Indenture as at the time supplemented and modified; and

WHEREAS, all conditions necessary to authorize the execution and delivery of this First Supplemental Indenture and to make it a valid and binding obligation of the Company have been done or performed.

NOW, THEREFORE, in consideration of the agreements and obligations set forth herein and for other good and valuable consideration, the sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

ARTICLE 1

Series A Senior Notes

SECTION 101. Establishment. There is hereby established a new series of Senior Notes to be issued under the Indenture, to be designated as the Company's Series A 6.70% Senior Insured Quarterly Notes due June 30, 2038 (the "Series A Notes").

There are to be authenticated and delivered $50,000,000 principal amount of Series A Notes, and no further Series A Notes shall be authenticated and delivered except as provided by

Sections 203, 303, 304, 907 or 1107 of the Original Indenture. The Series A Notes shall be issued in definitive fully registered form.

The Series A Notes shall be issued in the form of one Global Security in substantially the form set out in Exhibit A hereto. The Depositary with respect to the Series A Notes shall be The Depository Trust Company.

The form of the Trustee's Certificate of Authentication for the Series A Notes shall be in substantially the form set forth in Exhibit B hereto.

Each Series A Note shall be dated the date of authentication thereof and shall bear interest from the date of original issuance thereof or from the most recent Interest Payment Date to which interest has been paid or duly provided for.

SECTION 102. Definitions. The following defined terms used herein shall, unless the context otherwise requires, have the meanings specified below. Capitalized terms used herein for which no definition is provided herein shall have the meanings set forth in the Original Indenture.

"Insurance Paying Agent" means State Street Bank and Trust Company, N.A., New York, New York, or any successor thereto, as the Fiscal Agent under the Policy.

"Insurer" means MBIA Insurance Corporation, a New York-domiciled stock insurance corporation.

"Interest Payment Dates" means March 31, June 30, September 30, and December 31 of each year.

"Original Issue Date" means June 24, 1998.

"Policy" means the financial guaranty insurance policy issued by the Insurer with respect to regularly scheduled payments due for principal of and interest on the Series A Notes as provided in such policy.

"Regular Record Date" means, with respect to each Interest Payment Date, the close of business on the 15th calendar day preceding such Interest Payment Date.

"Stated Maturity" means June 30, 2038.

SECTION 103. Payment of Principal and Interest. The principal of the Series A Notes shall be due at Stated Maturity (unless earlier redeemed). The unpaid principal amount of the Series A Notes shall bear interest at the rate of 6.70% per annum until paid or duly provided for. Interest shall be paid quarterly in arrears on each Interest Payment Date to the Person in whose name the Series A Notes are registered on the Regular Record Date for such Interest Payment Date, *provided* that interest payable at the Stated Maturity of principal or on a Redemption Date as provided herein will be paid to the Person to whom principal is payable. Any such interest that is

not so punctually paid or duly provided for will forthwith cease to be payable to the Holders on such Regular Record Date and may either be paid to the Person or Persons in whose name the Series A Notes are registered at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Trustee, notice whereof shall be given to Holders of the Series A Notes not less than ten (10) days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange, if any, on which the Series A Notes shall be listed, and upon such notice as may be required by any such exchange, all as more fully provided in the Original Indenture.

Payments of interest on the Series A Notes will include interest accrued to but excluding the respective Interest Payment Dates. Interest payments for the Series A Notes shall be computed and paid on the basis of a 360-day year of twelve 30-day months. In the event that any date on which interest is payable on the Series A Notes is not a Business Day, then a payment of the interest payable on such date will be made on the next succeeding day that is a Business Day, except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on the date the payment was originally payable.

Payment of the principal and interest due at the Stated Maturity or earlier redemption of the Series A Notes shall be made upon surrender of the Series A Notes at the Corporate Trust Office of the Trustee. The principal of and interest on the Series A Notes shall be paid in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. Payments of interest (including interest on any Interest Payment Date) will be made, subject to such surrender where applicable, at the option of the Company, (i) by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register or (ii) by wire transfer at such place and to such account at a banking institution in the United States as may be designated in writing to the Trustee at least sixteen (16) days prior to the date for payment by the Person entitled thereto.

SECTION 104. Denominations. The Series A Notes may be issued in the denominations of $1,000, or any integral multiple thereof.

SECTION 105. Global Securities. The Series A Notes will be issued in the form of one or more Global Securities registered in the name of the Depositary (which shall be The Depository Trust Company) or its nominee. Except under the limited circumstances described below, Series A Notes represented by the Global Security will not be exchangeable for, and will not otherwise be issuable as, Series A Notes in definitive form. The Global Securities described above may not be transferred except by the Depositary to a nominee of the Depositary or by a nominee of the Depositary to the Depositary or another nominee of the Depositary or to a successor Depositary or its nominee.

Owners of beneficial interests in such a Global Security will not be considered the Holders thereof for any purpose under the Indenture, and no Global Security representing a Series A Note shall be exchangeable, except for another Global Security of like denomination and tenor to be

registered in the name of the Depositary or its nominee or to a successor Depositary or its nominee. The rights of Holders of such Global Security shall be exercised only through the Depositary.

A Global Security shall be exchangeable for Series A Notes registered in the names of persons other than the Depositary or its nominee only if (i) the Depositary notifies the Company that it is unwilling or unable to continue as a Depositary for such Global Security and no successor Depositary shall have been appointed by the Company, or if at any time the Depositary ceases to be a clearing agency registered under the Securities Exchange Act of 1934, as amended, at a time when the Depositary is required to be so registered to act as such Depositary and no successor Depositary shall have been appointed by the Company, in each case within 90 days after the Company receives such notice or becomes aware of such cessation, (ii) the Company in its sole discretion determines that such Global Security shall be so exchangeable, or (iii) there shall have occurred an Event of Default with respect to the Series A Notes. Any Global Security that is exchangeable pursuant to the preceding sentence shall be exchangeable for Series A Notes registered in such names as the Depositary shall direct.

SECTION 106. Transfer. No service charge will be made for any transfer or exchange of Series A Notes, but payment will be required of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith.

The Company shall not be required (a) to issue, transfer or exchange any Series A Notes except to the Insurer during a period beginning at the opening of business fifteen (15) days before the day of the mailing of a notice pursuant to Section 1104 of the Original Indenture identifying the serial numbers of the Series A Notes to be called for redemption, and ending at the close of business on the day of the mailing, or (b) to transfer or exchange any Series A Notes theretofore selected for redemption in whole or in part, except the unredeemed portion of any Series A Note redeemed in part.

SECTION 107. Redemption at the Company's Option. The Series A Notes shall be subject to redemption at the option of the Company, in whole or in part, without premium or penalty, at any time or from time to time on or after June 30, 2003, at a Redemption Price equal to 100% of the principal amount to be redeemed plus accrued but unpaid interest to the Redemption Date.

In the event of redemption of the Series A Notes in part only, a new Series A Note or Notes for the unredeemed portion will be issued in the name or names of the Holders thereof upon the surrender thereof.

The Series A Notes will not have a sinking fund.

Notice of redemption shall be given as provided in Section 1104 of the Original Indenture.

Any redemption of less than all of the Series A Notes shall, with respect to the principal thereof, be divisible by $1,000.

SECTION 108. Redemption at the Holder's Option. For purposes of this Section 108, a "Beneficial Owner" means the Person who has the right to sell, transfer or otherwise dispose of an interest in a Series A Note and the right to receive the proceeds therefrom, as well as the interest and principal payable to the Holder thereof. In general, a determination of beneficial ownership in the Series A Notes will be subject to the rules, regulations and procedures governing the Depositary and institutions that have accounts with the Depositary or a nominee thereof ("Participants").

Unless the Series A Notes have been declared due and payable prior to their maturity by reason of an Event of Default, the Representative (as hereinafter defined) of a deceased Beneficial Owner has the right to request redemption prior to Stated Maturity of all or part of his interest, expressed in integral multiples of $1,000 principal amount, in the Series A Notes, and the Company will redeem the same subject to the limitations that the Company will not be obligated to redeem, during the period from the Original Issue Date through and including July 1, 1999 (the "Initial Period"), and during any twelve-month period which ends on and includes each July 1 thereafter (each such twelve-month period being hereinafter referred to as a "Subsequent Period"), (i) on behalf of a deceased Beneficial Owner any interest in the Series A Notes which exceeds an aggregate principal amount of $25,000 or (ii) interests in the Series A Notes in an aggregate principal amount exceeding $1,000,000. A request for redemption may be initiated by the Representative of a deceased Beneficial Owner at any time and in any principal amount in integral multiples of $1,000. If the Company, although not obligated to do so, chooses to redeem interests of any deceased Beneficial Owner in the Series A Notes in the Initial Period or any Subsequent Period in excess of the $25,000 limitation, such redemption, to the extent that it exceeds the $25,000 limitation for any deceased Beneficial Owner, shall not be included in the computation of the $1,000,000 limitation for such Initial Period or such Subsequent Period, as the case may be, or for any succeeding Subsequent Period.

Subject to the $25,000 and $1,000,000 limitations, the Company will, after the death of any Beneficial Owner, redeem the interest of such Beneficial Owner in the Series A Notes within 60 days following receipt by the Trustee of a Redemption Request (as herein defined). If Redemption Requests exceed the aggregate principal amount of interests in Series A Notes required to be redeemed during the Initial Period or during any Subsequent Period, then such excess Redemption Requests will be applied in the order received by the Trustee to successive Subsequent Periods, regardless of the number of Subsequent Periods required to redeem such interests.

A request for redemption of an interest in the Series A Notes may be initiated by the personal representative or other Person authorized to represent the estate of the deceased Beneficial Owner or from a surviving joint tenant(s) or tenant(s) by the entirety (each, a "Representative"). The Representative shall deliver a request to the Participant through whom the deceased Beneficial Owner owned such interest, in form satisfactory to the Participant, together with evidence of the death of the Beneficial Owner, evidence of the authority of the Representative satisfactory to the Participant, such waivers, notices or certificates as may be required under applicable state or federal law and such other evidence of the right to such redemption as the Participant shall require. The request shall specify the principal amount of the interest in the Series A Notes to be redeemed. The Participant shall thereupon deliver to the Depositary a request for redemption substantially in the form attached as Exhibit C hereto (a "Redemption Request"), accompanied by the documents

submitted to the Participant as above provided, and the Depositary will forward the same to the Trustee. Documents accompanying Redemption Requests shall be in form satisfactory to the Company. The Trustee may conclusively assume, without independent investigation, that the statements contained in each Redemption Request are true and correct and shall have no responsibility for reviewing any documents accompanying a Redemption Request or for determining whether the applicable decedent is in fact the Beneficial Owner of the interest in the Series A Note to be redeemed or is in fact deceased and whether the Representative is duly authorized to request redemption on behalf of the applicable Beneficial Owner.

The price to be paid by the Company for interests in the Series A Notes to be redeemed pursuant to a Redemption Request is 100% of the principal amount thereof plus accrued but unpaid interest to the date of payment. Subject to arrangements with the Depositary, payment for interests in the Series A Notes which are to be redeemed shall be made to the Depositary upon presentation of Series A Notes to the Trustee for redemption in the aggregate principal amount specified in the Redemption Requests submitted to the Trustee by the Depositary which are to be fulfilled in connection with such payment. The principal amount of any Series A Notes acquired or redeemed by the Company other than by redemption at the option of any Representative of a deceased Beneficial Owner pursuant to this Section 108 shall not be included in the computation of either the $25,000 or the $1,000,000 limitation for the Initial Period or for any Subsequent Period.

For purposes of this Section 108, an interest in a Series A Note held in tenancy by the entirety, joint tenancy or by tenants in common will be deemed to be held by a single Beneficial Owner and the death of a tenant by the entirety, joint tenant or tenant in common will be deemed the death of a Beneficial Owner. The death of a Person who, during his lifetime, was entitled to substantially all of the rights of a Beneficial Owner of an interest in the Series A Notes will be deemed the death of the Beneficial Owner, regardless of the recordation of such interest on the records of the Participant, if such rights can be established to the satisfaction of the Participant and the Company. Such interests shall be deemed to exist in typical cases of nominee ownership, ownership under the Uniform Gifts to Minors Act or the Uniform Transfers to Minors Act, community property or other similar joint ownership arrangements, including individual retirement accounts or Keogh [H.R. 10] plans maintained solely by or for the decedent or by or for the decedent and any spouse, and trust and certain other arrangements where one Person has substantially all of the rights of a Beneficial Owner during such Person's lifetime.

In the case of any Redemption Request which is presented pursuant to this Section 108 and which has not been fulfilled at the time the Company gives notice of its election to redeem Series A Notes pursuant to Section 107 hereof, such interest or portion thereof shall not be subject to redemption pursuant to such Section 107, but shall remain subject to redemption pursuant to this Section 108.

Subject to the provisions of the immediately preceding sentence, any Redemption Request may be withdrawn by the Person(s) presenting the same upon delivery of a written request for such withdrawal given by the Depositary to the Trustee prior to payment of such Redemption Request.

During such time or times as, in accordance with Section 105 hereof, the Series A Notes are not represented by a Global Security and are issued in definitive form, all references in this Section 108 to Participants and the Depositary, including the Depositary's governing rules, regulations and procedures shall be deemed deleted, all determinations which under this Section 108 the Participants are required to make shall be made by the Company (including, without limitation, determining whether the applicable decedent is in fact the Beneficial Owner of the interest in the Series A Note to be redeemed or is in fact deceased and whether the Representative is duly authorized to request redemption on behalf of the applicable Beneficial Owner), all redemption requests, to be effective, shall be delivered by the Representative to the Trustee, with a copy to the Company, and shall be in the form of a Redemption Request (with appropriate changes to reflect the fact that such Redemption Request is being executed by a Representative) and, in addition to all documents that are otherwise required to accompany a Redemption Request, shall be accompanied by the Series A Note that is the subject of such request.

ARTICLE 2

Special Insurance Provisions

SECTION 201. Supplemental Indentures. The consent of the Insurer shall be required with respect to any indenture or indentures supplemental to the Original Indenture requiring the consent of the Holders of the Series A Notes pursuant to Section 902 of the Original Indenture.

SECTION 202. Events of Default and Remedies. Subject to Section 107 of the Original Indenture and to the Trust Indenture Act, including, without limitation, Sections 316(a)(1) and 317(a) thereof, if an Event of Default with respect to the Series A Notes occurs and is continuing, the Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the Holders of the Series A Notes or the Trustee for the benefit of the Holders of the Series A Notes under the Indenture, including, without limitation, (i) the right to accelerate the principal of the Series A Notes as provided in Section 502 of the Original Indenture, and (ii) the right to annul any such declaration of acceleration, and the Insurer shall also be entitled to approve any waiver of an Event of Default with respect to the Series A Notes, the obligation of the Trustee to comply with any such direction to be subject to compliance with the conditions set forth in Sections 512 and 603(e) of the Original Indenture (as if references in those Sections to Holders were references to the Insurer) and the protections provided to the Trustee by Section 601(c)(3) of the Original Indenture shall be applicable with respect to any direction from the Insurer given pursuant hereto (as if references in said Section to Holders were references to the Insurer).

SECTION 203. Insurance Policy Payment Procedures. (a) If the Trustee does not have sufficient funds for any payment of principal or interest on the due date or if the Trustee has notice that any Holder has been required to disgorge payments of principal or interest on the Series A Notes to a trustee in bankruptcy or creditors or others pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Holder within the meaning of any applicable bankruptcy laws, then the Trustee shall notify the

Insurer or its designee of such fact by telephone or telegraphic notice, confirmed in writing by registered or certified mail.

(b) The Trustee is hereby irrevocably designated, appointed, directed and authorized to act as attorney-in-fact for Holders of the Series A Notes as follows:

1. If and to the extent there is a deficiency in amounts required to pay interest on the Series A Notes, the Trustee shall (a) execute and deliver to the Insurance Paying Agent, in form satisfactory to the Insurance Paying Agent, an instrument appointing the Insurer as agent for such Holders in any legal proceeding related to the payment of such interest and an assignment to the Insurer of the claims for interest to which such deficiency relates and which are paid by the Insurer, (b) receive as designee of the respective Holders (and not as Trustee) in accordance with the tenor of the Policy payment from the Insurance Paying Agent with respect to the claims for interest so assigned, and (c) disburse the same to such respective Holders; and

2. If and to the extent of a deficiency in amounts required to pay principal of the Series A Notes, the Trustee shall (a) execute and deliver to the Insurance Paying Agent in form satisfactory to the Insurance Paying Agent an instrument appointing the Insurer as agent for such Holders in any legal proceeding relating to the payment of such principal and an assignment to the Insurer of any of the Series A Notes surrendered to the Insurance Paying Agent to the extent of the principal amount thereof as has not previously been paid or for which moneys are not held by the Trustee and available for such payment (but such assignment shall be delivered only if payment from the Insurance Paying Agent is received), (b) receive as designee of the respective Holders (and not as Trustee) in accordance with the tenor of the Policy payment therefor from the Insurance Paying Agent, and (c) disburse the same to such Holders.

(c) Payments with respect to claims for interest on and principal of Series A Notes disbursed by the Trustee from proceeds of the Policy shall not be considered to discharge the obligation of the Company with respect to such Series A Notes, and the Insurer shall become the owner of such unpaid Series A Note and claims for the interest thereon in accordance with the tenor of the assignment made to it under the provisions of this subsection or otherwise.

(d) Irrespective of whether any such assignment is executed and delivered, the Company and the Trustee hereby agree for the benefit of the Insurer that,

1. They recognize that to the extent the Insurer makes payments, directly or indirectly (as by paying through the Trustee), on account of principal of or interest on the Series A Notes, the Insurer will be subrogated to the rights of such Holders to receive the amount of such principal and interest from the Company, with interest thereon as provided and solely from the sources stated in the Indenture and the Series A Notes; and

2. They will accordingly pay to the Insurer the amount of such principal and interest (including principal and interest recovered under subparagraph (ii) of the first

paragraph of the Policy, which principal and interest shall be deemed past due and not to have been paid), with interest thereon as provided in the Indenture and the Series A Note, but only from the sources and in the manner provided herein for the payment of principal of and interest on the Series A Notes to Holders, and will otherwise treat the Insurer as the owner of such rights to the extent of the amount of such principal and interest.

SECTION 204. Application of Term "Outstanding" to Series A Notes. In the event that the principal and/or interest due on the Series A Notes shall be paid by the Insurer pursuant to the Policy, the Series A Notes shall remain Outstanding for all purposes of the Indenture, not be considered defeased or otherwise satisfied and not be considered paid by the Company, and the Indenture and all covenants, agreements and other obligations of the Company to the Holders of the Series A Notes shall continue to exist and such covenants, agreements and other obligations shall run to the benefit of the Insurer, and the Insurer shall be subrogated to the rights of such Holders to the extent of each such payment.

SECTION 205. Insurer as Third Party Beneficiary. To the extent that the Indenture confers upon or gives or grants to the Insurer any right, remedy or claim under or by reason of the Indenture, the Insurer is hereby explicitly recognized as being a third-party beneficiary hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder.

SECTION 206. Notices. Any notice that is required to be given to a Holder of the Series A Note or to the Trustee pursuant to the Indenture shall also be provided to the Insurer. All notices required to be given to the Insurer under the Indenture shall be in writing and shall be sent by registered or certified mail addressed to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504, Attention: Surveillance.

SECTION 207. Concerning the Special Insurance Provisions. The provisions of this Article 2 shall apply notwithstanding anything in the Indenture to the contrary, but only so long as the Policy shall be in full force and effect and the Insurer is not in default thereunder.

ARTICLE 3

Miscellaneous Provisions

SECTION 301. Recitals by Company. The recitals in this First Supplemental Indenture are made by the Company only and not by the Trustee, and all of the provisions contained in the Original Indenture in respect of the rights, privileges, immunities, powers and duties of the Trustee shall be applicable in respect of Series A Notes and of this First Supplemental Indenture as fully and with like effect as if set forth herein in full.

SECTION 302. Ratification and Incorporation of Original Indenture. As supplemented hereby, the Original Indenture is in all respects ratified and confirmed, and the Original Indenture

and this First Supplemental Indenture shall be read, taken and construed as one and the same instrument.

SECTION 303. Executed in Counterparts. This First Supplemental Indenture may be simultaneously executed in several counterparts, each of which shall be deemed to be an original, and such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, each party hereto has caused this instrument to be signed in its name and behalf by its duly authorized officers, all as of the day and year first above written.

ATTEST:

By: Susan D. Cranmer
Susan Cranmer
Assistant Secretary

GULF POWER COMPANY

By: _____
A. E. Scarbrough
Vice President

ATTEST:

By: _____
L. O'Brien
Senior Trust Officer

THE CHASE MANHATTAN BANK, as Trustee

By: _____
R. Lorenzen
Senior Trust Officer

IN WITNESS WHEREOF, each party hereto has caused this instrument to be signed in its name and behalf by its duly authorized officers, all as of the day and year first above written.

ATTEST:

GULF POWER COMPANY

By:_____
Susan Cranmer
Assistant Secretary

By:_____
A. E. Scarbrough
Vice President

ATTEST:

THE CHASE MANHATTAN BANK, as Trustee

By:_____
L. O'Brien
Senior Trust Officer

By:_____
R. Lorenzen
Senior Trust Officer

EXHIBIT A

FORM OF SERIES A NOTE

NO. __ CUSIP NO. 402479BH1

GULF POWER COMPANY
SERIES A 6.70% SENIOR INSURED QUARTERLY NOTE
DUE JUNE 30, 2038

Principal Amount:	$_____
Regular Record Date:	15th calendar day prior to Interest Payment Date
Original Issue Date:	June 24, 1998
Stated Maturity:	June 30, 2038
Interest Payment Dates:	March 31, June 30, September 30 and December 31
Interest Rate:	6.70% per annum
Authorized Denomination:	$1,000
Initial Redemption Date:	June 30, 2003

Gulf Power Company, a Maine corporation (the "Company", which term includes any successor corporation under the Indenture referred to on the reverse hereof), for value received, hereby promises to pay to _____, or registered assigns, the principal sum of _____ DOLLARS ($_____) on the Stated Maturity shown above (or upon earlier redemption), and to pay interest thereon from the Original Issue Date shown above, or from the most recent Interest Payment Date to which interest has been paid or duly provided for, quarterly in arrears on each Interest Payment Date as specified above, commencing on September 30, 1998, and on the Stated Maturity (or upon earlier redemption) at the rate per annum shown above until the principal hereof is paid or made available for payment and on any overdue principal and on any overdue installment of interest. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date (other than an Interest Payment Date that is the Stated Maturity or on a Redemption Date) will, as provided in such Indenture, be paid to the Person in whose name this Note (the "Note") is registered at the close of business on the Regular Record Date as specified above next preceding such Interest Payment Date, provided that any interest payable at Stated Maturity or on any Redemption Date will be paid to the Person to whom principal is payable. Except as otherwise provided in the Indenture, any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Note is registered at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Trustee,

notice whereof shall be given to Holders of Notes of this series not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange, if any, on which the Notes of this series shall be listed, and upon such notice as may be required by any such exchange, all as more fully provided in the Indenture.

Payments of interest on this Note will include interest accrued to but excluding the respective Interest Payment Dates. Interest payments for this Note shall be computed and paid on the basis of a 360-day year of twelve 30-day months. In the event that any date on which interest is payable on this Note is not a Business Day, then payment of the interest payable on such date will be made on the next succeeding day that is a Business Day, except that, if such Business Day is in the next succeeding calendar year, payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on the date the payment was originally payable. A "Business Day" shall mean any day other than a Saturday or a Sunday or a day on which banking institutions in New York City are authorized or required by law or executive order to remain closed or a day on which the Corporate Trust Office of the Trustee is closed for business.

Payment of the principal of and interest due at the Stated Maturity or earlier redemption of the Series A Notes shall be made upon surrender of the Series A Notes at the Corporate Trust Office of the Trustee. The principal of and interest on the Series A Notes shall be paid in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. Payment of interest (including interest on an Interest Payment Date) will be made, subject to such surrender where applicable, at the option of the Company, (i) by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register or (ii) by wire transfer at such place and to such account at a banking institution in the United States as may be designated in writing to the Trustee at least 16 days prior to the date for payment by the Person entitled thereto.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS NOTE SET FORTH ON THE REVERSE HEREOF, WHICH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH AT THIS PLACE.

Unless the certificate of authentication hereon has been executed by the Trustee by manual signature, this Note shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed under its corporate seal.

Dated:

GULF POWER COMPANY

By:_____
Vice President

Attest:

_____
Assistant Secretary

{Seal of GULF POWER COMPANY appears here}

CERTIFICATE OF AUTHENTICATION

This is one of the Senior Notes referred to in the within-mentioned Indenture.

THE CHASE MANHATTAN BANK,
as Trustee

By:_____
Authorized Officer

(Reverse Side of Note)

This Note is one of a duly authorized issue of Senior Notes of the Company (the "Notes"), issued and issuable in one or more series under a Senior Note Indenture, dated as of January 1, 1998, as supplemented (the "Indenture"), between the Company and The Chase Manhattan Bank, Trustee (the "Trustee," which term includes any successor trustee under the Indenture), to which Indenture and all indentures incidental thereto reference is hereby made for a statement of the respective rights, limitation of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Notes issued thereunder and of the terms upon which said Notes are, and are to be, authenticated and delivered. This Note is one of the series designated on the face hereof as Series A 6.70% Senior Insured Quarterly Notes due June 30, 2038 (the "Series A Notes") in the aggregate principal amount of up to $50,000,000. Capitalized terms used herein for which no definition is provided herein shall have the meanings set forth in the Indenture.

The Company shall have the right, subject to the terms and conditions of the Indenture, to redeem this Note at any time on or after June 30, 2003 at the option of the Company, without premium or penalty, in whole or in part, at a Redemption Price equal to 100% of the principal amount to be redeemed plus accrued but unpaid interest to the Redemption Date.

In addition, at the option of any deceased Beneficial Owner's Representative, interests in the Series A Notes are redeemable at 100% of their principal amount, plus accrued interest, subject to certain limitations provided in the Indenture.

In the event of redemption of this Note in part only, a new Note or Notes of this series for the unredeemed portion hereof will be issued in the name of the Holder hereof upon the surrender hereof. The Notes will not have a sinking fund.

If an Event of Default with respect to the Notes of this series shall occur and be continuing, the principal of the Notes of this series may be declared due and payable in the manner, with the effect and subject to the conditions provided in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Notes of each series to be affected under the Indenture at any time by the Company and the Trustee with the consent of the Holders of not less than a majority in principal amount of the Notes at the time Outstanding of each series to be affected. The Indenture also contains provisions permitting the Holders of specified percentages in principal amount of the Notes of each series at the time Outstanding, on behalf of the Holders of all Notes of such series, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Note shall be conclusive and binding upon such Holder and upon all future Holders of this Note and of any Note issued upon the registration of transfer hereof or in exchange hereof or in lieu hereof, whether or not notation of such consent or waiver is made upon this Note.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and interest on this Note at the times, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Note is registrable in the Security Register, upon surrender of this Note for registration of transfer at the office or agency of the Company for such purpose, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar and duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Notes of this series, of authorized denominations and of like tenor and for the same aggregate principal amount, will be issued to the designated transferee or transferees. No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Note for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Note is registered as the owner hereof for all purposes, whether or not this Note be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

The Notes of this series are issuable only in registered form without coupons in denominations of $1,000 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, Notes of this series are exchangeable for a like aggregate principal amount of Notes of this series of a different authorized denomination, as requested by the Holder surrendering the same upon surrender of the Note or Notes to be exchanged at the office or agency of the Company.

This Note shall be governed by, and construed in accordance with, the internal laws of the State of New York.

STATEMENT OF INSURANCE

MBIA Insurance Corporation (the "Insurer") has issued a financial guaranty insurance policy (the "Policy") containing the following provisions, such policy being on file at The Chase Manhattan Bank, 450 West 33rd Street, New York, New York 10001.

The Insurer, in consideration of the payment of the premium and subject to the terms of the Policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Company to The Chase Manhattan Bank or its successor (the "Paying Agent") of an amount equal to (i) the principal of (at the stated maturity) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

$50,000,000
GULF POWER COMPANY
SERIES A 6.70% SENIOR INSURED QUARTERLY NOTES
DUE JUNE 30, 2038

Upon receipt of telephonic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one Business Day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instrument being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. The Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Company or any designee of the Company for such purpose. The term owner shall not include the Company or any party whose agreement with the Company constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

The insurance provided by the Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

MBIA Insurance Corporation

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of this instrument, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM-	as tenants in common	UNIF GIFT MIN ACT- _____ Custodian _____	
		(Cust)	(Minor)
TEN ENT-	as tenants by the entireties	under Uniform Gifts to	
JT TEN-	as joint tenants with right of survivorship and not as tenants in common	Minors Act	
		_____	
		(State)	

Additional abbreviations may also be used
though not on the above list.

FOR VALUE RECEIVED, the undersigned hereby sell(s) and transfer(s) unto

_____

(please insert Social Security or other identifying number of assignee)

_____

PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING POSTAL ZIP CODE OF ASSIGNEE

_____

_____

the within Note and all rights thereunder, hereby irrevocably constituting and appointing

_____

_____

agent to transfer said Note on the books of the Company, with full power of substitution in the premises.

Dated: _____ _____

_____

NOTICE: The signature to this assignment must correspond with the name as written upon the face of the within instrument in every particular without alteration or enlargement, or any change whatever.

EXHIBIT B

CERTIFICATE OF AUTHENTICATION

This is one of the Senior Notes referred to in the within-mentioned Indenture.

THE CHASE MANHATTAN BANK,
as Trustee

By:_____
Authorized Officer

EXHIBIT C

FORM OF REQUEST FOR REDEMPTION

Gulf Power Company
6.70% Senior Insured Quarterly Notes
due June 30, 2038
CUSIP No. 402479BH1

The undersigned Participant does hereby certify, pursuant to Section 108 of the First Supplemental Indenture dated as of June 24, 1998 to the Indenture dated as of January 1, 1998 between Gulf Power Company (the "Company") and The Chase Manhattan Bank, as trustee (the "Trustee"), to the Company and the Trustee that:

1. [Name of deceased Beneficial Owner] is deceased.

2. [Name of deceased Beneficial Owner] had a $_____ interest in the Company's Series A 6.70% Senior Insured Quarterly Notes due June 30, 2038 (the "Series A Senior Notes").

3. [Name of Representative] is [Beneficial Owner's personal representative/ other person authorized to represent the estate of the Beneficial Owner/surviving joint tenant/ surviving tenant by the entirety] of [Name of deceased Beneficial Owner] and has delivered to the undersigned a request for redemption in form satisfactory to the undersigned, requesting that $_____ [$1,000 or an integral multiple thereof] be redeemed pursuant to said Section 108. Such request and the documents accompanying such request, all of which are satisfactory to the undersigned, are delivered herewith.

4. [Name of Participant] holds the interest in the Series A Senior Notes with respect to which this Request for Redemption is being made on behalf of [Name of deceased Beneficial Owner].

IN WITNESS WHEREOF, the undersigned has executed this Request for Redemption as of _____, _____.

[Name of Participant]

By:_____
Name:
Title:

EXHIBIT B. 4.

EXHIBIT C. 4.

GULF POWER COMPANY

TO

THE CHASE MANHATTTAN BANK,
TRUSTEE.

SECOND SUPPLEMENTAL INDENTURE

DATED AS OF AUGUST 24, 1999

$50,000,000

SERIES B 7.05% SENIOR NOTES

DUE AUGUST 15, 2004

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[1]This Table of Contents does not constitute part of the Indenture or have any bearing upon the interpretation of any of its terms and provisions.

THIS SECOND SUPPLEMENTAL INDENTURE is made as of the 24th day of August, 1999, by and between GULF POWER COMPANY, a Maine corporation, One Energy Place, Pensacola, Florida 32520-0102 (the "Company"), and THE CHASE MANHATTAN BANK, a New York banking corporation, 450 West 33rd Street, New York, New York 10001 (the "Trustee").

W I T N E S S E T H:

WHEREAS, the Company has heretofore entered into a Senior Note Indenture, dated as of January 1, 1998 (the "Original Indenture"), with The Chase Manhattan Bank, as supplemented by a First Supplemental Indenture, dated as of June 24, 1998 (the "First Supplemental Indenture"), with The Chase Manhattan Bank;

WHEREAS, the Original Indenture is incorporated herein by this reference and the Original Indenture, as supplemented by the First Supplemental Indenture and this Second Supplemental Indenture, is herein called the "Indenture";

WHEREAS, under the Original Indenture, a new series of Senior Notes may at any time be established pursuant to a supplemental indenture executed by the Company and the Trustee;

WHEREAS, the Company proposes to create under the Indenture a new series of Senior Notes;

WHEREAS, additional Senior Notes of other series hereafter established, except as may be limited in the Original Indenture as at the time supplemented and modified, may be issued from time to time pursuant to the Indenture as at the time supplemented and modified; and

WHEREAS, all conditions necessary to authorize the execution and delivery of this Second Supplemental Indenture and to make it a valid and binding obligation of the Company have been done or performed.

NOW, THEREFORE, in consideration of the agreements and obligations set forth herein and for other good and valuable consideration, the sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

ARTICLE 1

Series B Senior Notes

SECTION 101. Establishment. There is hereby established a new series of Senior Notes to be issued under the Indenture, to be designated as the Company's Series B 7.05% Senior Notes due August 15, 2004 (the "Series B Notes").

There are to be authenticated and delivered $50,000,000 principal amount of Series B Notes, and no further Series B Notes shall be authenticated and delivered except as provided by Sections 203, 303, 304, 907 or 1107 of the Original Indenture. The Series B Notes shall be issued in definitive fully registered form.

The Series B Notes shall be issued in the form of one Global Security in substantially the form set out in Exhibit A hereto. The Depositary with respect to the Series B Notes shall be The Depository Trust Company.

The form of the Trustee's Certificate of Authentication for the Series B Notes shall be in substantially the form set forth in Exhibit B hereto.

Each Series B Note shall be dated the date of authentication thereof and shall bear interest from the date of original issuance thereof or from the most recent Interest Payment Date to which interest has been paid or duly provided for.

The Series B Notes will not be redeemable at the option of the Company prior to maturity and will not have a sinking fund.

SECTION 102. Definitions. The following defined terms used herein shall, unless the context otherwise requires, have the meanings specified below. Capitalized terms used herein for which no definition is provided herein shall have the meanings set forth in the Original Indenture.

"Interest Payment Dates" means February 15 and August 15 of each year.

"Original Issue Date" means August 24, 1999.

"Regular Record Date" means, with respect to each Interest Payment Date, the close of business on the February 1 or August 1, as the case may be, immediately preceding such Interest Payment Date.

"Stated Maturity" means August 15, 2004.

SECTION 103. Payment of Principal and Interest. The principal of the Series B Notes shall be due at Stated Maturity. The unpaid principal amount of the Series B Notes shall bear interest at the rate of 7.05% per annum until paid or duly provided for. Interest shall be paid semiannually in arrears on each Interest Payment Date to the Person in whose name the Series B Notes are registered on the Regular Record Date for such Interest Payment Date, *provided* that interest payable at the Stated Maturity of principal as provided herein will be paid to the Person to whom principal is payable. Any such interest that is not so punctually paid or duly provided for will forthwith cease to be payable to the Holders on such Regular Record Date and may either be paid to the Person or Persons in whose name the Series B Notes are registered at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Trustee, notice whereof shall be given to Holders of the Series B Notes not less than ten (10) days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange, if any, on which the Series B Notes

shall be listed, and upon such notice as may be required by any such exchange, all as more fully provided in the Original Indenture.

Payments of interest on the Series B Notes will include interest accrued to but excluding the respective Interest Payment Dates. Interest payments for the Series B Notes shall be computed and paid on the basis of a 360-day year of twelve 30-day months. In the event that any date on which interest is payable on the Series B Notes is not a Business Day, then a payment of the interest payable on such date will be made on the next succeeding day that is a Business Day, with the same force and effect as if made on the date the payment was originally payable.

Payment of the principal and interest due at the Stated Maturity of the Series B Notes shall be made upon surrender of the Series B Notes at the Corporate Trust Office of the Trustee. The principal of and interest on the Series B Notes shall be paid in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. Payments of interest (including interest on any Interest Payment Date) will be made, subject to such surrender where applicable, at the option of the Company, (i) by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register or (ii) by wire transfer at such place and to such account at a banking institution in the United States as may be designated in writing to the Trustee at least sixteen (16) days prior to the date for payment by the Person entitled thereto.

SECTION 104. Denominations. The Series B Notes may be issued in the denominations of $1,000, or any integral multiple thereof.

SECTION 105. Global Securities. The Series B Notes will be issued in the form of one or more Global Securities registered in the name of the Depositary (which shall be The Depository Trust Company) or its nominee. Except under the limited circumstances described below, Series B Notes represented by the Global Security will not be exchangeable for, and will not otherwise be issuable as, Series B Notes in definitive form. The Global Securities described above may not be transferred except by the Depositary to a nominee of the Depositary or by a nominee of the Depositary to the Depositary or another nominee of the Depositary or to a successor Depositary or its nominee.

Owners of beneficial interests in such a Global Security will not be considered the Holders thereof for any purpose under the Indenture, and no Global Security representing a Series B Note shall be exchangeable, except for another Global Security of like denomination and tenor to be registered in the name of the Depositary or its nominee or to a successor Depositary or its nominee. The rights of Holders of such Global Security shall be exercised only through the Depositary.

A Global Security shall be exchangeable for Series B Notes registered in the names of persons other than the Depositary or its nominee only if (i) the Depositary notifies the Company that it is unwilling or unable to continue as a Depositary for such Global Security and no successor Depositary shall have been appointed by the Company, or if at any time the Depositary ceases to be a clearing agency registered under the Securities Exchange Act of 1934, as amended, at a time when the Depositary is required to be so registered to act as such Depositary and no successor Depositary shall have been appointed by the Company, in each case within 90 days after the

Company receives such notice or becomes aware of such cessation, (ii) the Company in its sole discretion determines that such Global Security shall be so exchangeable, or (iii) there shall have occurred an Event of Default with respect to the Series B Notes. Any Global Security that is exchangeable pursuant to the preceding sentence shall be exchangeable for Series B Notes registered in such names as the Depositary shall direct.

SECTION 106. Transfer. No service charge will be made for any transfer or exchange of Series B Notes, but payment will be required of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith.

ARTICLE 2

Miscellaneous Provisions

SECTION 201. Recitals by Company. The recitals in this Second Supplemental Indenture are made by the Company only and not by the Trustee, and all of the provisions contained in the Original Indenture in respect of the rights, privileges, immunities, powers and duties of the Trustee shall be applicable in respect of Series B Notes and of this Second Supplemental Indenture as fully and with like effect as if set forth herein in full.

SECTION 202. Ratification and Incorporation of Original Indenture. As heretofore supplemented and as supplemented hereby, the Original Indenture is in all respects ratified and confirmed, and the Original Indenture, the First Supplemental Indenture and this Second Supplemental Indenture shall be read, taken and construed as one and the same instrument.

SECTION 203. Executed in Counterparts. This Second Supplemental Indenture may be simultaneously executed in several counterparts, each of which shall be deemed to be an original, and such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, each party hereto has caused this instrument to be signed in its name and behalf by its duly authorized officers, all as of the day and year first above written.

ATTEST:

By: _____
Susan Ritenour
Assistant Secretary

GULF POWER COMPANY

By: _____
A. E. Scarbrough
Vice President

ATTEST:

By: _____
N. Rodriguez
Trust Officer

THE CHASE MANHATTAN BANK, as Trustee

By: _____
R. Lorenzen
Assistant Vice President

EXHIBIT A

FORM OF SERIES B NOTE

NO. __ CUSIP NO. 402479BJ7

GULF POWER COMPANY
SERIES B 7.05% SENIOR NOTE
DUE AUGUST 15, 2004

Principal Amount:	$_____
Regular Record Date:	February 1 or August 1, as the case may be, immediately preceding an Interest Payment Date
Original Issue Date:	August 24, 1999
Stated Maturity:	August 15, 2004
Interest Payment Dates:	February 15 and August 15
Interest Rate:	7.05% per annum
Authorized Denomination:	$1,000

Gulf Power Company, a Maine corporation (the "Company", which term includes any successor corporation under the Indenture referred to on the reverse hereof), for value received, hereby promises to pay to _____, or registered assigns, the principal sum of _____ DOLLARS ($_____) on the Stated Maturity shown above, and to pay interest thereon from the Original Issue Date shown above, or from the most recent Interest Payment Date to which interest has been paid or duly provided for, semiannually in arrears on each Interest Payment Date as specified above, commencing on February 15, 2000, and on the Stated Maturity at the rate per annum shown above until the principal hereof is paid or made available for payment and on any overdue principal and on any overdue installment of interest. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date (other than an Interest Payment Date that is the Stated Maturity) will, as provided in such Indenture, be paid to the Person in whose name this Note (the "Note") is registered at the close of business on the Regular Record Date as specified above next preceding such Interest Payment Date, provided that any interest payable at Stated Maturity will be paid to the Person to whom principal is payable. Except as otherwise provided in the Indenture, any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Note is registered at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Trustee, notice whereof shall be given to Holders of Notes of this series not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange, if any, on which the Notes of this series shall be listed,

and upon such notice as may be required by any such exchange, all as more fully provided in the Indenture.

Payments of interest on this Note will include interest accrued to but excluding the respective Interest Payment Dates. Interest payments for this Note shall be computed and paid on the basis of a 360-day year of twelve 30-day months. In the event that any date on which interest is payable on this Note is not a Business Day, then payment of the interest payable on such date will be made on the next succeeding day that is a Business Day, with the same force and effect as if made on the date the payment was originally payable. A "Business Day" shall mean any day other than a Saturday or a Sunday or a day on which banking institutions in New York City are authorized or required by law or executive order to remain closed or a day on which the Corporate Trust Office of the Trustee is closed for business.

Payment of the principal of and interest due at the Stated Maturity of the Series B Notes shall be made upon surrender of the Series B Notes at the Corporate Trust Office of the Trustee. The principal of and interest on the Series B Notes shall be paid in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. Payment of interest (including interest on an Interest Payment Date) will be made, subject to such surrender where applicable, at the option of the Company, (i) by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register or (ii) by wire transfer at such place and to such account at a banking institution in the United States as may be designated in writing to the Trustee at least 16 days prior to the date for payment by the Person entitled thereto.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS NOTE SET FORTH ON THE REVERSE HEREOF, WHICH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH AT THIS PLACE.

Unless the certificate of authentication hereon has been executed by the Trustee by manual signature, this Note shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed under its corporate seal.

Dated:

GULF POWER COMPANY

By:_____
Vice President

Attest:

_____
Assistant Secretary

{Seal of GULF POWER COMPANY appears here}

CERTIFICATE OF AUTHENTICATION

This is one of the Senior Notes referred to in the within-mentioned Indenture.

THE CHASE MANHATTAN BANK,
as Trustee

By:_____
Authorized Officer

(Reverse Side of Note)

This Note is one of a duly authorized issue of Senior Notes of the Company (the "Notes"), issued and issuable in one or more series under a Senior Note Indenture, dated as of January 1, 1998, as supplemented (the "Indenture"), between the Company and The Chase Manhattan Bank, Trustee (the "Trustee," which term includes any successor trustee under the Indenture), to which Indenture and all indentures incidental thereto reference is hereby made for a statement of the respective rights, limitation of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Notes issued thereunder and of the terms upon which said Notes are, and are to be, authenticated and delivered. This Note is one of the series designated on the face hereof as Series B 7.05% Senior Notes due August 15, 2004 (the "Series B Notes") in the aggregate principal amount of up to $50,000,000. Capitalized terms used herein for which no definition is provided herein shall have the meanings set forth in the Indenture.

The Series B Notes will not have a sinking fund.

The Series B Notes will not be redeemable at the option of the Company prior to the Stated Maturity.

If an Event of Default with respect to the Notes of this series shall occur and be continuing, the principal of the Notes of this series may be declared due and payable in the manner, with the effect and subject to the conditions provided in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Notes of each series to be affected under the Indenture at any time by the Company and the Trustee with the consent of the Holders of not less than a majority in principal amount of the Notes at the time Outstanding of each series to be affected. The Indenture also contains provisions permitting the Holders of specified percentages in principal amount of the Notes of each series at the time Outstanding, on behalf of the Holders of all Notes of such series, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Note shall be conclusive and binding upon such Holder and upon all future Holders of this Note and of any Note issued upon the registration of transfer hereof or in exchange hereof or in lieu hereof, whether or not notation of such consent or waiver is made upon this Note.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and interest on this Note at the times, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Note is registrable in the Security Register, upon surrender of this Note for registration of transfer at the office or agency of the Company for such purpose, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the

Security Registrar and duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Notes of this series, of authorized denominations and of like tenor and for the same aggregate principal amount, will be issued to the designated transferee or transferees. No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Note for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Note is registered as the owner hereof for all purposes, whether or not this Note be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

The Notes of this series are issuable only in registered form without coupons in denominations of $1,000 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, Notes of this series are exchangeable for a like aggregate principal amount of Notes of this series of a different authorized denomination, as requested by the Holder surrendering the same upon surrender of the Note or Notes to be exchanged at the office or agency of the Company.

This Note shall be governed by, and construed in accordance with, the internal laws of the State of New York.

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of this instrument, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM-	as tenants in common
TEN ENT-	as tenants by the entireties
JT TEN-	as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT MIN ACT- _____ Custodian _____
(Cust) (Minor)

under Uniform Gifts to Minors Act

_____
(State)

Additional abbreviations may also be used though not on the above list.

FOR VALUE RECEIVED, the undersigned hereby sell(s) and transfer(s) unto

_____

(please insert Social Security or other identifying number of assignee)

_____

PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING POSTAL ZIP CODE OF ASSIGNEE

_____

_____

the within Note and all rights thereunder, hereby irrevocably constituting and appointing

_____

_____

agent to transfer said Note on the books of the Company, with full power of substitution in the premises.

Dated: _____ _____

_____

NOTICE: The signature to this assignment must correspond with the name as written upon the face of the within instrument in every particular without alteration or enlargement, or any change whatever.

EXHIBIT B

CERTIFICATE OF AUTHENTICATION

This is one of the Senior Notes referred to in the within-mentioned Indenture.

THE CHASE MANHATTAN BANK,
as Trustee

By:_____
Authorized Officer

EXHIBIT B. 5.

EXHIBIT C. 5.

GULF POWER COMPANY

TO

THE CHASE MANHATTTAN BANK,
TRUSTEE.

THIRD SUPPLEMENTAL INDENTURE

DATED AS OF AUGUST 3, 2001

$60,000,000

SERIES C 4.69% SENIOR NOTES

DUE AUGUST 1, 2003

0758182.01

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[1]This Table of Contents does not constitute part of the Indenture or have any bearing upon the interpretation of any of its terms and provisions.

THIS THIRD SUPPLEMENTAL INDENTURE is made as of the 3rd day of August, 2001, by and between GULF POWER COMPANY, a Maine corporation, One Energy Place, Pensacola, Florida 32520-0100 (the "Company"), and THE CHASE MANHATTAN BANK, a New York banking corporation, 450 West 33rd Street, New York, New York 10001 (the "Trustee").

WITNESSETH:

WHEREAS, the Company has heretofore entered into a Senior Note Indenture, dated as of January 1, 1998 (the "Original Indenture"), as heretofore supplemented;

WHEREAS, the Original Indenture is incorporated herein by this reference and the Original Indenture, as heretofore supplemented and as further supplemented by this Third Supplemental Indenture, is herein called the "Indenture";

WHEREAS, under the Original Indenture, a new series of Senior Notes may at any time be established pursuant to a supplemental indenture executed by the Company and the Trustee;

WHEREAS, the Company proposes to create under the Indenture a new series of Senior Notes;

WHEREAS, additional Senior Notes of other series hereafter established, except as may be limited in the Original Indenture as at the time supplemented and modified, may be issued from time to time pursuant to the Indenture as at the time supplemented and modified; and

WHEREAS, all conditions necessary to authorize the execution and delivery of this Third Supplemental Indenture and to make it a valid and binding obligation of the Company have been done or performed.

NOW, THEREFORE, in consideration of the agreements and obligations set forth herein and for other good and valuable consideration, the sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

ARTICLE 1

Series C Senior Notes

SECTION 101. Establishment. There is hereby established a new series of Senior Notes to be issued under the Indenture, to be designated as the Company's Series C 4.69% Senior Notes due August 1, 2003 (the "Series C Notes").

There are to be authenticated and delivered $60,000,000 principal amount of Series C Notes, and such principal amount of the Series C Notes may be increased from time to time pursuant to Section 301 of the Indenture. All Series C Notes need not be issued at the same time

and such series may be reopened at any time, without the consent of any Holder, for issuances of additional Series C Notes. Any such additional Series C Notes will have the same interest rate, maturity and other terms as those initially issued. No Series C Notes shall be authenticated and delivered in excess of the principal amount as so increased except as provided by Sections 203, 303, 304 or 907 of the Original Indenture. The Series C Notes shall be issued in definitive fully registered form.

The Series C Notes shall be issued in the form of one Global Security in substantially the form set out in Exhibit A hereto. The Depositary with respect to the Series C Notes shall be The Depository Trust Company.

The form of the Trustee's Certificate of Authentication for the Series C Notes shall be in substantially the form set forth in Exhibit B hereto.

Each Series C Note shall be dated the date of authentication thereof and shall bear interest from the date of original issuance thereof or from the most recent Interest Payment Date to which interest has been paid or duly provided for.

The Series C Notes will not be redeemable at the option of the Company prior to maturity and will not have a sinking fund.

SECTION 102. Definitions. The following defined terms used herein shall, unless the context otherwise requires, have the meanings specified below. Capitalized terms used herein for which no definition is provided herein shall have the meanings set forth in the Original Indenture.

"Interest Payment Dates" means February 1 and August 1 of each year.

"Original Issue Date" means August 3, 2001.

"Regular Record Date" means, with respect to each Interest Payment Date, the close of business on the 15th calendar day preceding such Interest Payment Date.

"Stated Maturity" means August 1, 2003.

SECTION 103. Payment of Principal and Interest. The principal of the Series C Notes shall be due at Stated Maturity. The unpaid principal amount of the Series C Notes shall bear interest at the rate of 4.69% per annum until paid or duly provided for. Interest shall be paid semiannually in arrears on each Interest Payment Date to the Person in whose name the Series C Notes are registered on the Regular Record Date for such Interest Payment Date, *provided* that interest payable at the Stated Maturity of principal as provided herein will be paid to the Person to whom principal is payable. Any such interest that is not so punctually paid or duly provided for will forthwith cease to be payable to the Holders on such Regular Record Date and may either be paid to the Person or Persons in whose name the Series C Notes are registered at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Trustee, notice whereof shall be given to Holders of the Series C Notes not less than ten (10) days prior to such Special Record Date, or be paid at any time in any other lawful manner not

inconsistent with the requirements of any securities exchange, if any, on which the Series C Notes shall be listed, and upon such notice as may be required by any such exchange, all as more fully provided in the Original Indenture.

Payments of interest on the Series C Notes will include interest accrued to but excluding the respective Interest Payment Dates. Interest payments for the Series C Notes shall be computed and paid on the basis of a 360-day year of twelve 30-day months. In the event that any date on which interest is payable on the Series C Notes is not a Business Day, then a payment of the interest payable on such date will be made on the next succeeding day that is a Business Day (and without any interest or other payment in respect of any such delay), with the same force and effect as if made on the date the payment was originally payable.

Payment of the principal and interest due at the Stated Maturity of the Series C Notes shall be made upon surrender of the Series C Notes at the Corporate Trust Office of the Trustee. The principal of and interest on the Series C Notes shall be paid in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. Payments of interest (including interest on any Interest Payment Date) will be made, subject to such surrender where applicable, at the option of the Company, (i) by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register or (ii) by wire transfer or other electronic transfer at such place and to such account at a banking institution in the United States as may be designated in writing to the Trustee at least sixteen (16) days prior to the date for payment by the Person entitled thereto.

SECTION 104. Denominations. The Series C Notes may be issued in the denominations of $1,000, or any integral multiple thereof.

SECTION 105. Global Securities. The Series C Notes will be issued in the form of one or more Global Securities registered in the name of the Depositary (which shall be The Depository Trust Company) or its nominee. Except under the limited circumstances described below, Series C Notes represented by the Global Security will not be exchangeable for, and will not otherwise be issuable as, Series C Notes in definitive form. The Global Securities described above may not be transferred except by the Depositary to a nominee of the Depositary or by a nominee of the Depositary to the Depositary or another nominee of the Depositary or to a successor Depositary or its nominee.

Owners of beneficial interests in such a Global Security will not be considered the Holders thereof for any purpose under the Indenture, and no Global Security representing a Series C Note shall be exchangeable, except for another Global Security of like denomination and tenor to be registered in the name of the Depositary or its nominee or to a successor Depositary or its nominee. The rights of Holders of such Global Security shall be exercised only through the Depositary.

A Global Security shall be exchangeable for Series C Notes registered in the names of persons other than the Depositary or its nominee only if (i) the Depositary notifies the Company that it is unwilling or unable to continue as a Depositary for such Global Security and no successor Depositary shall have been appointed by the Company, or if at any time the Depositary ceases to be a clearing agency registered under the Securities Exchange Act of 1934, as amended, at a time

when the Depositary is required to be so registered to act as such Depositary and no successor Depositary shall have been appointed by the Company, in each case within 90 days after the Company receives such notice or becomes aware of such cessation, (ii) the Company in its sole discretion determines that such Global Security shall be so exchangeable, or (iii) there shall have occurred an Event of Default with respect to the Series C Notes. Any Global Security that is exchangeable pursuant to the preceding sentence shall be exchangeable for Series C Notes registered in such names as the Depositary shall direct.

SECTION 106. Transfer. No service charge will be made for any transfer or exchange of Series C Notes, but payment will be required of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith.

ARTICLE 2

Miscellaneous Provisions

SECTION 201. Recitals by Company. The recitals in this Third Supplemental Indenture are made by the Company only and not by the Trustee, and all of the provisions contained in the Original Indenture in respect of the rights, privileges, immunities, powers and duties of the Trustee shall be applicable in respect of Series C Notes and of this Third Supplemental Indenture as fully and with like effect as if set forth herein in full.

SECTION 202. Ratification and Incorporation of Original Indenture. As heretofore supplemented and as supplemented hereby, the Original Indenture is in all respects ratified and confirmed, and the Original Indenture, as heretofore supplemented and as supplemented by this Third Supplemental Indenture shall be read, taken and construed as one and the same instrument.

SECTION 203. Executed in Counterparts. This Third Supplemental Indenture may be simultaneously executed in several counterparts, each of which shall be deemed to be an original, and such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, each party hereto has caused this instrument to be signed in its name and behalf by its duly authorized officers, all as of the day and year first above written.

ATTEST:

By: Susan Ritenour
Susan Ritenour
Assistant Secretary

GULF POWER COMPANY

By: W E Tate
Warren E. Tate
Vice President, Secretary and Treasurer

ATTEST:

By:_____
Virginia Dominguez
Trust Officer

THE CHASE MANHATTAN BANK, as Trustee

By:_____
R. Lorenzen
Assistant Vice President

IN WITNESS WHEREOF, each party hereto has caused this instrument to be signed in its name and behalf by its duly authorized officers, all as of the day and year first above written.

ATTEST:

GULF POWER COMPANY

By:_____
Susan Ritenour
Assistant Secretary

By:_____
Warren E. Tate
Vice President, Secretary and Treasurer

ATTEST:

THE CHASE MANHATTAN BANK, as Trustee

By: Virginia Dominguez
Virginia Dominguez
Trust Officer

By: R. Lorenzen
R. Lorenzen
Assistant Vice President

EXHIBIT A

FORM OF SERIES C NOTE

NO. __ CUSIP NO. 402479BL2

GULF POWER COMPANY
SERIES C 4.69% SENIOR NOTE
DUE AUGUST 1, 2003

Principal Amount:	$_____
Regular Record Date:	15th calendar day prior to the applicable Interest Payment Date
Original Issue Date:	August 3, 2001
Stated Maturity:	August 1, 2003
Interest Payment Dates:	February 1 and August 1
Interest Rate:	4.69% per annum
Authorized Denomination:	$1,000 or any integral multiple thereof

Gulf Power Company, a Maine corporation (the "Company", which term includes any successor corporation under the Indenture referred to on the reverse hereof), for value received, hereby promises to pay to _____, or registered assigns, the principal sum of _____ DOLLARS ($_____) on the Stated Maturity shown above, and to pay interest thereon from the Original Issue Date shown above, or from the most recent Interest Payment Date to which interest has been paid or duly provided for, semiannually in arrears on each Interest Payment Date as specified above, commencing on February 1, 2002, and on the Stated Maturity at the rate per annum shown above until the principal hereof is paid or made available for payment and on any overdue principal and on any overdue installment of interest. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date (other than an Interest Payment Date that is the Stated Maturity) will, as provided in such Indenture, be paid to the Person in whose name this Note (the "Note") is registered at the close of business on the Regular Record Date as specified above next preceding such Interest Payment Date, provided that any interest payable at Stated Maturity will be paid to the Person to whom principal is payable. Except as otherwise provided in the Indenture, any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Note is registered at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Trustee, notice whereof shall be given to Holders of Notes of this series not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange, if any, on which the Notes of this series shall be listed,

and upon such notice as may be required by any such exchange, all as more fully provided in the Indenture.

Payments of interest on this Note will include interest accrued to but excluding the respective Interest Payment Dates. Interest payments for this Note shall be computed and paid on the basis of a 360-day year of twelve 30-day months. In the event that any date on which interest is payable on this Note is not a Business Day (and without any interest or other payment in respect of any such delay), then payment of the interest payable on such date will be made on the next succeeding day that is a Business Day, with the same force and effect as if made on the date the payment was originally payable. A "Business Day" shall mean any day other than a Saturday or a Sunday or a day on which banking institutions in New York City are authorized or required by law or executive order to remain closed or a day on which the Corporate Trust Office of the Trustee is closed for business.

Payment of the principal of and interest due at the Stated Maturity of the Series C Notes shall be made upon surrender of the Series C Notes at the Corporate Trust Office of the Trustee. The principal of and interest on the Series C Notes shall be paid in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. Payment of interest (including interest on an Interest Payment Date) will be made, subject to such surrender where applicable, at the option of the Company, (i) by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register or (ii) by wire transfer at such place and to such account at a banking institution in the United States as may be designated in writing to the Trustee at least 16 days prior to the date for payment by the Person entitled thereto.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS NOTE SET FORTH ON THE REVERSE HEREOF, WHICH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH AT THIS PLACE.

Unless the certificate of authentication hereon has been executed by the Trustee by manual signature, this Note shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed under its corporate seal.

Dated:

GULF POWER COMPANY

By:_____
Vice President

Attest:

_____
Assistant Secretary

{Seal of GULF POWER COMPANY appears here}

CERTIFICATE OF AUTHENTICATION

This is one of the Senior Notes referred to in the within-mentioned Indenture.

THE CHASE MANHATTAN BANK,
as Trustee

By:_____
Authorized Officer

(Reverse Side of Note)

This Note is one of a duly authorized issue of Senior Notes of the Company (the "Notes"), issued and issuable in one or more series under a Senior Note Indenture, dated as of January 1, 1998, as supplemented (the "Indenture"), between the Company and The Chase Manhattan Bank, Trustee (the "Trustee," which term includes any successor trustee under the Indenture), to which Indenture and all indentures incidental thereto reference is hereby made for a statement of the respective rights, limitation of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Notes issued thereunder and of the terms upon which said Notes are, and are to be, authenticated and delivered. This Note is one of the series designated on the face hereof as Series C 4.69% Senior Notes due August 1, 2003 (the "Series C Notes") which is unlimited in aggregate principal amount. Capitalized terms used herein for which no definition is provided herein shall have the meanings set forth in the Indenture.

The Series C Notes will not have a sinking fund.

The Series C Notes will not be redeemable at the option of the Company prior to the Stated Maturity.

If an Event of Default with respect to the Notes of this series shall occur and be continuing, the principal of the Notes of this series may be declared due and payable in the manner, with the effect and subject to the conditions provided in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Notes of each series to be affected under the Indenture at any time by the Company and the Trustee with the consent of the Holders of not less than a majority in principal amount of the Notes at the time Outstanding of each series to be affected. The Indenture also contains provisions permitting the Holders of specified percentages in principal amount of the Notes of each series at the time Outstanding, on behalf of the Holders of all Notes of such series, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Note shall be conclusive and binding upon such Holder and upon all future Holders of this Note and of any Note issued upon the registration of transfer hereof or in exchange hereof or in lieu hereof, whether or not notation of such consent or waiver is made upon this Note.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and interest on this Note at the times, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Note is registrable in the Security Register, upon surrender of this Note for registration of transfer at the office or agency of the Company for such purpose, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the

Security Registrar and duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Notes of this series, of authorized denominations and of like tenor and for the same aggregate principal amount, will be issued to the designated transferee or transferees. No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Note for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Note is registered as the owner hereof for all purposes, whether or not this Note be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

The Notes of this series are issuable only in registered form without coupons in denominations of $1,000 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, Notes of this series are exchangeable for a like aggregate principal amount of Notes of this series of a different authorized denomination, as requested by the Holder surrendering the same upon surrender of the Note or Notes to be exchanged at the office or agency of the Company.

This Note shall be governed by, and construed in accordance with, the internal laws of the State of New York.

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of this instrument, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM-	as tenants in common
TEN ENT-	as tenants by the entireties
JT TEN-	as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT MIN ACT- _____ Custodian _____
(Cust) (Minor)

under Uniform Gifts to Minors Act

_____
(State)

Additional abbreviations may also be used though not on the above list.

FOR VALUE RECEIVED, the undersigned hereby sell(s) and transfer(s) unto

_____

(please insert Social Security or other identifying number of assignee)

_____

PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING POSTAL ZIP CODE OF ASSIGNEE

_____

_____

the within Note and all rights thereunder, hereby irrevocably constituting and appointing

_____

_____

agent to transfer said Note on the books of the Company, with full power of substitution in the premises.

Dated: _____

_____

_____

NOTICE: The signature to this assignment must correspond with the name as written upon the face of the within instrument in every particular without alteration or enlargement, or any change whatever.

0758182.01

EXHIBIT B

CERTIFICATE OF AUTHENTICATION

This is one of the Senior Notes referred to in the within-mentioned Indenture.

THE CHASE MANHATTAN BANK,
as Trustee

By:_____
Authorized Officer

Prospectus Supplement to Prospectus dated June 1, 2001

$60,000,000

GULF POWER
A SOUTHERN COMPANY

Series C 4.69% Senior Notes due August 1, 2003

Gulf Power Company will pay interest on the Series C Senior Notes on February 1 and August 1 of each year. The first payment will be made on February 1, 2002. The Series C Senior Notes will be issued only in denominations of $1,000 and integral multiples of $1,000.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

	Per Series C Senior Note	Total
Initial Public Offering Price*	100.000%	$60,000,000
Underwriting Discounts and Commissions	0.250%	$ 150,000
Net Proceeds, before expenses, to Gulf Power Company	99.750%	$59,850,000

---

* The initial public offering price set forth above does not include accrued interest, if any. Interest on the Series C Senior Notes will accrue from the date the Series C Senior Notes are issued.

The underwriters expect to deliver the Series C Senior Notes in book-entry form only through the facilities of The Depository Trust Company against payment in New York, New York on August 3, 2001.

Banc One Capital Markets, Inc. **SunTrust Robinson Humphrey**

The date of this Prospectus Supplement is July 31, 2001

THE COMPANY

Gulf Power Company (the "Company") is a corporation organized under the laws of the State of Maine on November 2, 1925, and admitted to do business in Florida on January 15, 1926, in Mississippi on October 25, 1976 and in Georgia on November 20, 1984. The mailing address of the Company's principal executive offices is One Energy Place, Pensacola, Florida 32520-0100, and the telephone number is (850) 444-6111. The Company is a wholly owned subsidiary of The Southern Company.

The Company is a regulated public utility engaged in the generation, transmission, distribution and sale of electric energy within an approximately 7,400 square mile service area within the northwestern portion of the State of Florida.

SELECTED FINANCIAL INFORMATION

The following data is qualified in its entirety by reference to and, therefore, should be read together with the detailed information and financial statements appearing herein, in the accompanying Prospectus or in the documents incorporated herein by reference.

	Year Ended December 31,					Twelve Months Ended
	1996	1997	1998	1999	2000	June 30, 2001
	(Thousands, except ratios)					(unaudited)
Operating Revenues	$634,365	$625,856	$650,518	$674,099	$714,319	$739,160
Earnings Before Interest and Income Taxes	131,856	124,428	120,946	119,576	116,892	126,509
Net Income After Dividends on Preferred Stock	57,845	57,610	56,521	53,667	51,843	59,229
Ratio of Earnings to Fixed Charges(1)	4.29	4.18	3.83	3.62	3.38	3.82

	Capitalization As of March 31, 2001		
	Actual	As Adjusted(2)	
	(Thousands, except percentages)		
Common Stock Equity	$494,074	$494,074	50.5%
Cumulative Preferred Stock	4,236	4,236	0.4
Company Obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trusts Holding Company Junior Subordinated Notes	85,000	85,000	8.7
Senior Notes	98,002	158,002	16.1
Other Long-Term Debt	268,007	238,007	24.3
Total	$949,319	$979,319	100.0%

(1) This ratio is computed as follows: (i) "Earnings" have been calculated by adding to "Earnings Before Interest and Income Taxes" the debt portion of allowance for funds used during construction; and (ii) "Fixed Charges" consist of "Net Interest Charges" plus the debt portion of allowance for funds used during construction.

(2) Reflects (i) the proposed redemption in September 2001 of $30,000,000 principal amount of First Mortgage Bonds, 6⅛% Series due July 1, 2003; and (ii) the issuance of the Series C Senior Notes offered hereby.

USE OF PROCEEDS

The proceeds from the sale of the Series C Senior Notes will be applied by the Company to redeem in September 2001 the $30,000,000 outstanding principal amount of its First Mortgage Bonds, 6⅛% Series due July 1, 2003 and to repay a portion of its outstanding short-term indebtedness, which aggregated approximately $30,000,000 as of July 31, 2001. The redemption of the First Mortgage Bonds is subject to the Company's closing the sale of the Series C Senior Notes.

RECENT RESULTS OF OPERATIONS

For the twelve months ended June 30, 2001, "Operating Revenues," "Earnings Before Interest and Income Taxes" and "Net Income After Dividends on Preferred Stock" were $739,160,000, $126,509,000 and $59,229,000, respectively. In the opinion of the management of the Company, the above amounts for the twelve months ended June 30, 2001 reflect all adjustments (which were only normal recurring adjustments) necessary to present fairly the results of operations for such period. The "Ratio of Earnings to Fixed Charges" for the twelve months ended June 30, 2001 was 3.82.

DESCRIPTION OF THE SERIES C SENIOR NOTES

Set forth below is a description of the specific terms of the Series C 4.69% Senior Notes due August 1, 2003 (the "Series C Senior Notes"). This description supplements, and should be read together with, the description of the general terms and provisions of the Senior Notes set forth in the accompanying Prospectus under the caption "Description of the Senior Notes." The following description does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the description in the accompanying Prospectus and the Senior Note Indenture dated as of January 1, 1998 (the "Senior Note Indenture") between the Company and The Chase Manhattan Bank, as trustee (the "Senior Note Indenture Trustee").

General

The Series C Senior Notes will be issued as a series of Senior Notes under the Senior Note Indenture. The Series C Senior Notes will initially be issued in the aggregate principal amount of $60,000,000. The Company may, without the consent of the holders of the Series C Senior Notes, issue additional notes having the same ranking and the same interest rate, maturity and other terms as the Series C Senior Notes. Any additional notes having such similar terms, together with the Series C Senior Notes, will constitute a single series of Senior Notes under the Senior Note Indenture.

The entire principal amount of the Series C Senior Notes will mature and become due and payable, together with any accrued and unpaid interest thereon, on August 1, 2003. The Series C Senior Notes are not subject to any sinking fund provision. The Series C Senior Notes are available for purchase in denominations of $1,000 and any integral multiple thereof.

Interest

Each Series C Senior Note shall bear interest at the rate of 4.69% per annum from the date of original issuance, payable semiannually in arrears on February 1 and August 1 of each year to the person in whose name such Series C Senior Note is registered at the close of business on the fifteenth calendar day prior to such payment date. The initial interest payment date is February 1, 2002. The amount of interest payable will be computed on the basis of a 360-day year of twelve 30-day months. In the event that any date on which interest is payable on the Series C Senior Notes is not a Business Day, then payment of the interest payable on such date will be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay), with the same force and effect as if made on such date.

Ranking

The Series C Senior Notes will be direct, unsecured and unsubordinated obligations of the Company ranking *pari passu* with all other unsecured and unsubordinated obligations of the Company. The Series C Senior Notes will be effectively subordinated to all secured debt of the Company, including its first mortgage bonds, aggregating approximately $254,700,000 outstanding at March 31, 2001. The Senior Note Indenture contains no restrictions on the amount of additional indebtedness that may be incurred by the Company.

Redemption

The Series C Senior Notes will not be redeemable at the option of the Company prior to maturity.

Book-Entry Only Issuance—The Depository Trust Company

The Depository Trust Company (''DTC'') will act as the initial securities depositary for the Series C Senior Notes. The Series C Senior Notes will be issued only as fully registered securities registered in the name of Cede & Co., DTC's nominee. One or more fully registered global Series C Senior Notes certificates will be issued, representing in the aggregate the total principal amount of Series C Senior Notes, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a ''banking organization'' within the meaning of the New York Banking Law, a member of the Federal Reserve System, a ''clearing corporation'' within the meaning of the New York Uniform Commercial Code, and a ''clearing agency'' registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds securities that its participants (''Participants'') deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations (''Direct Participants''). DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (''Indirect Participants''). The rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of Series C Senior Notes within the DTC system must be made by or through Direct Participants, which will receive a credit for the Series C Senior Notes on DTC's records. The ownership interest of each actual purchaser of Series C Senior Notes (''Beneficial Owner'') is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchases, but Beneficial Owners are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the Direct or Indirect Participants through which the Beneficial Owners purchased Series C Senior Notes. Transfers of ownership interests in the Series C Senior Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series C Senior Notes, except in the event that use of the book-entry system for the Series C Senior Notes is discontinued.

DTC has no knowledge of the actual Beneficial Owners of the Series C Senior Notes. DTC's records reflect only the identity of the Direct Participants to whose accounts such Series C Senior Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Series C Senior Notes are being redeemed, DTC will reduce the amount of the interest of each Direct Participant in the Series C Senior Notes in accordance with its procedures.

Although voting with respect to the Series C Senior Notes is limited, in those cases where a vote is required, neither DTC nor Cede & Co. will itself consent or vote with respect to Series C Senior Notes. Under its usual procedures, DTC would mail an Omnibus Proxy to the Company as soon as possible after the record date. The

Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series C Senior Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Series C Senior Notes will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the relevant payment date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payments on such payment date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the account of customers registered in "street name," and will be the responsibility of such Participant and not of DTC or the Company, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment to DTC is the responsibility of the Company, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

Except as provided herein, a Beneficial Owner of a global Series C Senior Note will not be entitled to receive physical delivery of Series C Senior Notes. Accordingly, each Beneficial Owner must rely on the procedures of DTC to exercise any rights under the Series C Senior Notes. The laws of some jurisdictions require that certain purchasers of securities take physical delivery of securities in definitive form. Such laws may impair the ability to transfer beneficial interests in a global Series C Senior Note.

DTC may discontinue providing its services as securities depositary with respect to the Series C Senior Notes at any time by giving reasonable notice to the Company. Under such circumstances, in the event that a successor securities depositary is not obtained, Series C Senior Notes certificates will be printed and delivered to the holders of record. Additionally, the Company may decide to discontinue use of the system of book-entry transfers through DTC (or a successor depositary) with respect to the Series C Senior Notes. In that event, certificates for the Series C Senior Notes will be printed and delivered to the holders of record.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Company believes to be reliable, but the Company takes no responsibility for the accuracy thereof. The Company has no responsibility for the performance by DTC or its Participants of their respective obligations as described herein or under the rules and procedures governing their respective operations.

UNDERWRITING

Subject to the terms and conditions set forth in the Underwriting Agreement dated the date hereof, the Company has agreed to sell to each of the Underwriters named below and each of the Underwriters severally has agreed to purchase the principal amount of Series C Senior Notes set forth opposite its name below:

Name	Principal Amount of Series C Senior Notes
Banc One Capital Markets, Inc.	$30,000,000
SunTrust Capital Markets, Inc.	$30,000,000
Total	$60,000,000

The Underwriting Agreement provides that the obligations of the several Underwriters to pay for and accept delivery of the Series C Senior Notes are subject to, among other things, the approval of certain legal matters by their counsel and certain other conditions. The Underwriters are obligated to take and pay for all the Series C Senior Notes if any are taken.

The Underwriters propose initially to offer all or part of the Series C Senior Notes to the public at the public offering price set forth on the cover page of this prospectus supplement and to certain dealers at such price less a concession not in excess of 0.150% of the principal amount of the Series C Senior Notes. The Underwriters may allow, and such dealers may reallow, a discount not in excess of 0.100% of the principal amount of the Series C Senior Notes to certain other dealers. After the initial public offering, the public offering price, concession and discount may be changed.

The underwriting discounts and commissions to be paid to the Underwriters by the Company with this offering will be 0.250% per Series C Senior Note, for a total of $150,000. In addition, the Company estimates that it will incur other offering expenses of approximately $220,000.

In order to facilitate the offering of the Series C Senior Notes, the Underwriters or their affiliates may engage in transactions that stabilize, maintain or otherwise affect the price of the Series C Senior Notes. Specifically, the Underwriters or their affiliates may over-allot in connection with this offering, creating short positions in the Series C Senior Notes for their own account. In addition, to cover over-allotments or to stabilize the price of the Series C Senior Notes, the Underwriters or their affiliates may bid for, and purchase Series C Senior Notes in the open market. Finally, the Underwriters or their affiliates may reclaim selling concessions allowed to an underwriter or dealer for distributing Series C Senior Notes in this offering, if the Underwriters or their affiliates repurchase previously distributed Series C Senior Notes in transactions that cover syndicate short positions, in stabilization transactions or otherwise. Any of these activities may stabilize or maintain the market price of the Series C Senior Notes above independent market levels. The Underwriters or their affiliates are not required to engage in these activities, and may end any of these activities at any time.

Neither the Company nor either of the Underwriters makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Series C Senior Notes. In addition, neither the Company nor either of the Underwriters makes any representation that such transactions will be engaged in or that such transactions, once commenced, will not be discontinued without notice.

The Company has agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended.

The Underwriters and their affiliates engage in transactions with and perform services for the Company in the ordinary course of business and have engaged, and may in the future engage, in commercial banking and/or investment banking transactions with the Company or its affiliates.

The Series C Senior Notes will not have an established trading market when issued. There can be no assurance of a secondary market for the Series C Senior Notes or the continued liquidity of such market if one develops. It is not anticipated that the Series C Senior Notes will be listed on any securities exchange.

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PROSPECTUS

$350,000,000

Gulf Power Company

Senior Notes

Junior Subordinated Notes

Gulf Power Capital Trust III
Gulf Power Capital Trust IV

Trust Preferred Securities
Fully and unconditionally guaranteed, as set forth herein, by

Gulf Power Company

a subsidiary of The Southern Company

We will provide the specific terms of these securities in supplements to this Prospectus. You should read this Prospectus and the applicable prospectus supplement carefully before you invest.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this Prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

June 1, 2001

ABOUT THIS PROSPECTUS

This Prospectus is part of a registration statement filed with the Securities and Exchange Commission (the "Commission") using a "shelf" registration process under the Securities Act of 1933, as amended (the "1933 Act"). Under the shelf process, Gulf Power Company (the "Company") may sell, in one or more transactions,

- senior notes (the "Senior Notes")
- junior subordinated notes (the "Junior Subordinated Notes")

and Gulf Power Capital Trust III and Gulf Power Capital Trust IV (individually, a "Trust" and collectively, the "Trusts") may sell

- trust preferred securities or capital securities (the "Preferred Securities")

in one or more offerings up to a total dollar amount of $350,000,000. This Prospectus provides a general description of those securities. Each time the Company sells securities, the Company will provide a prospectus supplement that will contain specific information about the terms of that offering ("Prospectus Supplement"). The Prospectus Supplement may also add, update or change information contained in this Prospectus. You should read this Prospectus and the applicable Prospectus Supplement together with additional information under the heading "Available Information."

AVAILABLE INFORMATION

The Company and the Trusts have filed with the Commission a combined registration statement on Form S-3 (the "Registration Statement," which term encompasses any amendments thereof and exhibits thereto) under the 1933 Act. As permitted by the rules and regulations of the Commission, this Prospectus does not contain all of the information set forth in the Registration Statement and the exhibits and schedules thereto, to which reference is hereby made.

The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "1934 Act"), and in accordance therewith files reports and other information with the Commission. Such reports and other information can be inspected and copied at the public reference facilities of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, and at the Commission's Regional Offices at 500 West Madison Street, Suite 1400, Chicago, Illinois 60661 and Seven World Trade Center, 13th Floor, New York, New York 10048. Copies of such material can also be obtained at prescribed rates by writing to the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549. The Commission maintains a Web site that contains reports, proxy and information statements and other information regarding registrants including the Company that file electronically at http://www.sec.gov. In addition, reports and other material concerning the Company can be inspected at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

No separate financial statements of any Trust are included herein. The Company considers that such statements would not be material to holders of the Preferred Securities because each Trust has no independent operations and exists for the sole purpose of investing the proceeds of the sale of its Trust Securities (as defined below) in Junior Subordinated Notes.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents have been filed with the Commission pursuant to the 1934 Act and are incorporated herein by reference and made a part of this Prospectus:

(a) the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2000; and

(b) the Company's Current Report on Form 8-K dated February 28, 2001.

All documents filed by the Company with the Commission pursuant to Section 13(a), 13(c), 14 or 15(d) of the 1934 Act subsequent to the date of this Prospectus and prior to the termination of this offering shall be deemed to be incorporated herein by reference and made a part of this Prospectus from the date of filing of such documents. Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

The Company will provide without charge to each person to whom this Prospectus is delivered, on the written or oral request of any such person, a copy of any or all documents incorporated herein by reference (other than the exhibits to such documents unless such exhibits are specifically incorporated by reference). Such requests should be directed to Warren E. Tate, Secretary and Treasurer, Gulf Power Company, One Energy Place, Pensacola, Florida 32520, telephone: (850) 444-6111.

SELECTED INFORMATION

The following material, which is presented herein solely to furnish limited introductory information regarding the Company, has been selected from, or is based upon, the detailed information and financial statements appearing in the documents incorporated herein by reference or elsewhere in this Prospectus, is qualified in its entirety by reference thereto and, therefore, should be read together therewith.

Gulf Power Company

Business	Generation, transmission, distribution and sale of electric energy
Service Area	Approximately 7,400 square miles within the northwestern portion of the State of Florida
Service Area Population (1990 Census)	Approximately 740,000
Customers at December 31, 2000	370,119
Generating Capacity at December 31, 2000 (kilowatts)	2,188,150
Sources of Generation during 2000 (kilowatt-hours)	Coal (98%), Gas and Oil (2%)
Sources of Generation Estimated for 2001 (kilowatt-hours)	Coal (98%), Gas and Oil (2%)

Certain Ratios

The following table sets forth the Ratios of Earnings to Fixed Charges and Earnings to Fixed Charges Plus Preferred Dividend Requirements (Pre-Income Tax Basis) for the periods indicated.

	Year Ended December 31,				
	1996	1997	1998	1999	2000
Ratio of Earnings to Fixed Charges(1)	4.29	4.18	3.83	3.62	3.38
Ratio of Earnings to Fixed Charges Plus Preferred Dividend Requirements (Pre-Income Tax Basis)(2)	3.31	3.53	3.72	3.58	3.34

(1) This ratio is computed as follows: (i) "Earnings" have been calculated by adding to "Earnings Before Interest and Income Taxes" the debt portion of allowance for funds used during construction, and (ii) "Fixed Charges" consist of "Net Interest Charges" plus the debt portion of allowance for funds used during construction.

(2) In computing this ratio, "Preferred Dividend Requirements" represent the before tax earnings necessary to pay such dividends, computed at the effective tax rates for the applicable periods.

GULF POWER COMPANY

The Company is a corporation organized under the laws of the State of Maine on November 2, 1925, and was admitted to do business in Florida on January 15, 1926, in Mississippi on October 25, 1976 and in Georgia on November 20, 1984. The principal executive offices of the Company are located at 500 Bayfront Parkway, Pensacola, Florida 32501, and the telephone number is (850) 444-6111.

The Company is a wholly owned subsidiary of The Southern Company, a holding company registered under the Public Utility Holding Company Act of 1935, as amended. The Company is engaged, within the northwestern portion of the State of Florida, in the generation and purchase of electricity and the distribution and sale of such electricity at retail in 71 communities as well as in rural areas, and at wholesale to a nonaffiliated utility and to a municipality.

THE TRUSTS

Each Trust is a statutory business trust created under Delaware law pursuant to the filing of a certificate of trust with the Delaware Secretary of State on November 26, 1997, with respect to Gulf Power Capital Trust III, and April 25, 2001, with respect to Gulf Power Capital Trust IV. Each Trust's business is defined in a trust agreement, executed by the Company, as Depositor, and the Delaware Trustee thereunder. This trust agreement of each Trust will be amended and restated in its entirety substantially in the form filed as an exhibit to the Registration Statement of which this Prospectus forms a part (the ''Trust Agreement''). Each Trust Agreement will be qualified as an indenture under the Trust Indenture Act of 1939, as amended (the ''1939 Act''). The Company will own all of the common securities (the ''Common Securities'' and, together with the Preferred Securities, the ''Trust Securities'') of each Trust. The Trust Securities represent undivided beneficial interests in the assets of the respective Trusts. Each Trust exists for the exclusive purposes of (i) issuing its Trust Securities representing undivided beneficial interests in the assets of such Trust, (ii) investing the gross proceeds of its Trust Securities in a related series of Junior Subordinated Notes, and (iii) engaging in only those other activities necessary, appropriate, convenient or incidental thereto. The payment of periodic cash distributions on the Preferred Securities of each Trust and payments on liquidation and redemption with respect to the Preferred Securities of each Trust, in each case to the extent each Trust has funds legally and immediately available therefor, will be guaranteed by the Company (individually, a ''Guarantee'' and collectively, the ''Guarantees'') to the extent set forth under ''Description of the Guarantees.''

Each Trust's business and affairs will be conducted by its trustees, which shall be appointed by the Company as the holder of the Common Securities: two employees of the Company as Administrative Trustees; The Chase Manhattan Bank as Property Trustee; and Chase Manhattan Bank USA, National Association as Delaware Trustee (collectively, the ''Securities Trustees''). The Property Trustee of each Trust will act as the indenture trustee with respect to such Trust for purposes of compliance with the provisions of the 1939 Act.

The principal place of business of each Trust shall be c/o the Company, 500 Bayfront Parkway, Pensacola, Florida 32501, telephone (850) 444-6111, Attn: Treasurer.

Reference is made to the Prospectus Supplement relating to the Preferred Securities of a Trust for further information concerning such Trust.

ACCOUNTING TREATMENT OF TRUSTS

For financial reporting purposes, the Trusts will be treated as subsidiaries of the Company and, accordingly, the accounts of the Trusts will be included in the consolidated financial statements of the Company. The Preferred Securities will be presented as a separate line item in the consolidated balance sheet of the Company, and appropriate disclosures concerning the Preferred Securities, the Guarantees and the Junior Subordinated Notes will be included in the notes to the consolidated financial statements. For financial reporting purposes, the Company will record distributions payable on the Preferred Securities as an expense.

USE OF PROCEEDS

Each Trust will invest the proceeds received from the sale of its Preferred Securities in Junior Subordinated Notes. Except as may be otherwise described in an applicable Prospectus Supplement, the net proceeds received by the Company from such investment and any proceeds received from the sale of its Senior Notes or other sales of its Junior Subordinated Notes will be used in connection with its ongoing construction program, to pay scheduled maturities and/or refundings of its securities, to repay short-term indebtedness to the extent outstanding and for other general corporate purposes.

DESCRIPTION OF THE SENIOR NOTES

Set forth below is a description of the general terms of the Senior Notes. The following description does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the Senior Note Indenture, dated as of January 1, 1998, between the Company and The Chase Manhattan Bank, as trustee (the "Senior Note Indenture Trustee"), as to be supplemented by a supplemental indenture thereto establishing the Senior Notes of each series (the Senior Note Indenture, as so supplemented, is hereinafter referred to as the "Senior Note Indenture"), the forms of which are filed as exhibits to the Registration Statement of which this Prospectus forms a part. The terms of the Senior Notes will include those stated in the Senior Note Indenture and those made a part of the Senior Note Indenture by reference to the 1939 Act. Certain capitalized terms used herein are defined in the Senior Note Indenture.

General

The Senior Notes will be issued as unsecured senior debt securities under the Senior Note Indenture and will rank *pari passu* with all other unsecured and unsubordinated debt of the Company. The Senior Notes will be effectively subordinated to all secured debt of the Company, including its first mortgage bonds, aggregating approximately $254,700,000 outstanding at December 31, 2000. The Senior Note Indenture does not limit the aggregate principal amount of Senior Notes that may be issued thereunder and provides that Senior Notes may be issued from time to time in one or more series pursuant to an indenture supplemental to the Senior Note Indenture. The Senior Note Indenture gives the Company the ability to reopen a previous issue of Senior Notes and issue additional Senior Notes of such series, unless otherwise provided.

Reference is made to the Prospectus Supplement that will accompany this Prospectus for the following terms of the series of Senior Notes being offered thereby: (i) the title of such Senior Notes; (ii) any limit on the aggregate principal amount of such Senior Notes; (iii) the date or dates on which the principal of such Senior Notes is payable; (iv) the rate or rates at which such Senior Notes shall bear interest, if any, or any method by which such rate or rates will be determined, the date or dates from which such interest will accrue, the interest payment dates on which such interest shall be payable, and the regular record date for the interest payable on any interest payment date; (v) the place or places where the principal of (and premium, if any) and interest, if any, on such Senior Notes shall be payable; (vi) the period or periods within which, the price or prices at which

and the terms and conditions on which such Senior Notes may be redeemed, in whole or in part, at the option of the Company; (vii) the obligation, if any, of the Company to redeem or purchase such Senior Notes; (viii) the denominations in which such Senior Notes shall be issuable; (ix) if other than the principal amount thereof, the portion of the principal amount of such Senior Notes which shall be payable upon declaration of acceleration of the maturity thereof; (x) any deletions from, modifications of or additions to the Events of Default or covenants of the Company as provided in the Senior Note Indenture pertaining to such Senior Notes; (xi) whether such Senior Notes shall be issued in whole or in part in the form of a Global Security; and (xii) any other terms of such Senior Notes.

The Senior Note Indenture does not contain provisions that afford holders of Senior Notes protection in the event of a highly leveraged transaction involving the Company.

Events of Default

The Senior Note Indenture provides that any one or more of the following described events with respect to the Senior Notes of any series, which has occurred and is continuing, constitutes an "Event of Default" with respect to the Senior Notes of such series:

(a) failure for 10 days to pay interest on the Senior Notes of such series, when due on an interest payment date other than at maturity or upon earlier redemption; or

(b) failure to pay principal or premium, if any, or interest on the Senior Notes of such series when due at maturity or upon earlier redemption; or

(c) failure for three Business Days to deposit any sinking fund payment when due by the terms of a Senior Note of such series; or

(d) failure to observe or perform any other covenant or warranty of the Company in the Senior Note Indenture (other than a covenant or warranty which has expressly been included therein solely for the benefit of one or more series of Senior Notes other than such series) for 90 days after written notice to the Company from the Senior Note Indenture Trustee or the holders of at least 25% in principal amount of the outstanding Senior Notes of such series; or

(e) certain events of bankruptcy, insolvency or reorganization of the Company.

The holders of not less than a majority in aggregate outstanding principal amount of the Senior Notes of any series have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Senior Note Indenture Trustee with respect to the Senior Notes of such series. If a Senior Note Indenture Event of Default occurs and is continuing with respect to the Senior Notes of any series, then the Senior Note Indenture Trustee or the holders of not less than 25% in aggregate outstanding principal amount of the Senior Notes of such series may declare the principal amount thereof due and payable immediately by notice in writing to the Company (and to the Senior Note Indenture Trustee if given by the holders), and upon any such declaration such principal amount shall become immediately due and payable. At any time after such a declaration of acceleration with respect to the Senior Notes of any series has been made and before a judgment or decree for payment of the money due has been obtained as provided in Article Five of the Senior Note Indenture, the holders of not less than a majority in aggregate outstanding principal amount of the Senior Notes of such series may rescind and annul such declaration and its consequences if the default has been cured or waived and the Company has paid or deposited with the Senior Note Indenture Trustee a sum sufficient to pay all matured installments of interest and principal due otherwise than by acceleration and all sums paid or advanced by the Senior Note Indenture Trustee, including reasonable compensation and expenses of the Senior Note Indenture Trustee.

The holders of not less than a majority in aggregate outstanding principal amount of the Senior Notes of any series may, on behalf of the holders of all the Senior Notes of such series, waive any past default with respect to such series, except (i) a default in the payment of principal or interest or (ii) a default in respect of a covenant or provision which under Article Nine of the Senior Note Indenture cannot be modified or amended thereunder without the consent of the holder of each outstanding Senior Note of such series affected thereby.

Registration and Transfer

The Company shall not be required to (i) issue, register the transfer of or exchange Senior Notes of any series during a period of 15 days immediately preceding the date notice is given identifying the Senior Notes of such series called for redemption, or (ii) register the transfer of or exchange any Senior Notes so selected for redemption, in whole or in part, except the unredeemed portion of any Senior Note being redeemed in part.

Payment and Paying Agent

Unless otherwise indicated in an applicable Prospectus Supplement, payment of principal of any Senior Notes will be made only against surrender to the Paying Agent of such Senior Notes. Principal of and interest on Senior Notes will be payable subject to any applicable laws and regulations, at the office of such Paying Agent or Paying Agents as the Company may designate from time to time, except that, at the option of the Company, payment of any interest may be made by wire transfer or by check mailed to the address of the person entitled thereto as such address shall appear in the Security Register with respect to the Senior Notes. Payment of interest on Senior Notes on any interest payment date will be made to the person in whose name the Senior Notes (or predecessor security) are registered at the close of business on the record date for such interest payment.

Unless otherwise indicated in an applicable Prospectus Supplement, the Senior Note Indenture Trustee will act as Paying Agent with respect to the Senior Notes. The Company may at any time designate additional Paying Agents or rescind the designation of any Paying Agents or approve a change in the office through which any Paying Agent acts.

All moneys paid by the Company to a Paying Agent for the payment of the principal of or interest on the Senior Notes of any series which remain unclaimed at the end of two years after such principal or interest shall have become due and payable will be repaid to the Company, and the holder of such Senior Notes will thereafter look only to the Company for payment thereof.

Modification

The Senior Note Indenture contains provisions permitting the Company and the Senior Note Indenture Trustee, with the consent of the holders of not less than a majority in principal amount of the outstanding Senior Notes of each series affected thereby, to modify the Senior Note Indenture or the rights of the holders of the Senior Notes of such series; provided, that no such modification may, without the consent of the holder of each outstanding Senior Note affected thereby, (i) change the stated maturity of the principal of, or any installment of principal of or interest on, any Senior Note, or reduce the principal amount thereof or the rate of interest thereon or any premium payable upon the redemption thereof, or change the method of calculating the rate of interest thereon, or impair the right to institute suit for the enforcement of any such payment on or after the stated maturity thereof (or, in the case of redemption, on or after the redemption date), or (ii) reduce the percentage of principal amount of the outstanding Senior Notes of any series, the consent of whose holders is required for any such supplemental indenture, or the consent of whose holders is required for any waiver (of compliance with certain provisions of the Senior Note Indenture or certain defaults thereunder and their consequences) provided for in the Senior Note Indenture, or (iii) modify any of the provisions of the Senior Note Indenture relating to supplemental indentures, waiver of past defaults, or waiver of certain covenants, except to increase any such percentage or to provide that certain other provisions of the Senior Note Indenture cannot be modified or waived without the consent of the holder of each outstanding Senior Note affected thereby.

In addition, the Company and the Senior Note Indenture Trustee may execute, without the consent of any holders of Senior Notes, any supplemental indenture for certain other usual purposes, including the creation of any new series of senior notes.

Consolidation, Merger and Sale

The Company shall not consolidate with or merge into any other corporation or convey, transfer or lease its properties and assets substantially as an entirety to any person, unless (1) such other corporation or person is a corporation organized and existing under the laws of the United States, any state thereof or the District of Columbia and such other corporation or person expressly assumes, by supplemental indenture executed and delivered to the Senior Note Indenture Trustee, the payment of the principal of (and premium, if any) and interest on all the Senior Notes and the performance of every covenant of the Senior Note Indenture on the part of the Company to be performed or observed; (2) immediately after giving effect to such transactions, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have happened and be continuing; and (3) the Company has delivered to the Senior Note Indenture Trustee an officers' certificate and an opinion of counsel, each stating that such transaction complies with the provisions of the Senior Note Indenture governing consolidation, merger, conveyance, transfer or lease and that all conditions precedent thereto have been complied with.

Information Concerning the Senior Note Indenture Trustee

The Senior Note Indenture Trustee, prior to an Event of Default with respect to Senior Notes of any series, undertakes to perform, with respect to Senior Notes of such series, only such duties as are specifically set forth in the Senior Note Indenture and, in case an Event of Default with respect to Senior Notes of any series has occurred and is continuing, shall exercise, with respect to Senior Notes of such series, the same degree of care as a prudent individual would exercise in the conduct of his or her own affairs. Subject to such provision, the Senior Note Indenture Trustee is under no obligation to exercise any of the powers vested in it by the Senior Note Indenture at the request of any holder of Senior Notes of any series, unless offered reasonable indemnity by such holder against the costs, expenses and liabilities which might be incurred thereby. The Senior Note Indenture Trustee is not required to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties if the Senior Note Indenture Trustee reasonably believes that repayment or adequate indemnity is not reasonably assured to it.

The Chase Manhattan Bank, the Senior Note Indenture Trustee, also serves as Subordinated Note Indenture Trustee, as Property Trustee and as Guarantee Trustee. The Company and certain of its affiliates maintain deposit accounts and banking relationships with The Chase Manhattan Bank. The Chase Manhattan Bank also serves as trustee under other indentures pursuant to which securities of the Company and affiliates of the Company are outstanding.

Governing Law

The Senior Note Indenture and the Senior Notes will be governed by, and construed in accordance with, the internal laws of the State of New York.

Miscellaneous

The Company will have the right at all times to assign any of its rights or obligations under the Senior Note Indenture to a direct or indirect wholly-owned subsidiary of the Company; provided, that, in the event of any such assignment, the Company will remain primarily liable for all such obligations. Subject to the foregoing, the Senior Note Indenture will be binding upon and inure to the benefit of the parties thereto and their respective successors and assigns.

DESCRIPTION OF THE JUNIOR SUBORDINATED NOTES

Set forth below is a description of the general terms of the Junior Subordinated Notes. The following description does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the Subordinated Note Indenture, dated as of January 1, 1997, between the Company and The Chase Manhattan Bank, as trustee (the "Subordinated Note Indenture Trustee"), as to be supplemented by a supplemental indenture thereto establishing the Junior Subordinated Notes of each series (the Subordinated Note Indenture, as so supplemented, is hereinafter referred to as the "Subordinated Note Indenture"), the forms of which are filed as exhibits to the Registration Statement of which this Prospectus forms a part. The terms of the Junior Subordinated Notes will include those stated in the Subordinated Note Indenture and those made a part of the Subordinated Note Indenture by reference to the 1939 Act. Certain capitalized terms used herein are defined in the Subordinated Note Indenture.

General

The Junior Subordinated Notes will be issued as unsecured junior subordinated debt securities under the Subordinated Note Indenture. The Subordinated Note Indenture does not limit the aggregate principal amount of Junior Subordinated Notes that may be issued thereunder and provides that Junior Subordinated Notes may be issued from time to time in one or more series pursuant to an indenture supplemental to the Subordinated Note Indenture. The Subordinated Note Indenture gives the Company the ability to reopen a previous issue of Junior Subordinated Notes and issue additional Junior Subordinated Notes of such series, unless otherwise provided.

Reference is made to the Prospectus Supplement that will accompany this Prospectus for the following terms of the series of Junior Subordinated Notes being offered thereby: (i) the title of such Junior Subordinated Notes; (ii) any limit on the aggregate principal amount of such Junior Subordinated Notes; (iii) the date or dates on which the principal of such Junior Subordinated Notes is payable; (iv) the rate or rates at which such Junior Subordinated Notes shall bear interest, if any, or any method by which such rate or rates will be determined, the date or dates from which such interest will accrue, the interest payment dates on which such interest shall be payable, and the regular record date for the interest payable on any interest payment date; (v) the place or places where the principal of (and premium, if any) and interest, if any, on such Junior Subordinated Notes shall be payable; (vi) the period or periods within which, the price or prices at which and the terms and conditions on which such Junior Subordinated Notes may be redeemed, in whole or in part, at the option of the Company; (vii) the obligation, if any, of the Company to redeem or purchase such Junior Subordinated Notes; (viii) the denominations in which such Junior Subordinated Notes shall be issuable; (ix) if other than the principal amount thereof, the portion of the principal amount of such Junior Subordinated Notes which shall be payable upon declaration of acceleration of the maturity thereof; (x) any deletions from, modifications of or additions to the Events of Default or covenants of the Company as provided in the Subordinated Note Indenture pertaining to such Junior Subordinated Notes; (xi) whether such Junior Subordinated Notes shall be issued in whole or in part in the form of a Global Security; (xii) the right, if any, of the Company to extend the interest payment periods of such Junior Subordinated Notes; and (xiii) any other terms of such Junior Subordinated Notes. The terms of each series of Junior Subordinated Notes issued to a Trust will correspond to those of the related Preferred Securities of such Trust as described in the Prospectus Supplement relating to such Preferred Securities.

The Subordinated Note Indenture does not contain provisions that afford holders of Junior Subordinated Notes protection in the event of a highly leveraged transaction involving the Company.

Subordination

The Junior Subordinated Notes are subordinated and junior in right of payment to all Senior Indebtedness (as defined below) of the Company. No payment of principal of (including redemption payments, if any), or premium, if any, or interest on (including Additional Interest (as defined below)) the Junior Subordinated Notes may be made if (a) any Senior Indebtedness is not paid when due and any applicable grace period with respect to such default has ended with such default not being cured or waived or otherwise ceasing to exist, or (b) the

maturity of any Senior Indebtedness has been accelerated because of a default, or (c) notice has been given of the exercise of an option to require repayment, mandatory payment or prepayment or otherwise. Upon any payment or distribution of assets of the Company to creditors upon any liquidation, dissolution, winding-up, reorganization, assignment for the benefit of creditors, marshalling of assets or liabilities, or any bankruptcy, insolvency or similar proceedings of the Company, the holders of Senior Indebtedness shall be entitled to receive payment in full of all amounts due or to become due on or in respect of all Senior Indebtedness before the holders of the Junior Subordinated Notes are entitled to receive or retain any payment or distribution. Subject to the prior payment of all Senior Indebtedness, the rights of the holders of the Junior Subordinated Notes will be subrogated to the rights of the holders of Senior Indebtedness to receive payments and distributions applicable to such Senior Indebtedness until all amounts owing on the Junior Subordinated Notes are paid in full.

The term ''Senior Indebtedness'' means, with respect to the Company, (i) any payment due in respect of indebtedness of the Company, whether outstanding at the date of execution of the Subordinated Note Indenture or thereafter incurred, created or assumed, (a) in respect of money borrowed (including any financial derivative, hedging or futures contract or similar instrument) and (b) evidenced by securities, debentures, bonds, notes or other similar instruments issued by the Company that, by their terms, are senior or senior subordinated debt securities including, without limitation, all obligations under its indentures with various trustees; (ii) all capital lease obligations; (iii) all obligations issued or assumed as the deferred purchase price of property, all conditional sale obligations and all obligations of the Company under any title retention agreement (but excluding trade accounts payable arising in the ordinary course of business and long-term purchase obligations); (iv) all obligations for the reimbursement of any letter of credit, banker's acceptance, security purchase facility or similar credit transaction; (v) all obligations of the type referred to in clauses (i) through (iv) above of other persons the payment of which the Company is responsible or liable as obligor, guarantor or otherwise; and (vi) all obligations of the type referred to in clauses (i) through (v) above of other persons secured by any lien on any property or asset of the Company (whether or not such obligation is assumed by the Company), except for (1) any such indebtedness that is by its terms subordinated to or *pari passu* with the Junior Subordinated Notes and (2) any unsecured indebtedness between or among the Company or its affiliates. Such Senior Indebtedness shall continue to be Senior Indebtedness and be entitled to the benefits of the subordination provisions contained in the Subordinated Note Indenture irrespective of any amendment, modification or waiver of any term of such Senior Indebtedness.

The Subordinated Note Indenture does not limit the aggregate amount of Senior Indebtedness that may be issued by the Company. As of December 31, 2000, Senior Indebtedness of the Company aggregated approximately $416,000,000.

Additional Interest

''Additional Interest'' is defined in the Subordinated Note Indenture as (i) such additional amounts as may be required so that the net amounts received and retained by a holder of Junior Subordinated Notes (if the holder is a Trust) after paying taxes, duties, assessments or governmental charges of whatever nature (other than withholding taxes) imposed by the United States or any other taxing authority will not be less than the amounts the holder would have received had no such taxes, duties, assessments, or other governmental charges been imposed; and (ii) any interest due and not paid on an interest payment date, together with interest thereon from such interest payment date to the date of payment, compounded quarterly, on each interest payment date.

Certain Covenants

The Company covenants in the Subordinated Note Indenture, for the benefit of the holders of each series of Junior Subordinated Notes, that, (i) if at such time the Company shall have given notice of its election to extend an interest payment period for such series of Junior Subordinated Notes and such extension shall be continuing, (ii) if at such time the Company shall be in default with respect to its payment or other obligations under the Guarantee with respect to the Trust Securities, if any, related to such series of Junior Subordinated Notes, or (iii) if at such time an Event of Default thereunder with respect to such series of Junior Subordinated Notes shall have occurred and be continuing, (a) the Company shall not declare or pay any dividend or make any

distributions with respect to, or redeem, purchase, acquire or make a liquidation payment with respect to, any of its capital stock, and (b) the Company shall not make any payment of interest, principal or premium, if any, on or repay, repurchase or redeem any debt securities (including guarantees other than the Guarantees) issued by the Company which rank *pari passu* with or junior to the Junior Subordinated Notes. None of the foregoing, however, shall restrict (i) any of the actions described in the preceding sentence resulting from any reclassifications of the Company's capital stock or the exchange or conversion of one class or series of the Company's capital stock for another class or series of the Company's capital stock, or (ii) the purchase of fractional interests in shares of the Company's capital stock pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged.

The Subordinated Note Indenture further provides that, for so long as the Trust Securities of any Trust remain outstanding, the Company covenants (i) to directly or indirectly maintain 100% ownership of the Common Securities of such Trust; provided, however, that any permitted successor of the Company under the Subordinated Note Indenture may succeed to the Company's ownership of such Common Securities, and (ii) to use its reasonable efforts to cause such Trust (a) to remain a statutory business trust, except in connection with the distribution of Junior Subordinated Notes to the holders of Trust Securities in liquidation of such Trust, the redemption of all of the Trust Securities of such Trust, or certain mergers, consolidations or amalgamations, each as permitted by the related Trust Agreement, and (b) to otherwise continue to be classified as a grantor trust for United States federal income tax purposes.

Events of Default

The Subordinated Note Indenture provides that any one or more of the following described events with respect to the Junior Subordinated Notes of any series, which has occurred and is continuing, constitutes an "Event of Default" with respect to the Junior Subordinated Notes of such series:

(a) failure for 10 days to pay interest on the Junior Subordinated Notes of such series, including any Additional Interest (as defined in clause (ii) of the definition thereof in the Subordinated Note Indenture) in respect thereof, when due on an interest payment date other than at maturity or upon earlier redemption; provided, however, that a valid extension of the interest payment period by the Company shall not constitute a default in the payment of interest for this purpose; or

(b) failure for 10 days to pay Additional Interest (as defined in clause (i) of the definition thereof in the Subordinated Note Indenture); or

(c) failure to pay principal or premium, if any, or interest, including Additional Interest (as defined in clause (ii) of the definition thereof in the Subordinated Note Indenture), on the Junior Subordinated Notes of such series when due at maturity or upon earlier redemption; or

(d) failure for three Business Days to deposit any sinking fund payment when due by the terms of a Junior Subordinated Note of such series; or

(e) failure to observe or perform any other covenant or warranty of the Company in the Subordinated Note Indenture (other than a covenant or warranty which has expressly been included therein solely for the benefit of one or more series of Junior Subordinated Notes other than such series) for 90 days after written notice to the Company from the Subordinated Note Indenture Trustee or the holders of at least 25% in principal amount of the outstanding Junior Subordinated Notes of such series; or

(f) certain events of bankruptcy, insolvency or reorganization of the Company.

The holders of not less than a majority in aggregate outstanding principal amount of the Junior Subordinated Notes of any series have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Subordinated Note Indenture Trustee with respect to the Junior Subordinated Notes of such series. If a Subordinated Note Indenture Event of Default occurs and is continuing with respect to the Junior Subordinated Notes of any series, then the Subordinated Note Indenture Trustee or the holders of not less than 25% in aggregate outstanding principal amount of the Junior Subordinated Notes of such series may declare the principal amount thereof due and payable immediately by notice in writing to the Company (and to the

Subordinated Note Indenture Trustee if given by the holders), and upon any such declaration such principal amount shall become immediately due and payable. At any time after such a declaration of acceleration with respect to the Junior Subordinated Notes of any series had been made and before a judgment or decree for payment of the money due has been obtained as provided in Article Five of the Subordinated Note Indenture, the holders of not less than a majority in aggregate outstanding principal amount of the Junior Subordinated Notes of such series may rescind and annul such declaration and its consequences if the default has been cured or waived and the Company has paid or deposited with the Subordinated Note Indenture Trustee a sum sufficient to pay all matured installments of interest (including any Additional Interest) and principal due otherwise than by acceleration and all sums paid or advanced by the Subordinated Note Indenture Trustee, including reasonable compensation and expenses of the Subordinated Note Indenture Trustee.

A holder of Preferred Securities may institute a legal proceeding directly against the Company, without first instituting a legal proceeding against the Property Trustee or any other person or entity, for enforcement of payment to such holder of principal of or interest on the Junior Subordinated Notes of the related series having a principal amount equal to the aggregate stated liquidation amount of the Preferred Securities of such holder on or after the due dates specified in the Junior Subordinated Notes of such series.

The holders of not less than a majority in aggregate outstanding principal amount of the Junior Subordinated Notes of any series may, on behalf of the holders of all the Junior Subordinated Notes of such series, waive any past default with respect to such series, except (i) a default in the payment of principal or interest or (ii) a default in respect of a covenant or provision which under Article Nine of the Subordinated Note Indenture cannot be modified or amended thereunder without the consent of the holder of each outstanding Junior Subordinated Note of such series affected thereby.

Registration and Transfer

The Company shall not be required to (i) issue, register the transfer of or exchange Junior Subordinated Notes of any series during a period of 15 days immediately preceding the date notice is given identifying the Junior Subordinated Notes of such series called for redemption, or (ii) register the transfer of or exchange any Junior Subordinated Notes so selected for redemption, in whole or in part, except the unredeemed portion of any Junior Subordinated Note being redeemed in part.

Payment and Paying Agent

Unless otherwise indicated in an applicable Prospectus Supplement, payment of principal of any Junior Subordinated Notes will be made only against surrender to the Paying Agent of such Junior Subordinated Notes. Principal of and interest on Junior Subordinated Notes will be payable, subject to any applicable laws and regulations, at the office of such Paying Agent or Paying Agents as the Company may designate from time to time, except that, at the option of the Company, payment of any interest may be made by wire transfer or by check mailed to the address of the person entitled thereto as such address shall appear in the Security Register with respect to the Junior Subordinated Notes. Payment of interest on Junior Subordinated Notes on any interest payment date will be made to the person in whose name the Junior Subordinated Notes (or predecessor security) are registered at the close of business on the record date for such interest payment.

Unless otherwise indicated in an applicable Prospectus Supplement, the Subordinated Note Indenture Trustee will act as Paying Agent with respect to the Junior Subordinated Notes. The Company may at any time designate additional Paying Agents or rescind the designation of any Paying Agents or approve a change in the office through which any Paying Agent acts.

All moneys paid by the Company to a Paying Agent for the payment of the principal of or interest on the Junior Subordinated Notes of any series which remain unclaimed at the end of two years after such principal or interest shall have become due and payable will be repaid to the Company, and the holder of such Junior Subordinated Notes will thereafter look only to the Company for payment thereof.

Modification

The Subordinated Note Indenture contains provisions permitting the Company and the Subordinated Note Indenture Trustee, with the consent of the holders of not less than a majority in principal amount of the outstanding Junior Subordinated Notes of each series affected thereby, to modify the Subordinated Note Indenture or the rights of the holders of the Junior Subordinated Notes of such series; provided, that no such modification may, without the consent of the holder of each outstanding Junior Subordinated Note affected thereby, (i) change the stated maturity of the principal of, or any installment of principal of or interest on, any Junior Subordinated Note, or reduce the principal amount thereof or the rate of interest (including Additional Interest) thereon or any premium payable upon the redemption thereof, or change the method of calculating the rate of interest thereon, or impair the right to institute suit for the enforcement of any such payment on or after the stated maturity thereof (or, in the case of redemption, on or after the redemption date), or (ii) reduce the percentage of principal amount of the outstanding Junior Subordinated Notes of any series, the consent of whose holders is required for any such supplemental indenture, or the consent of whose holders is required for any waiver (of compliance with certain provisions of the Subordinated Note Indenture or certain defaults thereunder and their consequences) provided for in the Subordinated Note Indenture, or (iii) modify any of the provisions of the Subordinated Note Indenture relating to supplemental indentures, waiver of past defaults, or waiver of certain covenants, except to increase any such percentage or to provide that certain other provisions of the Subordinated Note Indenture cannot be modified or waived without the consent of the holder of each outstanding Junior Subordinated Note affected thereby, or (iv) modify the provisions of the Subordinated Note Indenture with respect to the subordination of the Junior Subordinated Notes in a manner adverse to such holder.

In addition, the Company and the Subordinated Note Indenture Trustee may execute, without the consent of any holders of Junior Subordinated Notes, any supplemental indenture for certain other usual purposes, including the creation of any new series of junior subordinated notes.

Consolidation, Merger and Sale

The Company shall not consolidate with or merge into any other corporation or convey, transfer or lease its properties and assets substantially as an entirety to any person, unless (1) such other corporation or person is a corporation organized and existing under the laws of the United States, any state thereof or the District of Columbia and such other corporation or person expressly assumes, by supplemental indenture executed and delivered to the Subordinated Note Indenture Trustee, the payment of the principal of (and premium, if any) and interest (including Additional Interest) on all the Junior Subordinated Notes and the performance of every covenant of the Subordinated Note Indenture on the part of the Company to be performed or observed; (2) immediately after giving effect to such transactions, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have happened and be continuing; and (3) the Company has delivered to the Subordinated Note Indenture Trustee an officers' certificate and an opinion of counsel, each stating that such transaction complies with the provisions of the Subordinated Note Indenture governing consolidation, merger, conveyance, transfer or lease and that all conditions precedent thereto have been complied with.

Information Concerning the Subordinated Note Indenture Trustee

The Subordinated Note Indenture Trustee, prior to an Event of Default with respect to Junior Subordinated Notes of any series, undertakes to perform, with respect to Junior Subordinated Notes of such series, only such duties as are specifically set forth in the Subordinated Note Indenture and, in case an Event of Default with respect to Junior Subordinated Notes of any series has occurred and is continuing, shall exercise, with respect to Junior Subordinated Notes of such series, the same degree of care as a prudent individual would exercise in the conduct of his or her own affairs. Subject to such provision, the Subordinated Note Indenture Trustee is under no obligation to exercise any of the powers vested in it by the Subordinated Note Indenture at the request of any holder of Junior Subordinated Notes of any series, unless offered reasonable indemnity by such holder against the costs, expenses and liabilities which might be incurred thereby. The Subordinated Note Indenture Trustee is not required to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties if the Subordinated Note Indenture Trustee reasonably believes that repayment or adequate indemnity is not reasonably assured to it.

The Chase Manhattan Bank, the Subordinated Note Indenture Trustee, also serves as Senior Note Indenture Trustee, as Property Trustee and as Guarantee Trustee. The Company and certain of its affiliates maintain deposit accounts and banking relationships with The Chase Manhattan Bank. The Chase Manhattan Bank also serves as trustee under other indentures pursuant to which securities of the Company and affiliates of the Company are outstanding.

Governing Law

The Subordinated Note Indenture and Junior Subordinated Notes will be governed by, and construed in accordance with, the internal laws of the State of New York.

Miscellaneous

The Company will have the right at all times to assign any of its rights or obligations under the Subordinated Note Indenture to a direct or indirect wholly-owned subsidiary of the Company; provided, that, in the event of any such assignment, the Company will remain primarily liable for all such obligations. Subject to the foregoing, the Subordinated Note Indenture will be binding upon and inure to the benefit of the parties thereto and their respective successors and assigns.

DESCRIPTION OF THE PREFERRED SECURITIES

Each Trust may issue only one series of Preferred Securities having terms described in the Prospectus Supplement relating thereto. The Trust Agreement of each Trust will authorize the Administrative Trustees, on behalf of the Trust, to issue the Preferred Securities of such Trust. The Preferred Securities of each Trust will have such terms, including distributions, redemption, voting, liquidation rights and such other preferred, deferral or other special rights or such restrictions as shall be set forth in the Trust Agreement of such Trust. Reference is made to the Prospectus Supplement relating to the Preferred Securities of a Trust for specific terms, including (i) the distinctive designation of such Preferred Securities; (ii) the number of Preferred Securities issued by such Trust; (iii) the annual distribution rate (or method of determining such rate) for Preferred Securities of such Trust and the date or dates on which such distributions shall be payable; (iv) whether distributions on such Preferred Securities shall be cumulative and, in the case of Preferred Securities having cumulative distribution rights, the date or dates, or method of determining the date or dates, from which distributions on such Preferred Securities shall be cumulative; (v) the amount or amounts that shall be paid out of the assets of such Trust to the holders of the Preferred Securities of such Trust upon voluntary or involuntary dissolution, winding-up or termination of such Trust; (vi) the obligation, if any, of such Trust to purchase or redeem such Preferred Securities and the price or prices at which, the period or periods within which, and the terms and conditions upon which such Preferred Securities shall be purchased or redeemed, in whole or in part, pursuant to such obligation; (vii) the voting rights, if any, of such Preferred Securities in addition to those required by law, including the number of votes per Preferred Security and any requirement for the approval by the holders of Preferred Securities as a condition to specified action or amendments to the Trust Agreement of such Trust; (viii) the rights, if any, to defer distributions on the Preferred Securities by extending the interest payment period on the related Junior Subordinated Notes; and (ix) any other relative rights, preferences, privileges, limitations or restrictions of such Preferred Securities not inconsistent with the Trust Agreement of such Trust or applicable law. All Preferred Securities offered hereby will be guaranteed by the Company to the extent set forth under "Description of the Guarantees." Any material United States federal income tax considerations applicable to an offering of Preferred Securities will be described in the Prospectus Supplement relating thereto.

DESCRIPTION OF THE GUARANTEES

Set forth below is a summary of information concerning the Guarantees that will be executed and delivered by the Company for the benefit of the holders of Preferred Securities of the respective Trusts from time to time. Each Guarantee will be qualified as an indenture under the 1939 Act. The Chase Manhattan Bank will act as indenture trustee under each Guarantee (the "Guarantee Trustee") for purposes of the 1939 Act. The terms of the respective Guarantees will be those set forth therein and those made part thereof by the 1939 Act. The following summary does not purport to be complete and is subject in all respects to the provisions of, and is qualified in its entirety by reference to, the Guarantees, the form of which is filed as an exhibit to the Registration Statement of which this Prospectus forms a part, and the 1939 Act. Each Guarantee will be held by the Guarantee Trustee for the benefit of holders of the Preferred Securities to which it relates.

General

Pursuant to each Guarantee, the Company will irrevocably and unconditionally agree, to the extent set forth therein, to pay in full, to the holders of the related Preferred Securities, the Guarantee Payments (as defined herein), to the extent not paid by, or on behalf of, the related Trust, regardless of any defense, right of set-off or counterclaim that the Company may have or assert against any person. The following payments or distributions with respect to the Preferred Securities of any Trust to the extent not paid or made by, or on behalf of, such Trust will be subject to the Guarantee related thereto (without duplication): (i) any accrued and unpaid distributions required to be paid on the Preferred Securities of such Trust but if and only if and to the extent that such Trust has funds legally and immediately available therefor, (ii) the redemption price, including all accrued and unpaid distributions to the date of redemption (the "Redemption Price"), with respect to any Preferred Securities called for redemption by such Trust, but if and only to the extent such Trust has funds legally and immediately available therefor, and (iii) upon a dissolution, winding-up or termination of such Trust (other than in connection with the distribution of Junior Subordinated Notes to the holders of Trust Securities of such Trust or the redemption of all of the Preferred Securities of such Trust), the lesser of (a) the aggregate of the liquidation amount and all accrued and unpaid distributions on the Preferred Securities of such Trust to the date of payment, to the extent such Trust has funds legally and immediately available therefor, and (b) the amount of assets of such Trust remaining available for distribution to holders of Preferred Securities of such Trust in liquidation of such Trust (the "Guarantee Payments"). The Company's obligation to make a Guarantee Payment may be satisfied by direct payment of the required amounts by the Company to the holders of the related Preferred Securities or by causing the related Trust to pay such amounts to such holders.

Each Guarantee will be a guarantee of the Guarantee Payments with respect to the related Preferred Securities from the time of issuance of such Preferred Securities, but will not apply to the payment of distributions and other payments on such Preferred Securities when the related Trust does not have sufficient funds legally and immediately available to make such distributions or other payments. **If the Company does not make interest payments on the Junior Subordinated Notes held by the Property Trustee under any Trust, such Trust will not make distributions on its Preferred Securities.**

Subordination

The Company's obligations under each Guarantee to make the Guarantee Payments will constitute an unsecured obligation of the Company and will rank (i) subordinate and junior in right of payment to all other liabilities of the Company, including the Junior Subordinated Notes, except those obligations or liabilities made *pari passu* or subordinate by their terms, (ii) *pari passu* with the most senior preferred or preference stock now or hereafter issued by the Company and with any guarantee now or hereafter entered into by the Company in respect of any preferred or preference securities of any affiliate of the Company, and (iii) senior to all common stock of the Company. The terms of the Preferred Securities will provide that each holder of Preferred Securities by acceptance thereof agrees to the subordination provisions and other terms of the Guarantee related thereto. The Company has outstanding preferred stock that ranks *pari passu* to the Guarantees and common stock that ranks junior to the Guarantees.

Each Guarantee will constitute a guarantee of payment and not of collection (that is, the guaranteed party may institute a legal proceeding directly against the guarantor to enforce its rights under the guarantee without first instituting a legal proceeding against any other person or entity).

Amendments and Assignment

Except with respect to any changes that do not materially and adversely affect the rights of holders of the related Preferred Securities (in which case no consent will be required), each Guarantee may be amended only with the prior approval of the holders of not less than 66⅔% in liquidation amount of such outstanding Preferred Securities. The manner of obtaining any such approval of holders of the Preferred Securities will be as set forth in an accompanying Prospectus Supplement. All guarantees and agreements contained in each Guarantee shall bind the successors, assigns, receivers, trustees and representatives of the Company and shall inure to the benefit of the holders of the related Preferred Securities then outstanding.

Termination

Each Guarantee will terminate and be of no further force and effect as to the related Preferred Securities upon full payment of the Redemption Price of all such Preferred Securities, upon distribution of Junior Subordinated Notes to the holders of such Preferred Securities, or upon full payment of the amounts payable upon liquidation of the related Trust. Each Guarantee will continue to be effective or will be reinstated, as the case may be, if at any time any holder of the related Preferred Securities must restore payment of any sums paid with respect to such Preferred Securities or under such Guarantee.

Events of Default

An event of default under each Guarantee will occur upon the failure by the Company to perform any of its payment obligations thereunder. The holders of a majority in liquidation amount of the Preferred Securities to which any Guarantee relates have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Guarantee Trustee in respect of such Guarantee or to direct the exercise of any trust or power conferred upon the Guarantee Trustee under such Guarantee. Any holder of the related Preferred Securities may institute a legal proceeding directly against the Company to enforce its rights under such Guarantee without first instituting a legal proceeding against the Guarantee Trustee or any other person or entity. The holders of a majority in liquidation amount of Preferred Securities of any series may, by vote, on behalf of the holders of all the Preferred Securities of such series, waive any past event of default and its consequences.

Information Concerning the Guarantee Trustee

The Guarantee Trustee, prior to the occurrence of any event of default with respect to any Guarantee and after the curing or waiving of all events of default with respect to such Guarantee, undertakes to perform only such duties as are specifically set forth in such Guarantee and, in case an event of default has occurred, shall exercise the same degree of care as a prudent individual would exercise in the conduct of his or her own affairs. Subject to such provisions, the Guarantee Trustee is under no obligation to exercise any of the powers vested in it by any Guarantee at the request of any holder of the related Preferred Securities, unless offered reasonable indemnity against the costs, expenses and liabilities which might be incurred thereby.

The Chase Manhattan Bank, the Guarantee Trustee, also serves as Property Trustee, as Senior Note Indenture Trustee and as Subordinated Note Indenture Trustee. The Company and certain of its affiliates maintain deposit accounts and banking relationships with The Chase Manhattan Bank. The Chase Manhattan Bank serves as trustee under other indentures pursuant to which securities of the Company and affiliates of the Company are outstanding.

Governing Law

Each Guarantee will be governed by, and construed in accordance with, the internal laws of the State of New York.

The Agreements as to Expenses and Liabilities

Pursuant to an Agreement as to Expenses and Liabilities to be entered into by the Company under each Trust Agreement, the Company will irrevocably and unconditionally guarantee to each person or entity to whom each Trust becomes indebted or liable the full payment of any indebtedness, expenses or liabilities of such Trust, other than obligations of such Trust to pay to the holders of the related Preferred Securities or other similar interests in such Trust the amounts due such holders pursuant to the terms of such Preferred Securities or such other similar interests, as the case may be.

RELATIONSHIP AMONG THE PREFERRED SECURITIES, THE JUNIOR SUBORDINATED NOTES AND THE GUARANTEES

As long as payments of interest and other payments are made when due on each series of Junior Subordinated Notes issued to a Trust, such payments will be sufficient to cover distributions and payments due on the related Trust Securities of such Trust primarily because (i) the aggregate principal amount of each series of Junior Subordinated Notes will be equal to the sum of the aggregate stated liquidation amount of the related Trust Securities; (ii) the interest rate and interest and other payment dates on each series of Junior Subordinated Notes will match the distribution rate and distribution and other payment dates for the related Preferred Securities; (iii) the Company shall pay for all costs and expenses of each Trust pursuant to the Agreements as to Expenses and Liabilities; and (iv) each Trust Agreement provides that the Securities Trustees thereunder shall not cause or permit the Trust to, among other things, engage in any activity that is not consistent with the purposes of the Trust.

Payments of distributions (to the extent funds therefor are legally and immediately available) and other payments due on the Preferred Securities (to the extent funds therefor are legally and immediately available) will be guaranteed by the Company as and to the extent set forth under "Description of the Guarantees." If the Company does not make interest payments on any series of Junior Subordinated Notes, it is not expected that the related Trust will have sufficient funds to pay distributions on its Preferred Securities. Each Guarantee is a guarantee from the time of its issuance, but does not apply to any payment of distributions unless and until the related Trust has sufficient funds legally and immediately available for the payment of such distributions.

If the Company fails to make interest or other payments on any series of Junior Subordinated Notes when due (taking into account any extension period as described in the applicable Prospectus Supplement), the Trust Agreement provides a mechanism whereby the holders of the related Preferred Securities may appoint a substitute Property Trustee. Such holders may also direct the Property Trustee to enforce its rights under the Junior Subordinated Notes of such series, including proceeding directly against the Company to enforce such Junior Subordinated Notes. If the Property Trustee fails to enforce its rights under any series of Junior Subordinated Notes, to the fullest extent permitted by applicable law, any holder of related Preferred Securities may institute a legal proceeding directly against the Company to enforce the Property Trustee's rights under such series of Junior Subordinated Notes without first instituting any legal proceeding against the Property Trustee or any other person or entity. Notwithstanding the foregoing, a holder of Preferred Securities may institute a legal proceeding directly against the Company, without first instituting a legal proceeding against the Property Trustee or any other person or entity, for enforcement of payment to such holder of principal of or interest on Junior Subordinated Notes of the related series having a principal amount equal to the aggregate stated liquidation amount of the Preferred Securities of such holder on or after the due dates specified in the Junior Subordinated Notes of such series.

If the Company fails to make payments under any Guarantee, such Guarantee provides a mechanism whereby the holders of the Preferred Securities to which such Guarantee relates may direct the Guarantee Trustee to enforce its rights thereunder. In addition, any holder of Preferred Securities may institute a legal proceeding directly against the Company to enforce the Guarantee Trustee's rights under the related Guarantee without first instituting a legal proceeding against the Guarantee Trustee or any other person or entity.

Each Guarantee, the Subordinated Note Indenture, the Junior Subordinated Notes of the related series, the related Trust Agreement and the related Agreement as to Expenses and Liabilities, as described above, constitute a full and unconditional guarantee by the Company of the payments due on the related series of Preferred Securities.

Upon any voluntary or involuntary dissolution, winding-up or termination of any Trust, unless Junior Subordinated Notes of the related series are distributed in connection therewith, the holders of Preferred Securities of such Trust will be entitled to receive, out of assets legally available for distribution to holders, a liquidation distribution in cash as described in the applicable Prospectus Supplement. Upon any voluntary or involuntary liquidation or bankruptcy of the Company, the Property Trustee, as holder of the related series of Junior Subordinated Notes, would be a subordinated creditor of the Company, subordinated in right of payment to all Senior Indebtedness, but entitled to receive payment in full of principal and interest, before any stockholders of the Company receive payments or distributions. Because the Company is guarantor under each Guarantee and has agreed to pay for all costs, expenses and liabilities of each Trust (other than the Trust's obligations to holders of the Preferred Securities) pursuant to the related Agreement as to Expenses and Liabilities, the positions of a holder of Preferred Securities and a holder of Junior Subordinated Notes of the related series relative to other creditors and to stockholders of the Company in the event of liquidation or bankruptcy of the Company would be substantially the same.

A default or event of default under any Senior Indebtedness would not constitute a default or Event of Default under the Subordinated Note Indenture. However, in the event of payment defaults under, or acceleration of, Senior Indebtedness, the subordination provisions of the Junior Subordinated Notes provide that no payments may be made in respect of the Junior Subordinated Notes until such Senior Indebtedness has been paid in full or any payment default thereunder has been cured or waived. Failure to make required payments on the Junior Subordinated Notes of any series would constitute an Event of Default under the Subordinated Note Indenture with respect to the Junior Subordinated Notes of such series except that failure to make interest payments on the Junior Subordinated Notes of such series will not be an Event of Default during an extension period as described in the applicable Prospectus Supplement.

PLAN OF DISTRIBUTION

The Company may sell the Senior Notes and the Junior Subordinated Notes and the Trusts may sell the Preferred Securities in one or more of the following ways from time to time: (i) to underwriters for resale to the public or to institutional investors; (ii) directly to institutional investors; or (iii) through agents to the public or to institutional investors. The Prospectus Supplement with respect to each series of Senior Notes, Junior Subordinated Notes or Preferred Securities will set forth the terms of the offering of such Senior Notes, Junior Subordinated Notes or Preferred Securities, including the name or names of any underwriters or agents, the purchase price of such Senior Notes, Junior Subordinated Notes or Preferred Securities and the proceeds to the Company or the applicable Trust from such sale, any underwriting discounts or agency fees and other items constituting underwriters' or agents' compensation, any initial public offering price, any discounts or concessions allowed or reallowed or paid to dealers and any securities exchange on which such Senior Notes, Junior Subordinated Notes or Preferred Securities may be listed.

If underwriters participate in the sale, such Senior Notes, Junior Subordinated Notes or Preferred Securities will be acquired by the underwriters for their own account and may be resold from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale.

Unless otherwise set forth in the Prospectus Supplement, the obligations of the underwriters to purchase any series of Senior Notes, Junior Subordinated Notes or Preferred Securities will be subject to certain conditions precedent and the underwriters will be obligated to purchase all of such series of Senior Notes, Junior Subordinated Notes or Preferred Securities, if any are purchased.

Underwriters and agents may be entitled under agreements entered into with the Company and/or the applicable Trust to indemnification against certain civil liabilities, including liabilities under the 1933 Act. Underwriters and agents may engage in transactions with, or perform services for, the Company in the ordinary course of business.

Each series of Senior Notes, Junior Subordinated Notes or Preferred Securities will be a new issue of securities and will have no established trading market. Any underwriters to whom Senior Notes, Junior Subordinated Notes or Preferred Securities are sold for public offering and sale may make a market in such Senior Notes, Junior Subordinated Notes or Preferred Securities, but such underwriters will not be obligated to do so and may discontinue any market making at any time without notice. The Senior Notes, Junior Subordinated Notes or Preferred Securities may or may not be listed on a national securities exchange.

LEGAL MATTERS

Certain matters of Delaware law relating to the validity of the Preferred Securities will be passed upon on behalf of the Company and the Trusts by Richards, Layton & Finger, Wilmington, Delaware, special Delaware counsel to the Company and the Trusts. The validity of the Senior Notes, the Junior Subordinated Notes, the Guarantees and certain matters relating thereto will be passed upon on behalf of the Company by Beggs & Lane, Pensacola, Florida, and by Troutman Sanders LLP, Atlanta, Georgia. Certain legal matters will be passed upon for the Underwriters by Dewey Ballantine LLP, New York, New York.

EXPERTS

The financial statements and schedules of the Company included in the Company's Annual Report on Form 10-K for the year ended December 31, 2000, incorporated by reference in this Prospectus, have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their reports with respect thereto, and are incorporated herein in reliance upon the authority of said firm as experts in accounting and auditing in giving said reports.

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$60,000,000

Series C 4.69% Senior Notes due August 1, 2003

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PROSPECTUS SUPPLEMENT

Banc One Capital Markets, Inc.
SunTrust Robinson Humphrey

July 31, 2001

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A REGISTERED LIMITED LIABILITY PARTNERSHIP
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PETER J. MOUGEY
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W. SPENCER MITCHEM
ROBERT L. CRONGEYER
Of Counsel

E. DIXIE BEGGS
1908-2001

BERT H. LANE
1917-1981

August 3, 2001

Banc One Capital Markets, Inc.
One Bank One Plaza
Chicago, Illinois 60670

SunTrust Capital Markets, Inc.
303 Peachtree Street, 23rd Floor
Atlanta, Georgia 30308

GULF POWER COMPANY
SERIES C 4.69% SENIOR NOTES DUE AUGUST 1, 2003

Ladies and Gentlemen:

We have acted as general counsel to Gulf Power Company (the "Company") in connection with (i) the Company's issuance and sale of $60,000,000 aggregate principal amount of its Series C 4.69% Senior Notes due August 1, 2003 (the "Notes") pursuant to the Senior Note Indenture dated as of January 1, 1998, by and between the Company and The Chase Manhattan Bank, as trustee (the "Trustee"), as heretofore supplemented and as further supplemented by the Third Supplemental Indenture dated as of August 3, 2001 (collectively, the "Indenture"); and (ii) the purchase by you of the Notes pursuant to the terms of an Underwriting Agreement dated July 31, 2001 (the "Underwriting Agreement"), among the Company and you. This opinion is being delivered to you pursuant to Section 5(c)(1) of the Underwriting Agreement.

All capitalized terms not otherwise defined herein shall have the meanings set forth in the Underwriting Agreement.

In rendering the opinions expressed below, we have examined the registration statement on Form S-3 (Nos. 333-59942, 333-59942-01 and 333-59942-02) pertaining to the Notes and certain other securities (the "Registration Statement") filed under the Securities Act of 1933, as amended (the "Act"), and the prospectus of the Company dated June 1, 2001, as supplemented by the prospectus supplement dated July 31, 2001 (the "Final Supplemented Prospectus"), which pursuant to Form S-3 incorporates by reference the Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 2000, the Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 2001 and the Current Reports on Form 8-K of the

Company dated February 28, 2001 and July 31, 2001 (the "Exchange Act Documents"), each as filed under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

In addition, we have examined, and have relied as to matters of fact upon, the documents delivered to you at the closing (except the certificate representing the Notes, of which we have examined a specimen), and we have made such other and further investigations as we deemed necessary to express the opinions hereinafter set forth. In such examination, we have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies, and the authenticity of the originals of such latter documents.

The Indenture and the Underwriting Agreement are herein referred to collectively as the "Agreements."

Based upon the foregoing, and subject to the qualifications and limitations stated herein, we are of the opinion, relying as to matters of Georgia law and the federal law of the United States upon the opinion dated the date hereof rendered to you by Troutman Sanders LLP and relying as to matters of New York law upon the opinion dated the date hereof rendered to you by Dewey Ballantine LLP, that:

1. The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Maine, is duly qualified to carry on its business as a foreign corporation in the States of Florida, Georgia and Mississippi and has due corporate authority to carry on the public utility business in which it is engaged, to own and operate the properties used by it in such business and to enter into and perform its obligations under the Agreements and the Notes.

2. The execution, delivery and performance by the Company of the Underwriting Agreement have been duly authorized by all necessary corporate action, and the Underwriting Agreement has been duly executed and delivered by the Company.

3. All orders, consents or other authorizations or approvals of the Florida Public Service Commission and the Commission legally required for the issuance and sale of the Notes have been obtained; such orders are sufficient for the issuance and sale of the Notes; the issuance and sale of the Notes conform in all material respects with the terms of such orders; and no other order, consent or other authorization or approval of any Florida or United States governmental body (other than in connection or in compliance with the provisions of the securities or "blue sky" laws of any jurisdiction, as to which we express no opinion) is legally required for the issuance and sale of the Notes in accordance with the terms of the Underwriting Agreement.

4. The Indenture has been duly authorized, executed and delivered by the Company and, assuming the due authorization, execution and delivery thereof by the Trustee, constitutes a valid and legally binding instrument of the Company, enforceable against the Company in accordance with its terms, subject to the qualifications that the enforceability of the Company's obligations under the Indenture may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); and the Indenture conforms as to legal matters in all material respects to the description thereof in the Final Supplemented Prospectus.

5. The Notes have been duly authorized and executed by the Company and, when authenticated by the Trustee in the manner provided in the Indenture and delivered to and paid for by you pursuant to the Underwriting Agreement, will constitute valid and binding obligations of the Company, enforceable against the Company in accordance with their terms, subject to the qualifications that the enforceability of the Company's obligations under the Notes may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); and the Notes conform as to legal matters in all material respects to the description thereof in the Final Supplemented Prospectus.

6. The Indenture has been duly qualified under the Trust Indenture Act of 1939, as amended.

We have not independently verified the accuracy, completeness or fairness of the statements made or included in the Registration Statement, the Final Supplemented Prospectus or the Exchange Act Documents and take no responsibility therefor, except as and to the extent set forth in paragraphs 4 and 5 above. In the course of the preparation by the Company of the Registration Statement, the Final Supplemented Prospectus and the Exchange Act Documents, we participated in conferences with certain officers and employees of the Company, with other counsel for the Company, with representatives of Arthur Andersen LLP and with your counsel. Based upon our examination of the Registration Statement, the Final Supplemented Prospectus and the Exchange Act Documents, our investigations made in connection with the preparation of the Registration Statement, the Final Supplemented Prospectus and the Exchange Act Documents and our participation in the conferences referred to above, (i) we are of the opinion that the Registration Statement, as of its effective date, and the Final Supplemented Prospectus, as of July 31, 2001, complied as to form in all material respects with the requirements of the Act and the applicable rules and regulations of the Commission thereunder and that the Exchange Act Documents, as of their respective dates of filing with the Commission, complied as to form in all

material respects with the relevant requirements of the Exchange Act and the applicable rules and regulations of the Commission thereunder, except that in each case we express no opinion as to the financial statements or other financial or statistical data contained or incorporated by reference in the Registration Statement, the Final Supplemented Prospectus or the Exchange Act Documents, and (ii) nothing came to our attention which gives us reason to believe that the Registration Statement, as of its effective date (including the Exchange Act Documents on file with the Commission as of such date), contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading, or that the Final Supplemented Prospectus (including the Exchange Act Documents) contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that in each case we express no opinion or belief with respect to the financial statements or other financial or statistical data contained or incorporated by reference in the Registration Statement, the Final Supplemented Prospectus or the Exchange Act Documents and with respect to information set forth in the Final Supplemented Prospectus under the caption "Description of the Series C Senior Notes – Book-Entry Only Issuance – The Depository Trust Company."

We are members of the State Bar of Florida and we do not express any opinion herein concerning any law other than the law of the States of Florida and Mississippi and, to the extent set forth herein, the laws of the States of Maine, Georgia and New York and the federal law of the United States.

This opinion is rendered to you in connection with the above-described transaction. This opinion may not be relied upon by you for any other purpose or relied upon by or furnished to any other person without our prior written consent, except that Troutman Sanders LLP and Dewey Ballantine LLP may rely on this opinion in giving their opinions pursuant to Section 5(c) of the Underwriting Agreement insofar as such opinions relate to matters of Florida and Mississippi law.

Very truly yours,

Beggs & Lane

BEGGS & LANE

TROUTMAN SANDERS LLP
ATTORNEYS AT LAW
A LIMITED LIABILITY PARTNERSHIP

1300 I STREET, N.W., SUITE 500 EAST
WASHINGTON, D.C. 20005-3314
TELEPHONE: 202-274-2950
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TELEPHONE: 404-885-3000
FACSIMILE: 404-885-3900

TWO EXCHANGE SQUARE, SUITE 3503A
8 CONNAUGHT PLACE
CENTRAL, HONG KONG
TELEPHONE: 852-2533-7888
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August 3, 2001

Banc One Capital Markets, Inc.
One Bank One Plaza
Chicago, Illinois 60670

SunTrust Capital Markets, Inc.
303 Peachtree Street, 23rd Floor
Atlanta, Georgia 30308

GULF POWER COMPANY
SERIES C 4.69% SENIOR NOTES DUE AUGUST 1, 2003

Ladies and Gentlemen:

We have acted as counsel to Gulf Power Company (the "Company") in connection with (i) the Company's issuance and sale of $60,000,000 aggregate principal amount of its Series C 4.69% Senior Notes due August 1, 2003 (the "Notes") pursuant to the Senior Note Indenture dated as of January 1, 1998, by and between the Company and The Chase Manhattan Bank, as trustee (the "Trustee"), as heretofore supplemented and as further supplemented by the Third Supplemental Indenture dated as of August 3, 2001 (collectively, the "Indenture"); and (ii) the purchase by you of the Notes pursuant to the terms of an Underwriting Agreement dated July 31, 2001 (the "Underwriting Agreement"), among the Company and you. This opinion is being delivered to you pursuant to Section 5(c)(2) of the Underwriting Agreement.

All capitalized terms not otherwise defined herein shall have the meanings set forth in the Underwriting Agreement.

In rendering the opinions expressed below, we have examined the registration statement on Form S-3 (Nos. 333-59942, 333-59942-01 and 333-59942-02) pertaining to the Notes and certain other securities (the "Registration Statement") filed under the Securities Act of 1933, as amended (the "Act"), and the prospectus of the Company dated June 1, 2001, as supplemented by the prospectus supplement dated July 31, 2001 (the "Final Supplemented Prospectus"), which pursuant to Form S-3 incorporates by reference the Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 2000, the Quarterly Report on Form 10-Q of

the Company for the quarter ended March 31, 2001 and the Current Reports on Form 8-K of the Company dated February 28, 2001 and July 31, 2001 (the "Exchange Act Documents"), each as filed under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

In addition, we have examined, and have relied as to matters of fact upon, the documents delivered to you at the closing (except the certificate representing the Notes, of which we have examined a specimen), and we have made such other and further investigations as we deemed necessary to express the opinions hereinafter set forth. In such examination, we have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies, and the authenticity of the originals of such latter documents.

The Indenture and the Underwriting Agreement are herein referred to collectively as the "Agreements."

Based upon the foregoing, and subject to the qualifications and limitations stated herein, we are of the opinion, relying as to matters of New York law upon the opinion dated the date hereof rendered to you by Dewey Ballantine LLP, and as to matters of Florida and Mississippi law upon the opinion dated the date hereof rendered to you by Beggs & Lane, A Registered Limited Liability Partnership ("Beggs & Lane"), that:

1. The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Maine, is duly qualified to carry on its business as a foreign corporation in the States of Florida, Georgia and Mississippi and has due corporate authority to carry on the public utility business in which it is engaged, to own and operate the properties used by it in such business and to enter into and perform its obligations under the Agreements and the Notes.

2. The execution, delivery and performance by the Company of the Underwriting Agreement have been duly authorized by all necessary corporate action, and the Underwriting Agreement has been duly executed and delivered by the Company.

3. All orders, consents or other authorizations or approvals of the Florida Public Service Commission and the Commission legally required for the issuance and sale of the Notes have been obtained; such orders are sufficient for the issuance and sale of the Notes; the issuance and sale of the Notes conform in all material respects with the terms of such orders; and no other order, consent or other authorization or approval of any Florida or United States governmental body (other than in connection or in compliance with the provisions of the securities or "blue sky" laws of any jurisdiction, as to which we express no opinion) is legally required for the issuance and sale of the Notes in accordance with the terms of the Underwriting Agreement.

4. The Indenture has been duly authorized, executed and delivered by the Company and, assuming the due authorization, execution and delivery thereof by the Trustee, constitutes a valid and legally binding instrument of the Company, enforceable against the Company in accordance with its terms, subject to the qualifications that the enforceability of the Company's obligations under the Indenture may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); and the Indenture conforms as to legal matters in all material respects to the description thereof in the Final Supplemented Prospectus.

5. The Notes have been duly authorized and executed by the Company and, when authenticated by the Trustee in the manner provided in the Indenture and delivered to and paid for by you pursuant to the Underwriting Agreement, will constitute valid and binding obligations of the Company, enforceable against the Company in accordance with their terms, subject to the qualifications that the enforceability of the Company's obligations under the Notes may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); and the Notes conform as to legal matters in all material respects to the description thereof in the Final Supplemented Prospectus.

6. The Indenture has been duly qualified under the Trust Indenture Act of 1939, as amended.

We have not independently verified the accuracy, completeness or fairness of the statements made or included in the Registration Statement, the Final Supplemented Prospectus or the Exchange Act Documents and take no responsibility therefor, except as and to the extent set forth in paragraphs 4 and 5 above. In the course of the preparation by the Company of the Registration Statement, the Final Supplemented Prospectus and the Exchange Act Documents, we participated in conferences with certain officers and employees of the Company, with other counsel for the Company, with representatives of Arthur Andersen LLP and with your counsel. Based upon our examination of the Registration Statement, the Final Supplemented Prospectus and the Exchange Act Documents, our investigations made in connection with the preparation of the Registration Statement, the Final Supplemented Prospectus and the Exchange Act Documents and our participation in the conferences referred to above, (i) we are of the opinion that the Registration Statement, as of its effective date, and the Final Supplemented Prospectus, as of July 31, 2001, complied as to form in all material respects with the requirements of the Act and the applicable rules and regulations of the Commission thereunder and that the Exchange Act Documents, as of their respective dates of filing with the Commission, complied as to form in all material respects with the relevant requirements of the Exchange Act and the applicable rules and regulations of the Commission thereunder, except that in each case we express no opinion as to the financial statements or other financial or statistical data contained or incorporated by

reference in the Registration Statement, the Final Supplemented Prospectus or the Exchange Act Documents, and (ii) nothing came to our attention which gives us reason to believe that the Registration Statement, as of its effective date (including the Exchange Act Documents on file with the Commission as of such date), contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading, or that the Final Supplemented Prospectus (including the Exchange Act Documents) contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that in each case we express no opinion or belief with respect to the financial statements or other financial or statistical data contained or incorporated by reference in the Registration Statement, the Final Supplemented Prospectus or the Exchange Act Documents and with respect to information set forth in the Final Supplemented Prospectus under the caption "Description of the Series C Senior Notes – Book-Entry Only Issuance – The Depository Trust Company."

We are members of the State Bar of Georgia and we do not express any opinion herein concerning any law other than the law of the State of Georgia and the federal law of the United States and, to the extent set forth herein, the laws of the States of Florida, Maine, Mississippi and New York.

This opinion is rendered to you in connection with the above-described transaction. This opinion may not be relied upon by you for any other purpose or relied upon by or furnished to any other person without our prior written consent, except that Beggs & Lane may rely on this opinion in giving its opinion pursuant to Section 5(c) of the Underwriting Agreement insofar as such opinion relates to matters of Georgia law and the federal law of the United States and Dewey Ballantine LLP may rely on this opinion in giving its opinion pursuant to Section 5(c) of the Underwriting Agreement insofar as such opinion relates to matters of Georgia law.

Very truly yours,

Troutman Sanders LLP

TROUTMAN SANDERS LLP

File No. 70-9171

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM U-1
APPLICATION OR DECLARATION
under
The Public Utility Holding Company Act of 1935

GULF POWER COMPANY
500 Bayfront Parkway
Pensacola, Florida 32501

MISSISSIPPI POWER COMPANY
2992 West Beach
Gulfport, Mississippi 39501

(Name of company or companies filing this statement
and addresses of principal executive offices)

THE SOUTHERN COMPANY

(Name of top registered holding company parent of each
applicant or declarant)

Warren E. Tate, Secretary and Treasurer
Gulf Power Company
500 Bayfront Parkway
Pensacola, Florida 32501

Michael W. Southern, Vice President,
Secretary, Treasurer and
Chief Financial Officer
Mississippi Power Company
2992 West Beach
Gulfport, Mississippi 39501

(Names and addresses of agents for service)

The Commission is requested to mail signed copies of all orders,
notices and communications to:

W. L. Westbrook
Financial Vice President
The Southern Company
270 Peachtree Street, N.W.
Atlanta, Georgia 30303

John D. McLanahan, Esq.
Troutman Sanders LLP
600 Peachtree Street, N.E., Suite 5200
Atlanta, Georgia 30308

ITEM 1. DESCRIPTION OF PROPOSED TRANSACTION.

Gulf Power Company ("Gulf") and Mississippi Power Company ("Mississippi") are wholly-owned subsidiaries of The Southern Company ("Southern"), a registered holding company under the Public Utility Holding Company Act of 1935, as amended (the "Act"). Gulf and Mississippi are sometimes hereinafter referred to individually as an "Applicant" and collectively as the "Applicants." Each of Gulf and Mississippi proposes to issue and sell at any time or from time to time in one or more series through March 31, 2003 up to $350 million and $400 million, respectively, aggregate principal amount of its senior debentures, senior promissory notes or other senior debt instruments (individually, a "Senior Note" and collectively, the "Senior Notes") governed by an indenture or other document. Each Applicant requests authority to issue and sell Senior Notes pursuant to the authority requested herein without additional prior Securities and Exchange Commission (the "Commission") approval if the Applicant is within the parameters discussed below under the heading "Parameters of Authorization." The provisions of each series of Senior Notes and related instruments would be determined at the time of the sale of such series of Senior Notes.

The proceeds from the issuance and sale of Senior Notes by the Applicants will be added to their respective treasuries and subsequently used principally (i) to finance capital expenditures, (ii) to acquire, retire or redeem securities of which the respective Applicant is the issuer, (iii) to repay outstanding short-term borrowings, (iv) to provide working capital and/or (v) for other general corporate purposes.

Parameters of Authorization

The Applicants request authority to issue Senior Notes for which the specific terms and conditions are not currently known, subject to the following parameters:

Effective Cost of Money on Senior Notes. The effective cost of money on Senior Notes issued pursuant to this application-declaration (this "Application") will not exceed the greater of (i) 300 basis points over comparable term U.S. Treasury securities, or (ii) a gross spread over such Treasury securities which is consistent with comparable securities.

Maturity of Senior Notes. The maturity of the Senior Notes will not exceed approximately 50 years.

Interest. The interest rate on each issue of Senior Notes may be either a fixed rate or an adjustable rate to be determined on a periodic basis by auction or remarketing procedures, in accordance with formula or formulae based upon certain reference rates, or by other predetermined methods.

Ranking. The Senior Notes will be direct, unsecured and unsubordinated obligations of the respective Applicants ranking pari passu with all other unsecured and unsubordinated obligations of the Applicants. The Senior Notes of each Applicant will be effectively subordinated to all secured debt of such Applicant, including its first mortgage bonds.

Issuance Expenses. The underwriting fees, commissions, or other similar expenses paid in connection with the issue, sale or distribution of the Senior Notes of each series pursuant to this Application will not exceed 5% of the aggregate principal amount of such series.

Description of Senior Notes

The Applicants request authority to sell Senior Notes covered by this Application in any of the following ways: (i) through underwriters or dealers; (ii) directly to a limited number of purchasers or to a single purchaser, or (iii) through agents or dealers. If underwriters are used in the sale of the Senior Notes, such Senior Notes will be acquired by the underwriters for their own account and may be resold from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale. The Senior Notes may be offered to the public either through underwriting syndicates (which may be represented by managing underwriters) or directly by one or more underwriters acting alone. The Senior Notes may be sold directly by an Applicant or through agents designated from time to time. If dealers are used in the sale of any Senior Notes, such Senior Notes will be sold to the dealers as principal. Any dealer may then resell such Senior Notes to the public at varying prices to be determined by such dealer at the time of resale.

Senior Notes may be sold pursuant to "delayed delivery contracts" which permit the underwriters to locate buyers who will agree to buy the Senior Notes at the same price but at a later date than the date of the closing of the sale to the underwriters. Senior Notes may also be sold through the use of medium-term note and similar programs, including in transactions covered by Rule 144A under the Securities Act of 1933, as amended.

Any Senior Notes would have such designations, aggregate principal amount, maturity, interest rate(s) or methods of determining the same, interest payment terms, redemption provisions, non-refunding provisions, sinking fund terms, conversion or put terms and other terms and conditions as the Applicants may determine at the time of issuance.

ITEM 2. FEES, COMMISSIONS AND EXPENSES.

The estimated fees and expenses to be incurred by Gulf in connection herewith are as follows:

	Initial Issuance	Each Additional Issuance
*Florida Documentary Stamp Tax	$ 1,225,000	$ —
*Filing fees - Securities and Exchange Commission	103,250	—
Fees and Expenses of Trustees	9,500	9,500
*Listing on New York Stock Exchange	79,300	—
Printing charges	40,000	10,000
Rating Agency Fees	59,250	27,500
Services of Southern Company Services, Inc.	40,000	10,000
Fees and Expenses of counsel	65,000	35,000
Blue sky fees and expenses	3,500	3,500
Fees of accountants, Arthur Andersen LLP	40,000	20,000
Miscellaneous	15,200	4,500
TOTAL	$1,680,000	$120,000

*These categories of expenses are a function of the amount of issuance.

The estimated fees and expenses to be incurred by Mississippi in connection herewith are as follows:

	Initial Issuance	Each Additional Issuance
*Filing fees - Securities and Exchange Commission	$ 118,000	$ —
Fees and Expenses of Trustees	17,000	17,000
*Listing on New York Stock Exchange	86,300	—
Printing charges	40,000	10,000
Rating Agency Fees	98,500	27,500
Services of Southern Company Services, Inc.	40,000	10,000
Fees and Expenses of counsel	65,000	35,000
Blue sky fees and expenses	3,500	3,500
Fees of accountants, Arthur Andersen LLP	40,000	20,000
Miscellaneous	11,700	7,000
TOTAL	$520,000	$130,000

*These categories of expenses are a function of the amount of issuance.

ITEM 3. APPLICABLE STATUTORY PROVISIONS.

Sections 6(a) and 7 of the Act and Rules 24 and 54 thereunder are applicable to the proposed transactions.

Rule 54 Analysis: The proposed transaction is also subject to Rule 54, which provides that, in determining whether to approve an application which does not relate to any "exempt wholesale generator" ("EWG") or "foreign utility company" ("FUCO"), the Commission shall not consider the effect of the capitalization or earnings of any such EWG or FUCO which is a subsidiary of a registered holding company if the requirements of Rule 53(a), (b) and (c) are satisfied.

Southern currently meets all of the conditions of Rule 53(a), except for clause (1). At January 31, 1998, Southern's "aggregate investment," as defined in Rule 53(a)(1), in EWGs and

FUCOs was approximately $2.899 billion, or about 76.82% of Southern's "consolidated retained earnings," also as defined in Rule 53(a)(1), for the four quarters ended September 30, 1997 ($3,774 million). With respect to Rule 53(a)(1), however, the Commission has determined that Southern's financing of investments in EWGs and FUCOs in an amount greater than the amount that would otherwise be allowed by Rule 53(a)(1) would not have either of the adverse effects set forth in Rule 53(c). See The Southern Company, Holding Company Act Release No. 16501, dated April 1, 1996 (the "Rule 53(c) Order"); and Holding Company Act Release No. 26646, dated January 15, 1997 (order denying request for reconsideration and motion to stay).

In addition, Southern has complied and will continue to comply with the record-keeping requirements of Rule 53(a)(2), the limitation under Rule 53(a)(3) on the use of operating company personnel to render services to EWGs and FUCOs, and the requirements of Rule 53(a)(4) concerning the submission of copies of certain filings under the Act to retail rate regulatory commissions. Further, none of the circumstances described in Rule 53(b) has occurred.

Moreover, even if the effect of the capitalization and earnings of EWGs and FUCOs in which Southern has an ownership interest upon the Southern holding company system were considered, there is no basis for the Commission to withhold or deny approval for the proposal made in this Application. The action requested in the instant filing (*viz.* issuance of Senior Notes by Gulf and Mississippi) would not, by itself, or even considered in conjunction with the effect of the capitalization and earnings of Southern's EWGs and FUCOs, have a material adverse effect on the financial integrity of the Southern system, or an adverse impact on Southern's public-utility

subsidiaries, their customers, or the ability of State commissions to protect such public-utility customers.

The Rule 53(c) Order was predicated, in part, upon an assessment of Southern's overall financial condition which took into account, among other factors, Southern's consolidated capitalization ratio and the recent growth trend in Southern's retained earnings. As of December 31, 1995, the most recent fiscal year preceding the Rule 53(c) Order, Southern's consolidated capitalization consisted of 49.3% equity (including mandatorily redeemable preferred securities) and 50.7% debt (including $1.68 billion of long-term, non-recourse debt and short-term debt related to EWGs and FUCOs). As of year-end 1996, that ratio was 52.9% equity and 47.1% debt (including $1.74 billion of long-term, non-recourse debt and short-term debt related to EWGs and FUCOs); and as of September 30, 1997, the comparable ratio was 48.9% equity and 51.1% debt (including $4.354 billion of long-term, non-recourse debt and short-term debt related to EWGs and FUCOs). On a *pro forma* basis, taking into consideration, among other things, the transactions contemplated hereby such ratios are 48.6% and 51.4%, respectively, for equity and debt. The common equity component of Southern's pro forma consolidated capitalization represents 35.6% of total capitalization at September 30, 1997. Thus, since the date of the Rule 53(c) Order, there has been no material change in Southern's consolidated capitalization ratio, which remains within acceptable ranges and limits of rating agencies as evident by the continued "A" corporate credit rating of Southern. Specifically, in January 1997 Standard & Poor's assigned Southern its corporate credit rating of "A" which was consistent with the implied corporate rating previously held by Southern. This implied rating had been in effect since May 1995. Therefore, since the April 1996 issue of the Rule 53(c) Order, the Southern consolidated

credit rating has remained at "A" thereby demonstrating Southern's continued strong financial integrity. In addition, the underlying ratings of the affiliated operating companies, which have a strong influence on the Southern corporate rating, are all "A+". As a point of reference, the consolidated pro forma percentage of debt in the total capital structure of the Southern domestic operating utility companies is 42.6%, which is solidly below the median total debt ratio of the Standard & Poor's "A" rated vertically integrated utilities.[1]

Southern's consolidated retained earnings grew on average approximately 8.8% per year from 1991 through 1995. In 1996, consolidated retained earnings increased $280,365,000, or slightly more than 8%. The small reduction in the rate of earnings growth was primarily attributable to reduced domestic utility sales due to mild weather conditions throughout most of 1996 in the southeastern United States. Earnings attributable to Southern's investments in EWGs and FUCOs continued to contribute modestly to consolidated retained earnings.

Accordingly, since the date of the Rule 53(c) Order, the capitalization and earnings attributable to Southern's investments in EWGs and FUCOs has not had any adverse impact on Southern's financial integrity.

Reference is made to Exhibit H filed herewith which reflects capitalization at September 30, 1997 and the Statement of Income for the twelve months ended September 30, 1997 for Southern and subsidiaries consolidated.

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[1] Currently, capitalization ratios, including short-term debt, for "A" rated vertically integrated electric utilities have a median total debt to total capital ratio of 45% as noted by Standard & Poor's in May 1997 for companies rated both publicly and confidentially. Prior to issuing this rating standard, the Standard & Poor's total debt to total capital benchmark for an "A" rated vertically integrated investor-owned-utility having an average business position was 47%.

ITEM 4. REGULATORY APPROVAL.

A. The issuance of any series of Senior Notes by Gulf has been or will be authorized by the Florida Public Service Commission.

B. No other state commission (except as aforesaid) has jurisdiction with respect to the subject transactions and no federal commission other than the Commission has jurisdiction with respect thereto.

ITEM 5. PROCEDURE.

It is hereby requested that the Commission's order be issued as soon as the rules allow, and that there be no thirty-day waiting period between the issuance of the Commission's order and the date on which it is to become effective. The Applicants hereby waive a recommended decision by a hearing officer or other responsible officer of the Commission and hereby consent that the Division of Investment Management may assist in the preparation of the Commission's decision and/or orders in this matter unless the Division opposes the matters covered hereby.

ITEM 6. EXHIBITS AND FINANCIAL STATEMENTS.

(a) Exhibits:

Exhibit B-1	Form of Gulf Senior Note Indenture (Designated in Registration No. 333-42033 as Exhibit 4.1).
Exhibit B-2	Form of Mississippi Senior Note Indenture (Designated in Registration No. 333-45069 as Exhibit 4.1).
Exhibit B-3	Form of Gulf Senior Note (included in Exhibit B-1 above).
Exhibit B-4	Form of Mississippi Senior Note (included in Exhibit B-2 above).

Exhibit C-1 Gulf Registration Statement under the Securities Act of 1933. (Filed electronically December 11, 1997, File Nos. 333-42033, 333-42033-01 and 333-42033-02.).

Exhibit C-2 Mississippi Registration Statement under the Securities Act of 1933. (Filed electronically January 28, 1998, File Nos. 333-45069, 333-45069-01 and 333-45069-02.).

Exhibit F-1 Opinion of Beggs & Lane, counsel for Gulf (to be filed by amendment).

Exhibit F-2 Opinion of Eaton and Cottrell, P.A., counsel for Mississippi (to be filed by amendment).

Exhibit G Proposed form of notice.

Exhibit H Capitalization and Income Statement of The Southern Company and Subsidiary Companies after giving effect to the issuance of the Senior Notes.

(b) Financial Statements:

Balance sheet of each Applicant at September 30, 1997. (Designated in each Applicant's Form 10-Q for the quarter ended September 30, 1997, File Nos. 0-2429 and 0-6849.)

Statements of Income of each Applicant for the period ended September 30, 1997. (Designated in each Applicant's Form 10-Q for the quarter ended September 30, 1997, File Nos. 0-2429 and 0-6849.)

Since September 30, 1997, there have been no material adverse changes, not in the ordinary course of business, in the financial condition of the Applicants from that set forth in or contemplated by the foregoing financial statements.

ITEM 7. INFORMATION AS TO ENVIRONMENTAL EFFECTS.

A. As described in Item 1, the proposed transactions are of a routine and strictly financial nature in the ordinary course of the Applicants' businesses. Accordingly, the Commission's action in this matter will not constitute any major federal action significantly affecting the quality of the human environment.

B. No other federal agency has prepared or is preparing an environmental impact statement with respect to the proposed transactions.

SIGNATURES

Pursuant to the requirements of the Public Utility Holding Company Act of 1935, the undersigned companies have duly caused this statement to be signed on their behalf by the undersigned thereunto duly authorized.

Date: February 6, 1998

GULF POWER COMPANY

By _____
Wayne Boston
Assistant Secretary

MISSISSIPPI POWER COMPANY

By _____
Wayne Boston
Assistant Secretary

File No. 70-9171

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Amendment No. 1
to
FORM U-1
APPLICATION OR DECLARATION
under
The Public Utility Holding Company Act of 1935

GULF POWER COMPANY
500 Bayfront Parkway
Pensacola, Florida 32501

MISSISSIPPI POWER COMPANY
2992 West Beach
Gulfport, Mississippi 39501

(Name of company or companies filing this statement
and addresses of principal executive offices)

THE SOUTHERN COMPANY

(Name of top registered holding company parent of each
applicant or declarant)

Warren E. Tate, Secretary and Treasurer
Gulf Power Company
500 Bayfront Parkway
Pensacola, Florida 32501

Michael W. Southern, Vice President,
Secretary, Treasurer and
Chief Financial Officer
Mississippi Power Company
2992 West Beach
Gulfport, Mississippi 39501

(Names and addresses of agents for service)

The Commission is requested to mail signed copies of all orders,
notices and communications to:

W. L. Westbrook
Financial Vice President
The Southern Company
270 Peachtree Street, N.W.
Atlanta, Georgia 30303

John D. McLanahan, Esq.
Troutman Sanders LLP
600 Peachtree Street, N.E., Suite 5200
Atlanta, Georgia 30308

Item 3. Applicable Statutory Provisions.

Rule 54 Analysis. The proposed transaction is also subject to Rule 54, which provides that, in determining whether to approve an application which does not relate to any "exempt wholesale generator" ("EWG") or "foreign utility company" ("FUCO"), the Commission shall not consider the effect of the capitalization or earnings of any such EWG or FUCO which is a subsidiary of a registered holding company if the requirements of Rule 53(a), (b) and (c) are satisfied.

Southern currently meets all of the conditions of Rule 53(a), except for clause (1). At March 31, 1998, Southern's "aggregate investment," as defined in Rule 53(a)(1), in EWGs and FUCOs was approximately $2.947 billion, or about 77.70% of Southern's "consolidated retained earnings," also as defined in Rule 53(a)(1), for the four quarters ended December 31, 1997 ($3,793 million). With respect to Rule 53(a)(1), however, the Commission has determined that Southern's financing of investments in EWGs and FUCOs in an amount greater than the amount that would otherwise be allowed by Rule 53(a)(1) would not have either of the adverse effects set forth in Rule 53(c). See *The Southern Company*, Holding Company Act Release No. 16501, dated April 1, 1996 (the "Rule 53(c) Order"); and Holding Company Act Release No. 26646, dated January 15, 1997 (order denying request for reconsideration and motion to stay).

In addition, Southern has complied and will continue to comply with the record-keeping requirements of Rule 53(a)(2), the limitation under Rule 53(a)(3) on the use of Operating Company personnel to render services to EWGs and FUCOs, and the

requirements of Rule 53(a)(4) concerning the submission of copies of certain filings under the Act to retail rate regulatory commissions. Further, none of the circumstances described in Rule 53(b) has occurred.

Moreover, even if the effect of the capitalization and earnings of EWGs and FUCOs in which Southern has an ownership interest upon the Southern holding company system were considered, there is no basis for the Commission to withhold or deny approval for the proposal made in this Application-Declaration. The action requested in the instant filing (*viz.* issuance of Senior Notes by Gulf and Mississippi) would not, by itself, or even considered in conjunction with the effect of the capitalization and earnings of Southern's EWGs and FUCOs, have a material adverse effect on the financial integrity of the Southern system, or an adverse impact on Southern's public-utility subsidiaries, their customers, or the ability of State commissions to protect such public-utility customers.

The Rule 53(c) Order was predicated, in part, upon an assessment of Southern's overall financial condition which took into account, among other factors, Southern's consolidated capitalization ratio and the recent growth trend in Southern's retained earnings. As of December 31, 1995, the most recent fiscal year preceding the Rule 53(c) Order, Southern's consolidated capitalization consisted of 49.3% equity (including mandatorily redeemable preferred securities) and 50.7% debt (including $1.68 billion of long-term, non-recourse debt and short-term debt related to EWGs and FUCOs). As of year-end 1997, that ratio was 47.5% equity and 52.5% debt (including $4.593 billion of long-term, non-recourse debt and short-term debt related to EWGs

and FUCOs). On a *pro forma* basis, taking into consideration, among other things, the transactions contemplated hereby such ratios are 47.5% and 52.5%, respectively, for equity and debt. The common equity component of Southern's pro forma consolidated capitalization represents 35.1% of total capitalization at December 31, 1997. Thus, since the date of the Rule 53(c) Order, there has been no material change in Southern's consolidated capitalization ratio, which remains within acceptable ranges and limits of rating agencies as evident by the continued "A" corporate credit rating of Southern. Specifically, in January 1997 Standard & Poor's assigned Southern its corporate credit rating of "A" which was consistent with the implied corporate rating previously held by Southern. This implied rating had been in effect since May 1995. Therefore, since the April 1996 issue of the Rule 53(c) Order, the Southern consolidated credit rating has remained at "A" thereby demonstrating Southern's continued strong financial integrity. In addition, the underlying ratings of the affiliated operating companies, which have a strong influence on the Southern corporate rating, are all "A+". As a point of reference, the pro forma percentage of debt in the total capital structure of the Southern domestic operating utility companies is 45.1%, which is at the median total debt ratio of the Standard & Poor's "A" rated vertically integrated utilities.[1]

Southern's consolidated retained earnings grew on average approximately 8.6% per year from 1992 through 1996. In 1997, consolidated retained earnings increased

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[1] Currently, capitalization ratios, including short-term debt, for "A" rated vertically integrated electric utilities have a median total debt to total capital ratio of 45% as noted by Standard & Poor's in May 1997 for companies rated both publicly and confidentially. Prior to issuing this rating standard, the Standard & Poor's total debt to total capital benchmark for an "A" rated vertically integrated investor-owned-utility having an average business position was 47%.

approximately $78,148,000, or slightly more than 2%. The reduction in the rate of earnings growth in 1997 was primarily due to a $111 million windfall profits tax assessed against South Western Electricity in the United Kingdom. Excluding the impact of such tax, earnings attributable to Southern's investments in EWGs and FUCOs continued to contribute modestly to consolidated retained earnings.

Accordingly, since the date of the Rule 53(c) Order, the capitalization and earnings attributable to Southern's investments in EWGs and FUCOs has not had any adverse impact on Southern's financial integrity.

Reference is made to Exhibit H filed herewith which reflects capitalization at December 31, 1997 and the Statement of Income for the year ended December 31, 1997 for Southern and subsidiaries consolidated.

Item 6. Exhibits and Financial Statements.

(a) Exhibits:

F-1	Opinion of Beggs & Lane, counsel for Gulf.
F-2	Opinion of Eaton and Cottrell, P.A., counsel for Mississippi.
H	Capitalization and Income Statement of The Southern Company and Subsidiary Companies after giving effect to the issuance of the Senior Notes.

(b) Financial Statements:

Balance sheet of each Applicant at December 31, 1997. (Designated in each Applicant's Form 10-K for the year ended December 31, 1997, File Nos. 0-2429 and 0-6849.)

Statements of Income of each Applicant for the period ended December 31, 1997. (Designated in each Applicant's Form 10-K for the year ended December 31, 1997, File Nos. 0-2429 and 0-6849.)

Since December 31, 1997, there have been no material adverse changes, not in the ordinary course of business, in the financial condition of the Applicants from that set forth in or contemplated by the foregoing financial statements.

SIGNATURES

Pursuant to the requirements of the Public Utility Holding Company Act of 1935, the undersigned companies have duly caused this amendment to be signed on their behalf by the undersigned thereunto duly authorized.

Date: April 14, 1998

GULF POWER COMPANY

By _____
Wayne Boston
Assistant Secretary

MISSISSIPPI POWER COMPANY

By _____
Wayne Boston
Assistant Secretary

File No. 70-9171

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Amendment No. 2
to
FORM U-1
APPLICATION OR DECLARATION
under
The Public Utility Holding Company Act of 1935

GULF POWER COMPANY
500 Bayfront Parkway
Pensacola, Florida 32501

MISSISSIPPI POWER COMPANY
2992 West Beach
Gulfport, Mississippi 39501

(Name of company or companies filing this statement
and addresses of principal executive offices)

THE SOUTHERN COMPANY

(Name of top registered holding company parent of each
applicant or declarant)

Warren E. Tate, Secretary and Treasurer
Gulf Power Company
500 Bayfront Parkway
Pensacola, Florida 32501

Michael W. Southern, Vice President,
Secretary, Treasurer and
Chief Financial Officer
Mississippi Power Company
2992 West Beach
Gulfport, Mississippi 39501

(Names and addresses of agents for service)

The Commission is requested to mail signed copies of all orders,
notices and communications to:

W. L. Westbrook
Financial Vice President
The Southern Company
270 Peachtree Street, N.W.
Atlanta, Georgia 30303

John D. McLanahan, Esq.
Troutman Sanders LLP
600 Peachtree Street, N.E., Suite 5200
Atlanta, Georgia 30308

Item 3. Applicable Statutory Provisions.

Rule 54 Analysis as amended by Amendment No. 1 hereto is hereby amended by adding the following sentence to the sixth paragraph thereto:

"The total windfall profits tax for South Western Electricity was $148 million; however, the $111 million only reflects Southern's 75% ownership."

SIGNATURES

Pursuant to the requirements of the Public Utility Holding Company Act of 1935, the undersigned companies have duly caused this amendment to be signed on their behalf by the undersigned thereunto duly authorized.

Date: May 12, 1998

GULF POWER COMPANY

By _____
Wayne Boston
Assistant Secretary

MISSISSIPPI POWER COMPANY

By _____
Wayne Boston
Assistant Secretary

CERTIFICATE OF NOTIFICATION

Filed by

GULF POWER COMPANY

Pursuant to order of the Securities and Exchange Commission dated May 14, 1998 in the matter of File No. 70-9171.

Gulf Power Company (the "Company") hereby certifies to said Commission, pursuant to Rule 24, as follows:

1. On August 24, 1999, the issuance by the Company of $50,000,000 aggregate principal amount of its Series B 7.05% Senior Notes due August 15, 2004 (the "Series B Notes"), pursuant to the Second Supplemental Indenture dated as of August 24, 1999, supplementing the Senior Note Indenture dated as of January 1, 1998 between the Company and The Chase Manhattan Bank, as Trustee, was carried out in accordance with the terms and conditions of and for the purposes represented by the application, as amended, and of said order with respect thereto.

2. Filed herewith are the following exhibits:

Exhibit A — Prospectus supplement with respect to the Series B Notes, dated August 17, 1999. (Filed electronically August 19, 1999, in File Nos. 333-42033, 333-42033-01 and 333-42033-02.)

Exhibit B — Underwriting Agreement with respect to the Series B Notes dated August 17, 1999. (Designated in Form 8-K dated August 17, 1999 as Exhibit 1.1.)

Exhibit C — Second Supplemental Indenture dated as of August 24, 1999 to the Senior Note Indenture dated as of January 1, 1998 between the Company and The Chase Manhattan Bank, as Trustee. (Designated in Form 8-K dated August 17, 1999, as Exhibit 4.2.)

Exhibit F — Opinion of Beggs & Lane, A Registered Limited Liability Partnership, dated August 29, 1999.

Dated August 29, 1999

GULF POWER COMPANY

By _____
Wayne Boston
Assistant Secretary

Description of Holder

$60,000,000 4.69% Series C Senior Notes

Name of Underwriters	Principal Amount of Notes
Banc One Capital Markets, Inc. One Bank One Plaza Chicago, Illinois 60670	$30,000,000
SunTrust Capital Markets, Inc. 303 Peachtree Street, 23rd Floor Atlanta, Georgia 30308	$30,000,000

Underwriters Fees: $150,000

GULF POWER COMPANY
Summary of Debt Expenses in Conjunction with the
Issuance and Sale of $60,000,000 Principal Amount
Series C 4.69% Senior Notes Due 2003

Item Number	Issuance Expenses For:	Amount $
1	Charges of Trustee (Including Counsel)	$5,141.89
2	Shelf Registration-Securities & Exchange Commission	24,499.53
3	Printing and Preparation of Registration Statement, Financial Statements, Prospectus, Competitive Bidding Papers, Supplemental Indenture, etc.	9,317.64
4	Fees and Expenses of Counsel	21,804.05
5	Fees of Accountants	24,000.00
6	Rating Fees	12,000.00
7	Expenses of Southern Company Services, Inc.	4,031.56
8	Miscellaneous Expenses	449.94
	Total Expenses of Issue	$101,244.61
	Unamortized Discount Expense	150,000.00
	Total Cost of Issue	$ 251,244.61

$75,000,000 Series D 6.10% Senior Notes

due September 30, 2016

GULF POWER COMPANY

UNDERWRITING AGREEMENT

October 5, 2001

A.G. Edwards & Sons, Inc.
One North Jefferson
St. Louis, Missouri 63103

Ladies and Gentlemen:

Gulf Power Company, a Maine corporation (the "Company"), confirms its agreement (the "Agreement") with A.G. Edwards & Sons, Inc., acting as the representative (the "Representative") of the underwriters named in Schedule I hereto (the "Underwriters", which term shall also include any underwriter substituted as hereinafter provided in Section 10 hereof), with respect to the sale by the Company and the purchase by the Underwriters, acting severally and not jointly, of $75,000,000 principal amount of the Series D 6.10% Senior Notes due September 30, 2016 (the "Senior Notes") as set forth in Schedule I hereto.

The Company understands that the Underwriters propose to make a public offering of the Senior Notes as soon as the Underwriters deem advisable after this Agreement has been executed and delivered. The Senior Notes will be issued pursuant to an indenture, dated as of January 1, 1998 (the "Base Indenture"), by and between the Company and The Chase Manhattan Bank, as trustee (the "Trustee"), as heretofore supplemented and amended and as to be further supplemented and amended by a fourth supplemental indenture, dated as of October 18, 2001, to the Base Indenture relating to the Senior Notes (the "Supplemental Indenture," and together with the Base Indenture and any other amendments or supplements thereto, the "Indenture"), between the Company and the Trustee.

SECTION 1. REPRESENTATIONS AND WARRANTIES. The Company represents and warrants to the Underwriters as follows:

(a) A registration statement on Form S-3, as amended (File Nos. 333-59942, 333-59942-01 and 333-59942-02), in respect of the Senior Notes and certain other securities has been prepared and filed in accordance with the provisions of the Securities Act of 1933, as amended (the "1933 Act"), with the Securities and Exchange Commission (the "Commission"); such registration statement, as

amended, and any post-effective amendment thereto, each in the form heretofore delivered or to be delivered to the Underwriters, has been declared effective by the Commission in such form (except that copies of the registration statement, as amended, and any post-effective amendment delivered to the Underwriters need not include exhibits but shall include all documents incorporated by reference therein); and no stop order suspending the effectiveness of such registration statement has been issued and no proceeding for that purpose has been initiated or, to the best knowledge of the Company, threatened by the Commission (any preliminary prospectus, as supplemented by a preliminary prospectus supplement, included in such registration statement or filed with the Commission pursuant to Rule 424(a) of the rules and regulations of the Commission under the 1933 Act, being hereinafter called a "Preliminary Prospectus"); such registration statement, as it became effective, including the exhibits thereto and all documents incorporated by reference therein pursuant to Item 12 of Form S-3 at the time such registration statement became effective, being hereinafter called the "Registration Statement"; the prospectus relating to the Senior Notes, in the form in which it was included in the Registration Statement at the time it became effective, being hereinafter called the "Prospectus"; any reference herein to any Preliminary Prospectus or the Prospectus shall be deemed to refer to and include the documents incorporated by reference therein pursuant to Item 12 of Form S-3 under the 1933 Act, as of the date of such Preliminary Prospectus or Prospectus, as the case may be; any reference to any amendment or supplement to any Preliminary Prospectus or the Prospectus shall be deemed to refer to and include any documents filed after the date of such Preliminary Prospectus or Prospectus, as the case may be, under the Securities Exchange Act of 1934, as amended (the "1934 Act"), and incorporated by reference in such Preliminary Prospectus or Prospectus, as the case may be; any reference to any amendment to the Registration Statement shall be deemed to refer to and include any annual report of the Company filed pursuant to Section 13(a) or 15(d) of the 1934 Act after the effective date of the Registration Statement that is incorporated by reference in the Registration Statement; and the Prospectus as amended or supplemented in final form by a prospectus supplement relating to the Senior Notes in the form in which it is filed with the Commission, pursuant to Rule 424(b) under the 1933 Act in accordance with Section 3(g) hereof, including any documents incorporated by reference therein as of the date of such filing, being hereinafter called the "Final Supplemented Prospectus."

(b) The documents incorporated by reference in the Registration Statement or Prospectus, when they were filed with the Commission, complied in all material respects with the applicable provisions of the 1934 Act and the rules and regulations of the Commission thereunder, and as of such time of filing, when read together with the Prospectus, none of such documents contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and any further documents so filed and incorporated by reference in the Prospectus or any further amendment or supplement thereto, when such documents are filed with the

Commission, will comply in all material respects with the applicable provisions of the 1934 Act and the rules and regulations of the Commission thereunder and, when read together with the Prospectus as it otherwise may be amended or supplemented, will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that the Company makes no warranty or representation to the Underwriters with respect to: (A) any statements or omissions made in reliance upon and in conformity with information furnished in writing to the Company by the Underwriters expressly for use in the Final Supplemented Prospectus; or (B) any information set forth in the Final Supplemented Prospectus under the captions "Description of the Series D Senior Notes - Book-Entry Only Issuance -- The Depository Trust Company" and "The Policy and the Insurer" or in Appendix A thereto.

(c) The Registration Statement, the Prospectus and the Final Supplemented Prospectus and any further amendments or supplements to the Registration Statement or the Prospectus, when any such post-effective amendments are declared effective or supplements are filed with the Commission, as the case may be, will comply, in all material respects with the applicable provisions of the 1933 Act, the 1934 Act, the 1939 Act (hereinafter defined) and the General Rules and Regulations of the Commission thereunder and do not and will not, (i) as of the applicable effective date as to the Registration Statement and any amendment thereto, and (ii) as of the applicable filing date as to the Final Supplemented Prospectus and any Prospectus as further amended or supplemented, contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; except that the Company makes no warranties or representations with respect to (A) that part of the Registration Statement which shall constitute the Statements of Eligibility (Form T-1) (collectively, the "Form T-1") under the Trust Indenture Act of 1939, as amended (the "1939 Act"), (B) statements or omissions made in the Registration Statement or the Final Supplemented Prospectus in reliance upon and in conformity with information furnished in writing to the Company by the Underwriters expressly for use therein or (C) any information set forth in the Final Supplemented Prospectus under the captions "Description of the Series D Senior Notes - Book-Entry Only Issuance -- The Depository Trust Company" and "The Policy and the Insurer" or in Appendix A thereto.

(d) With respect to the Registration Statement, the conditions for use of Form S-3, as set forth in the General Instructions thereof, have been satisfied.

(e) Since the respective dates as of which information is given in the Registration Statement and the Final Supplemented Prospectus, except as otherwise stated therein, there has been no material adverse change in the business, properties or financial condition of the Company.

(f) The Company is a corporation duly organized and existing under the laws of the State of Maine, is duly qualified to carry on its business as a foreign corporation under the laws of the States of Florida, Georgia and Mississippi, and has due corporate authority to carry on the public utility business in which it is engaged and to own and operate the properties used by it in such business, to enter into and perform its obligations under this Agreement and the Indenture and to issue and sell the Senior Notes to the Underwriters.

(g) This Agreement has been duly authorized, executed and delivered by the Company.

(h) The Indenture has been duly authorized by the Company and, on the Closing Date, will have been duly executed and delivered by the Company, and, assuming due authorization, execution and delivery of the Indenture by the Trustee, the Indenture will, on the Closing Date, constitute a valid and binding obligation of the Company, enforceable against the Company in accordance with its terms except to the extent that enforcement thereof may be limited by (1) bankruptcy, insolvency, reorganization, receivership, liquidation, fraudulent conveyance, moratorium or other similar laws affecting creditors' rights generally or (2) general principles of equity (regardless of whether enforcement is considered in a proceeding at law or in equity) (the "Enforceability Exceptions"); the Indenture will conform in all material respects to all statements relating thereto contained in the Final Supplemented Prospectus; and, on the Closing Date, the Indenture will have been duly qualified under the 1939 Act.

(i) The issuance and delivery of the Senior Notes have been duly authorized by the Company and, on the Closing Date, the Senior Notes will have been duly executed by the Company and, when authenticated in the manner provided for in the Indenture and delivered against payment therefor as described in the Final Supplemented Prospectus, will constitute valid and legally binding obligations of the Company, enforceable against the Company in accordance with their terms, except to the extent that enforcement thereof may be limited by the Enforceability Exceptions, will be in the form contemplated by, and entitled to the benefits of, the Indenture and will conform in all material respects to all statements relating thereto in the Final Supplemented Prospectus.

(j) The execution, delivery and performance by the Company of this Agreement, the Indenture and the Senior Notes and the consummation by the Company of the transactions contemplated herein and therein and compliance by the Company with its obligations hereunder and thereunder shall have been duly authorized by all necessary corporate action on the part of the Company and do not and will not result in any violation of the charter or bylaws of the Company, and do not and will not conflict with, or result in a breach of any of the terms or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company under (A) any contract, indenture, mortgage, loan agreement, note, lease or other agreement or instrument to which the Company is a party or by which it may be bound or to

which any of its properties may be subject (except for conflicts, breaches or defaults which would not, individually or in the aggregate, be materially adverse to the Company or materially adverse to the transactions contemplated by this Agreement), or (B) any existing applicable law, rule, regulation, judgment, order or decree of any government, governmental instrumentality or court, domestic or foreign, or any regulatory body or administrative agency or other governmental body having jurisdiction over the Company, or any of its properties.

(k) The Company has duly authorized all necessary action to be taken by it for the procurement of an irrevocable financial guarantee insurance policy (the "Insurance Policy") issued by Ambac Assurance Corporation (the "Insurer"), insuring the payment of principal and interest on the Senior Notes, when due.

(l) No authorization, approval, consent or order of any court or governmental authority or agency is necessary in connection with the issuance and sale by the Company of the Senior Notes or the transactions by the Company contemplated in this Agreement, except (A) such as may be required under the 1933 Act or the rules and regulations thereunder; (B) such as may be required under the Public Utility Holding Company Act of 1935, as amended; (C) the qualification of the Indenture under the 1939 Act; (D) the approval of the Florida Public Service Commission (the "Florida Commission"); and (E) such consents, approvals, authorizations, registrations or qualifications as may be required under state securities or Blue Sky laws.

SECTION 2. SALE AND DELIVERY TO THE UNDERWRITERS; CLOSING.

(a) On the basis of the representations and warranties herein contained and subject to the terms and conditions herein set forth, the Company agrees to sell to each Underwriter, and each Underwriter, severally and not jointly, agrees to purchase from the Company, the principal amount of Senior Notes set forth in Schedule I to this Agreement opposite the name of such Underwriter (plus any additional amount of Senior Notes that such Underwriter may become obligated to purchase pursuant to the provisions of Section 10 hereof), at a price equal to 97.65% of the principal amount thereof.

(b) Payment for and delivery of certificates for the Senior Notes shall be made at the offices of Troutman Sanders LLP, Bank of America Plaza, 600 Peachtree Street, N.E., Atlanta, Georgia at 10:00 A.M., Atlanta time, on October 18, 2001 (unless postponed in accordance with the provisions of Section 10) or such other time, place or date as shall be agreed upon by the Underwriters and the Company (such time and date of payment and delivery being herein called the "Closing Date"). Payment shall be made to the Company by wire transfer in federal funds at the Closing Date against delivery of the Senior Notes to the Representative. It is understood that each Underwriter has authorized the Representative, for its account, to accept delivery of, receipt for, and make payment of the principal amount of the Senior Notes which it has agreed to purchase. The Representative, individually and not as Representative of the Underwriters, may (but

shall not be obligated to) make payment of the principal amount of the Senior Notes to be purchased by any Underwriter whose payment has not been received by the Closing Date, but such payment shall not relieve such Underwriter from its obligations hereunder.

The delivery of the Senior Notes shall be made in fully registered form, registered in the name of CEDE & CO., to the offices of The Depository Trust Company in New York, New York or its designee, and the Underwriters shall accept such delivery.

The certificate(s) for the Senior Notes will be made available for examination by the Underwriters not later than 12:00 Noon, New York time, on the last business day prior to the Closing Date.

SECTION 3. COVENANTS OF THE COMPANY. The Company covenants with the Underwriters as follows:

(a) The Company, on or prior to the Closing Date, will deliver to the Underwriters conformed copies of the Registration Statement as originally filed and of all amendments thereto, heretofore or hereafter made, including any post-effective amendment (in each case including all exhibits filed therewith, and including unsigned copies of each consent and certificate included therein or filed as an exhibit thereto, except exhibits incorporated by reference, unless specifically requested). As soon as the Company is advised thereof, it will advise the Representative orally of the issuance of any stop order under the 1933 Act with respect to the Registration Statement, or the institution of any proceedings therefor, of which the Company shall have received notice, and will use its best efforts to prevent the issuance of any such stop order and to secure the prompt removal thereof, if issued. The Company will deliver to the Representative sufficient conformed copies of the Registration Statement, the Prospectus and the Final Supplemented Prospectus and of all supplements and amendments thereto (in each case without exhibits) for distribution to the Underwriters and, from time to time, as many copies of the Prospectus and the Final Supplemented Prospectus as the Underwriters may reasonably request for the purposes contemplated by the 1933 Act or the 1934 Act.

(b) The Company will furnish the Underwriters with copies of each amendment and supplement to the Final Supplemented Prospectus relating to the offering of the Senior Notes in such quantities as the Underwriters may from time to time reasonably request. If, during the period (not exceeding nine months) when the delivery of a prospectus shall be required by law in connection with the sale of any Senior Notes by an Underwriter, any event relating to or affecting the Company, or of which the Company shall be advised in writing by the Underwriters, shall occur, which in the opinion of the Company or of Underwriters' counsel should be set forth in a supplement to or an amendment of the Final Supplemented Prospectus, as the case may be, in order to make the Final Supplemented Prospectus not misleading in the light of the circumstances when it is delivered, or if for any other reason it shall be necessary during such period to amend or supplement the Final Supplemented Prospectus or to file under the 1934

Act any document incorporated by reference in the Preliminary Prospectus or Prospectus in order to comply with the 1933 Act or the 1934 Act, the Company forthwith will (i) notify the Underwriters to suspend solicitation of purchases of the Senior Notes and (ii) at its expense, make any such filing or prepare and furnish to the Underwriters a reasonable number of copies of a supplement or supplements or an amendment or amendments to the Final Supplemented Prospectus which will supplement or amend the Final Supplemented Prospectus so that, as supplemented or amended, it will not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances when the Final Supplemented Prospectus is delivered, not misleading or which will effect any other necessary compliance. In case any Underwriter is required to deliver a prospectus in connection with the sale of any Senior Notes after the expiration of the period specified in the preceding sentence, the Company, upon the request of such Underwriter, will furnish to such Underwriter, at the expense of such Underwriter, a reasonable quantity of a supplemented or amended prospectus, or supplements or amendments to the Final Supplemented Prospectus, complying with Section 10(a) of the 1933 Act. During the period specified in the second sentence of this subsection, the Company will continue to prepare and file with the Commission on a timely basis all documents or amendments required under the 1934 Act and the rules and regulations thereunder; provided, that the Company shall not file such documents or amendments without also furnishing copies thereof prior to such filing to the Underwriters and Dewey Ballantine LLP.

(c) The Company will endeavor, in cooperation with the Underwriters, to qualify the Senior Notes for offering and sale under the applicable securities laws of such states and the other jurisdictions of the United States as the Underwriters may designate; provided, however, that the Company shall not be obligated to qualify as a foreign corporation in any jurisdiction in which it is not so qualified or to file a consent to service of process or to file annual reports or to comply with any other requirements in connection with such qualification deemed by the Company to be unduly burdensome.

(d) The Company will make generally available to its security holders as soon as practicable but not later than 45 days after the close of the period covered thereby, an earnings statement of the Company (in form complying with the provisions of Rule 158 of the rules and regulations under the 1933 Act) covering a twelve-month period beginning not later than the first day of the Company's fiscal quarter next following the "effective date" (as defined in Rule 158) of the Registration Statement.

(e) During a period of 15 days from the date of this Agreement, the Company will not, without the Underwriters' prior written consent, directly or indirectly, sell, offer to sell, grant any option for the sale of, or otherwise dispose of, any Senior Notes or any security convertible into or exchangeable into or exercisable for the Senior Notes or any debt securities substantially similar to the Senior Notes (except for the Senior Notes issued pursuant to this Agreement).

(f) As soon as practicable after the date of this Agreement, and in any event within the time prescribed by Rule 424 under the 1933 Act, to file the Final Supplemented Prospectus with the Commission and to advise the Representative of such filing and to confirm such advice in writing.

SECTION 4. PAYMENT OF EXPENSES. The Company will pay all expenses incidental to the performance of its obligations under this Agreement, including but not limited to, the expenses of (i) the printing and filing of the Registration Statement as originally filed and of each amendment thereto, (ii) the preparation, issuance and delivery of the certificate(s) for the Senior Notes, (iii) the fees and disbursements of the Company's counsel and accountants, (iv) the qualification of the Senior Notes under securities laws in accordance with the provisions of Section 3(c) hereof, including filing fees and the reasonable fees and disbursements of counsel for the Underwriters in connection therewith and in connection with the preparation of any blue sky survey (such fees and disbursements of counsel shall not exceed $3,500), (v) the printing and delivery to the Underwriters of copies of the Registration Statement as originally filed and of each amendment thereto and of the Prospectus, the Final Supplemented Prospectus, and any amendments or supplements thereto, (vi) the printing and delivery to the Underwriters of copies of any blue sky survey, (vii) the fee of the National Association of Securities Dealers, Inc. in connection with its review of the offering contemplated by this Agreement, if applicable, (viii) the fees and expenses of the Trustee, including the fees and disbursements of counsel for the Trustee in connection with the Indenture and the Senior Notes, (ix) any fees payable in connection with the rating of the Senior Notes, (x) the cost and charges of any transfer agent or registrar, (xi) the premium payable to the Insurer in connection with the issuance of the Insurance Policy, and (xii) the cost of qualifying the Senior Notes with The Depository Trust Company.

Except as otherwise provided in Section 9 hereof, the Underwriters shall pay all other expenses incurred by them in connection with their offering of the Senior Notes including fees and disbursements of their counsel, Dewey Ballantine LLP.

SECTION 5. CONDITIONS OF UNDERWRITERS' OBLIGATIONS. The obligations of the Underwriters to purchase and pay for the Senior Notes are subject to the following conditions:

(a) No stop order suspending the effectiveness of the Registration Statement shall be in effect on the Closing Date and no proceedings for that purpose shall be pending before, or to the knowledge of the Company threatened by, the Commission on such date. If filing of the Final Supplemented Prospectus, or any supplement thereto, is required pursuant to Rule 424, the Final Supplemented Prospectus, and any such supplement, shall have been filed in the manner and within the time period required by Rule 424.

(b) Any required orders of the Florida Commission and the Commission permitting the transactions contemplated hereby substantially in accordance with the terms and conditions hereof shall be in full force and effect and shall contain no provision unacceptable to the Underwriters or the Company (but all provisions

of such order or orders heretofore entered, copies of which have heretofore been delivered to the Underwriters, are deemed acceptable to the Underwriters and the Company and all provisions of such order or orders hereafter entered shall be deemed acceptable to the Underwriters and the Company unless within 24 hours after receiving a copy of any such order any party to this Agreement shall give notice to the other parties to the effect that such order contains an unacceptable provision).

(c) On the Closing Date the Underwriters shall have received:

(1) The opinion, dated the Closing Date, of Beggs & Lane, a Registered Limited Liability Partnership, general counsel for the Company, substantially in the form attached hereto as Schedule II-A.

(2) The opinion, dated the Closing Date, of Troutman Sanders LLP, counsel for the Company, substantially in the form attached hereto as Schedule II-B.

(3) The opinion, dated the Closing Date, of Cravath, Swaine & Moore, counsel to the Trustee, substantially in the form attached hereto as Schedule III.

(4) The opinion, dated the Closing Date, of Dewey Ballantine LLP, counsel for the Underwriters, substantially in the form attached hereto as Schedule IV.

(5) The opinion, dated the Closing Date, of counsel to the Insurer, substantially in the form attached hereto as Schedule V.

(6) At the Closing Date, there shall not have been, since the date hereof or since the respective dates as of which information is given in the Registration Statement and the Final Supplemented Prospectus, any material adverse change in the business, properties or financial condition of the Company, whether or not arising in the ordinary course of business, and the Underwriters shall have received a certificate of the President or any Vice President of the Company, and dated as of the Closing Date, to the effect that (i) there has been no such material adverse change, (ii) the representations and warranties in Section 1 hereof are true and correct with the same force and effect as though expressly made at and as of the Closing Date, (iii) the Company has complied with all agreements and satisfied all conditions on its part to be performed or satisfied on or prior to the Closing Date, and (iv) no stop order suspending the effectiveness of the Registration Statement has been issued and no proceedings for that purpose have been initiated or, to the knowledge of the Company, threatened by the Commission.

(7) On the Closing Date, the Underwriters shall have received from Arthur Andersen LLP a letter dated the Closing Date to the effect that: (A) they are independent public accountants with respect to the Company within the meaning of the 1933 Act and the rules and regulations under the 1933 Act; (B) in

their opinion, the financial statements audited by them and incorporated by reference in the Final Supplemented Prospectus comply as to form in all material respects with the applicable accounting requirements of the 1934 Act and the rules and regulations under the 1934 Act; and (C) on the basis of certain limited procedures performed through a specified date not more than five business days prior to the date of such letter, namely (i) reading the minute books of the Company; (ii) performing the procedures specified by the American Institute of Certified Public Accountants ("AICPA") for a review of interim financial information as described in Statement on Auditing Standards No. 71, "Interim Financial Information", on the unaudited financial statements, if any, of the Company incorporated in the Final Supplemented Prospectus and of the latest available unaudited financial statements of the Company, if any, for any calendar quarter subsequent to the date of those incorporated in the Final Supplemented Prospectus; and (iii) making inquiries of certain officials of the Company who have responsibility for financial and accounting matters regarding such unaudited financial statements or any specified unaudited amounts derived therefrom (it being understood that the foregoing procedures do not constitute an audit performed in accordance with generally accepted auditing standards and they would not necessarily reveal matters of significance with respect to the comments made in such letter, and accordingly that Arthur Andersen LLP make no representations as to the sufficiency of such procedures for the Underwriters' purposes), nothing came to their attention that caused them to believe that: (1) any material modifications should be made to the unaudited condensed financial statements, if any, incorporated in the Final Supplemented Prospectus, for them to be in conformity with generally accepted accounting principles; (2) such unaudited condensed financial statements do not comply as to form in all material respects with the applicable accounting requirements of the 1934 Act as it applies to Form 10-Q and the related published rules and regulations thereunder; (3) the unaudited amounts for Operating Revenues, Earnings Before Interest and Income Taxes and Net Income After Dividends on Preferred Stock and the unaudited Ratio of Earnings to Fixed Charges set forth in the Final Supplemented Prospectus do not agree with the amounts set forth in or derived from the unaudited financial statements for the same period or were not determined on a basis substantially consistent with that of the corresponding audited amounts or ratios included or incorporated by reference in Registration Statement; (4) as of a specified date not more than five business days prior to the date of delivery of such letter, there has been any change in the capital stock or long-term debt of the Company or any decrease in net assets as compared with amounts shown in the latest audited balance sheet incorporated in the Final Supplemented Prospectus, except in each case for changes or decreases which (i) the Final Supplemented Prospectus discloses have occurred or may occur, (ii) are occasioned by the declaration of dividends, (iii) are occasioned by draw-downs under existing pollution control financing arrangements, (iv) are occasioned by draw-downs and regularly scheduled payments of capitalized lease obligations, (v) are occasioned by the purchase or redemption of bonds or stock to satisfy mandatory or optional redemption provisions relating thereto, or (vi) are disclosed in such letter; and (5)

the unaudited amounts for Operating Revenues, Earnings Before Interest and Income Taxes and Net Income After Dividends on Preferred Stock and the unaudited Ratio of Earnings to Fixed Charges for any calendar quarter subsequent to those set forth in (3) above, which if available shall be set forth in such letter, do not agree with the amounts set forth in or derived from the unaudited financial statements for the same period or were not determined on a basis substantially consistent with that of the corresponding audited amounts or ratios included or incorporated by reference in the Final Supplemented Prospectus.

(8) On the Closing Date, counsel for the Underwriters shall have been furnished with such documents and opinions as it may reasonably require for the purpose of enabling it to pass upon the issuance and sale of the Senior Notes as herein contemplated and related proceedings, or in order to evidence the accuracy of any of the representations or warranties, or the fulfillment of any of the conditions, herein contained; and all proceedings taken by the Company in connection with the issuance and sale of the Senior Notes as herein contemplated shall be satisfactory in form and substance to the Underwriters and Dewey Ballantine LLP, counsel for the Underwriters.

(9) That no amendment or supplement to the Registration Statement or the Final Supplemented Prospectus filed subsequent to the date of this Agreement (including any filing made by the Company pursuant to Section 13 or 14 of the 1934 Act) shall be unsatisfactory in form to Dewey Ballantine LLP or shall contain information (other than with respect to an amendment or supplement relating solely to the activity of the Underwriters) which, in the reasonable judgment of the Representative, shall materially impair the marketability of the Senior Notes.

(10) The Company shall have performed its obligations when and as provided under this Agreement.

(11) Evidence that the Insurance Policy has been issued by the Insurer and confirmation that the Senior Notes have been rated at least Aaa by Moody's Investor Services, Inc. and at least AAA by Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies.

If any condition specified in this Section shall not have been fulfilled when and as required to be fulfilled, this Agreement may be terminated by the Underwriters by notice to the Company at any time prior to the Closing Date, and such termination shall be without liability of any party to any other party except as provided in Sections 4, 7 and 9(b) hereof.

SECTION 6. CONDITIONS OF THE OBLIGATIONS OF THE COMPANY.

The obligations of the Company shall be subject to the conditions set forth in the first sentence of Section 5(a) and in Section 5(b). In case such conditions shall not

have been fulfilled, this Agreement may be terminated by the Company by mailing or delivering written notice thereof to the Underwriters. Any such termination shall be without liability of any party to any other party except as otherwise provided in Sections 4, 7 and 9(b) hereof.

SECTION 7. INDEMNIFICATION.

(a) The Company agrees to indemnify and hold harmless each of the Underwriters and each person, if any, who controls any such Underwriter within the meaning of Section 15 of the 1933 Act or Section 20(a) of the 1934 Act, against any and all losses, claims, damages or liabilities, joint or several, to which they or any of them may become subject under the 1933 Act, 1934 Act or otherwise, and to reimburse any such Underwriter and such controlling person or persons, if any, for any legal or other expenses incurred by them in connection with defending any actions, insofar as such losses, claims, damages, liabilities or actions arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in any Preliminary Prospectus, the Registration Statement, the Prospectus or the Final Supplemented Prospectus or, if the Company shall furnish to the Underwriters any amendments or any supplements thereto, or shall make any filings pursuant to Section 13 or 14 of the 1934 Act which are incorporated therein by reference, in any Preliminary Prospectus, the Registration Statement, the Prospectus or the Final Supplemented Prospectus as so amended or supplemented, or arise out of or are based upon any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such losses, claims, damages, liabilities or actions arise out of or are based upon any such untrue statement or alleged untrue statement or omission or alleged omission which was made in such Registration Statement, Preliminary Prospectus, Prospectus or Final Supplemented Prospectus in reliance upon and in conformity with information furnished in writing to the Company by the Underwriters for use therein and except that this indemnity with respect to the Preliminary Prospectus, the Prospectus or the Final Supplemented Prospectus, if the Company shall have furnished any amendment or supplement thereto, shall not inure to the benefit of any Underwriter (or of any person controlling such Underwriter) on account of any losses, claims, damages, liabilities or actions arising from the sale of the Senior Notes to any person if a copy of the Preliminary Prospectus, the Prospectus or the Final Supplemented Prospectus (exclusive of documents incorporated therein by reference pursuant to Item 12 of Form S-3), as the same may then be amended or supplemented, shall not have been sent or given by or on behalf of such Underwriter to such person with or prior to the written confirmation of the sale involved and the untrue statement or alleged untrue statement or omission or alleged omission was corrected in the Preliminary Prospectus, the Prospectus or the Final Supplemented Prospectus as supplemented or amended at the time of such confirmation. Each Underwriter agrees, within ten days after the receipt by it of notice of the commencement of any action in respect of which indemnity may be sought by it, or by any person controlling it, from the Company on account of its agreement contained in this Section 7, to notify the Company in writing of the commencement thereof but the omission of such Underwriter so to notify the Company of any such action shall not release the Company from any liability which it may have to such Underwriter or to such controlling person otherwise than on

account of the indemnity agreement contained in this Section 7. In case any such action shall be brought against an Underwriter or any such person controlling such Underwriter and such Underwriter shall notify the Company of the commencement thereof as above provided, the Company shall be entitled to participate in (and, to the extent that it shall wish, including the selection of counsel, to direct) the defense thereof, at its own expense. In case the Company elects to direct such defense and select such counsel, any Underwriter or controlling person shall have the right to employ its own counsel, but, in any such case, the fees and expenses of such counsel shall be at the expense of such Underwriter or such controlling person unless the employment of such counsel has been authorized in writing by the Company in connection with defending such action. No indemnifying party shall, without the written consent of the indemnified party, effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim in respect of which indemnification may be sought hereunder (whether or not the indemnified party is an actual or potential party to such action or claim) unless such settlement, compromise or judgment (i) includes an unconditional release of the indemnified party from all liability arising out of such action or claim and (ii) does not include any statement as to, or an admission of, fault, culpability or a failure to act, by or on behalf of any indemnified party. In no event shall any indemnifying party have any liability or responsibility in respect of the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim effected without its prior written consent.

(b) Each Underwriter agrees severally and not jointly, to indemnify and hold harmless the Company, its directors and such of its officers who have signed the Registration Statement and each person, if any, who controls the Company within the meaning of Section 15 of the 1933 Act or Section 20(a) of the 1934 Act to the same extent and upon the same terms as the indemnity agreement of the Company set forth in Section 7(a) hereof, but only with respect to alleged untrue statements or omissions made in the Registration Statement, the Preliminary Prospectus, the Prospectus or the Final Supplemented Prospectus, or such documents as amended or supplemented, in reliance upon and in conformity with information furnished in writing to the Company by such Underwriter for use therein.

SECTION 8. REPRESENTATIONS, WARRANTIES AND AGREEMENTS TO SURVIVE DELIVERY.

All representations, warranties and agreements contained in this Agreement, or contained in certificates of officers of the Company submitted pursuant hereto, shall remain operative and in full force and effect, regardless of any investigation made by or on behalf of any Underwriter or controlling person, or by, or on behalf of the Company and shall survive delivery of the Senior Notes to the Underwriters.

SECTION 9. TERMINATION OF AGREEMENT.

(a) The Representative may terminate this Agreement, by notice to the Company, at any time at or prior to the Closing Date if (i) trading in securities on the New York Stock Exchange shall have been generally suspended, (ii) minimum or

maximum ranges for prices shall have been generally established on the New York Stock Exchange by the Commission or by the New York Stock Exchange, (iii) a general banking moratorium shall have been declared by federal or New York State authorities, or (iv) there shall have occurred any outbreak or escalation of major hostilities in which the United States is involved, any declaration of war by the United States Congress or any other substantial national or international calamity or emergency affecting the United States, in any such case provided for in clauses (i) through (iv) with the result that, in the reasonable judgement of the Representative, the marketability of the Senior Notes shall have been materially impaired.

(b) If this Agreement shall be terminated by the Representative pursuant to subsection (a) above or because of any failure or refusal on the part of the Company to comply with the terms or to fulfill any of the conditions of this Agreement, or if for any reason the Company shall be unable to perform its obligations under this Agreement, then in any such case, the Company will reimburse the Underwriters for the reasonable fees and disbursements of Dewey Ballantine LLP and for the out of pocket expenses (in an amount not exceeding $10,000) reasonably incurred by the Underwriters in making preparations for the purchase, sale and delivery of the Senior Notes and, upon such reimbursement, the Company shall be absolved from any further liability hereunder, except as provided in Sections 4 and 7.

SECTION 10. DEFAULT BY ONE OR MORE OF THE UNDERWRITERS

If one or more of the Underwriters shall fail on the Closing Date to purchase the Senior Notes that it or they are obligated to purchase under this Agreement (the "Defaulted Securities"), the non-defaulting Underwriters shall have the right, within 24 hours thereafter, to make arrangements for one or more of the non-defaulting Underwriters, or any other underwriters, to purchase all, but not less than all, of the Defaulted Securities in such amounts as may be agreed upon and upon the terms herein set forth. If, however, the non-defaulting Underwriters shall not have completed such arrangements within such 24-hour period, then:

(a) if the principal amount of Defaulted Securities does not exceed 10% of the Senior Notes, each of the non-defaulting Underwriters shall be obligated, severally and not jointly, to purchase the full amount thereof in the proportions that their respective underwriting obligations hereunder bear to the underwriting obligations of all non-defaulting Underwriters, or

(b) if the principal amount of Defaulted Securities exceeds 10% of the Senior Notes, this Agreement shall terminate without liability on the part of any non-defaulting Underwriter.

No action taken pursuant to this Section shall relieve any defaulting Underwriter from liability in respect of its default.

In the event of any such default which does not result in a termination of this Agreement, either the non-defaulting Underwriters or the Company shall have the right to postpone the Closing Date for a period not exceeding seven days in order to effect any required changes in the Registration Statement or Final Supplemented Prospectus or in any other documents or arrangements.

SECTION 11. NOTICES. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given if mailed or transmitted by any standard form of telecommunication. Notices to the Underwriters shall be directed to A.G. Edwards & Sons, Inc., One North Jefferson, St. Louis, Missouri 63103, Attention: Corporate Debt Syndicate Desk; notices to the Company shall be mailed to One Energy Place, Pensacola, Florida 32520-0100, Attention: Corporate Secretary, with a copy to Southern Company Services, Inc., 270 Peachtree Street, N.W., Atlanta, Georgia 30303, Attention: Christopher J. Kysar.

SECTION 12. PARTIES. This Agreement shall inure to the benefit of and be binding upon the Underwriters, the Company and their respective successors. Nothing expressed or mentioned in this Agreement is intended or shall be construed to give any person, firm or corporation, other than the Underwriters and the Company and their respective successors and the controlling persons and officers and directors referred to in Section 7 and their heirs and legal representatives, any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision herein contained. This Agreement and all conditions and provisions hereof are intended to be for the sole and exclusive benefit of the Underwriters and the Company and their respective successors, and said controlling persons and officers and directors and their heirs and legal representatives, and for the benefit of no other person, firm or corporation. No purchaser of Senior Notes from the Underwriters shall be deemed to be a successor by reason merely of such purchase.

SECTION 13. GOVERNING LAW AND TIME. This Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to agreements made and to be performed in said State. Except as otherwise set forth herein, specified times of day refer to New York City time.

SECTION 14. COUNTERPARTS. This Agreement may be executed by any one or more of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such respective counterparts shall together constitute one and the same instrument.

If the foregoing is in accordance with your understanding of our agreement, please sign and return to the Company a counterpart hereof, whereupon this instrument, along with all counterparts, will become a binding agreement between the Underwriters and the Company in accordance with its terms.

Very truly yours,

GULF POWER COMPANY

By: _____
Title: Vice President

CONFIRMED AND ACCEPTED,
as of the date first above written

A.G. EDWARDS & SONS, INC.
as Representative of the Underwriters

By:_____
Title:

If the foregoing is in accordance with your understanding of our agreement, please sign and return to the Company a counterpart hereof, whereupon this instrument, along with all counterparts, will become a binding agreement between the Underwriters and the Company in accordance with its terms.

Very truly yours,

GULF POWER COMPANY

By: _____
Title:

CONFIRMED AND ACCEPTED,
as of the date first above written

A.G. EDWARDS & SONS, INC.
as Representatives of the Underwriters

By: Karen C. Middleton
Title: Vice President

SCHEDULE I

NAME OF UNDERWRITER	Principal Amount of Senior Notes
A.G. Edwards & Sons, Inc.	$25,000,000
Edward D. Jones & Co., L.P.	25,000,000
Wachovia Securities, Inc.	25,000,000
TOTAL	$75,000,000

Schedule II-A

[Letterhead of Beggs & Lane]

_____, 2001

A.G. Edwards & Sons, Inc.
Edward D. Jones & Co., L.P.
Wachovia Securities, Inc.

c/o A.G. Edwards & Sons, Inc.
One North Jefferson
St. Louis, Missouri 63103

GULF POWER COMPANY
Series D ____% Senior Notes
due September 30, 2016

Ladies and Gentlemen:

We have acted as general counsel to Gulf Power Company (the "Company") in connection with (i) the Company's issuance of $75,000,000 aggregate principal amount of its Series D _____% Senior Notes due September 30, 2016 (the "Notes") pursuant to a Senior Note Indenture dated as of January 1, 1998, by and between the Company and The Chase Manhattan Bank, as trustee (the "Trustee"), as heretofore supplemented and as further supplemented by the Fourth Supplemental Indenture dated as of _____, 2001 (collectively, the "Indenture"); and (ii) the purchase by you of the Notes pursuant to the terms of an Underwriting Agreement dated _____, 2001, among the Company and you (the "Underwriters") (the "Underwriting Agreement"). This opinion is being delivered to you pursuant to Section 5(c)(1) thereof.

All capitalized terms not otherwise defined herein shall have the meanings set forth in the Underwriting Agreement.

In rendering the opinions expressed below, we have examined the registration statement on Form S-3 (Nos. 333-____, 333-_____and 333-_____) pertaining to the Notes (the "Registration Statement") filed under the Securities Act of 1933, as amended (the "Act"), and the prospectus dated _____, 2001 as supplemented by a final prospectus supplement dated _____, 2001 (the "Final Supplemented Prospectus"), which pursuant to Form S-3 incorporates by reference the Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 2000, the Quarterly Reports on Form 10-Q of the Company for the quarters ended _____ and the Current Reports on Form 8-K of the Company dated _____ (the "Exchange

Act Documents"), each as filed under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

In addition, we have examined, and have relied as to matters of fact upon, the documents delivered to you at the closing (except the Notes, of which we have examined a specimen), and we have made such other and further investigations as we deemed necessary to express the opinions hereinafter set forth.

The Indenture and the Underwriting Agreement are herein referred to as the "Agreements".

We have also examined the opinion of Troutman Sanders LLP to you of even date with respect to matters relating to the Act, the Exchange Act, the Trust Indenture Act of 1939, as amended and to the applicable rules and regulations of the Commission under said Acts and in expressing the opinions stated herein, with respect to such matters, we are relying on such opinion.

Based upon the foregoing, and subject to the qualifications and limitations stated herein, we are of the opinion, relying as to matters of Georgia law and the federal law of the United States upon the opinion dated the date hereof rendered to you by Troutman Sanders LLP, and relying as to matters of New York law upon the opinion dated the date hereof rendered to you by Dewey Ballantine LLP, that:

1. The Company has been duly organized and is validly existing and in good standing as a corporation under the laws of the State of Maine, is duly qualified to carry on its business as a foreign corporation under the laws of the States of Florida, Georgia and Mississippi, and has due corporate authority to carry on the public utility business in which it is engaged and to own and operate the properties used by it in such business and to enter into and perform its obligations under the Agreements and the Notes.

2. The execution, delivery and performance by the Company of the Underwriting Agreement have been duly authorized by all necessary corporate action, and the Underwriting Agreement has been duly executed and delivered by the Company.

3. All orders, consents, or other authorizations or approvals of the Florida Public Service Commission and the Commission legally required for the issuance and sale of the Notes have been obtained; such orders are sufficient for the issuance and the sale of the Notes; the issuance and the sale of the Notes conform in all material respects with the terms of such orders; and no other order, consent or other authorization or approval of any Florida or United States governmental body (other than in connection or in compliance with the provisions of the securities or "blue sky" laws of any jurisdiction, as to which we express no opinion) is legally required for the issuance and sale of the Notes in accordance with the terms of the Underwriting Agreement.

4. The Indenture has been duly authorized, executed and delivered by the Company and, assuming the due authorization, execution and delivery thereof by the Trustee, constitutes a valid and legally binding instrument of the Company, enforceable

against the Company in accordance with its terms, subject to the qualifications that the enforceability of the Company's obligations under the Indenture may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); and the Indenture conforms as to legal matters in all material respects to the description thereof in the Final Supplemented Prospectus.

5. The Notes have been duly authorized and executed by the Company and, when authenticated by the Trustee in the manner provided in the Indenture and delivered to and paid for by the Underwriters pursuant to the Underwriting Agreement, will constitute valid and binding obligations of the Company, enforceable against the Company in accordance with their terms, subject to the qualifications that the enforceability of the Company's obligations under the Notes may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and by general principles of equity; and the Notes conform as to legal matters in all material respects to the description thereof in the Final Supplemented Prospectus.

6. The Indenture has been duly qualified under the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act").

We have not independently verified the accuracy, completeness or fairness of the statements made or included in the Registration Statement, the Final Supplemented Prospectus or the Exchange Act Documents and take no responsibility therefor, except as and to the extent set forth in paragraphs 4 and 5 above. In the course of the preparation by the Company of the Registration Statement, the Final Supplemented Prospectus and the Exchange Act Documents, we participated in conferences with certain officers and employees of the Company, with other counsel for the Company and with representatives of Arthur Andersen LLP. Based upon our examination of the Registration Statement, the Final Supplemented Prospectus and the Exchange Act Documents, our investigations made in connection with the preparation of the Registration Statement, the Final Supplemented Prospectus and the Exchange Act Documents and our participation in the conferences referred to above, (i) we are of the opinion that the Registration Statement, as of its effective date, and the Final Supplemented Prospectus, as of _____, complied as to form in all material respects with the requirements of the Act and the applicable rules and regulations of the Commission thereunder and that the Exchange Act Documents, as of their respective dates of filing with the Commission, complied as to form in all material respects with the relevant requirements of the Exchange Act and the applicable rules and regulations of the Commission thereunder, except that in each case we express no opinion as to the financial statements or other financial or statistical data contained or incorporated by reference in the Registration Statement, the Final Supplemented Prospectus or the Exchange Act Documents, and (ii) nothing came to our attention which gives us reason to believe that the Registration Statement, as of its effective date (including the Exchange Act Documents on file with the Commission as of such date), contained any untrue statement of a material fact or omitted to state any

material fact required to be stated therein or necessary in order to make the statements therein not misleading, or that the Final Supplemented Prospectus (including the Exchange Act Documents) contains any untrue statement therein of a material fact or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that in each case we express no opinion or belief with respect to the financial statements or other financial or statistical data contained or incorporated by reference in the Registration Statement, the Final Supplemented Prospectus or the Exchange Act Documents and with respect to information set forth in the Final Supplemented Prospectus under the captions "Description of the Series D Senior Notes – Book-Entry Only Issuance – The Depository Trust Company" and "The Policy and the Insurer" or in Appendix A thereto.

We are members of the State Bar of Florida and we do not express any opinion herein concerning any law other than the law of the States of Florida and Mississippi and, to the extent set forth herein, the laws of the States of Maine, Georgia and New York and the federal law of the United States.

This opinion is rendered to you in connection with the above-described transaction. This opinion may not be relied upon by you for any other purpose, or relied upon by or furnished to any other person without our prior written consent, except that Troutman Sanders LLP and Dewey Ballantine LLP may rely on this opinion in giving their opinions pursuant to the Underwriting Agreement insofar as such opinions relate to matters of Florida and Mississippi law.

Yours very truly,

BEGGS & LANE

Schedule II-B

[Letterhead of TROUTMAN SANDERS LLP]

_____, 2001

A.G. Edwards & Sons, Inc.
Edward D. Jones & Co., L.P.
Wachovia Securities, Inc.

c/o A.G. Edwards & Sons, Inc.
One North Jefferson
St. Louis, Missouri 63103

GULF POWER COMPANY
Series D ____% Senior Notes
due September 30, 2016

Ladies and Gentlemen:

We have acted as counsel to Gulf Power Company (the "Company") in connection with (i) the Company's issuance of $75,000,000 aggregate principal amount of its Series D _____% Senior Notes due September 30, 2016 (the "Notes") pursuant to a Senior Note Indenture dated as of January 1, 1998, by and between the Company and The Chase Manhattan Bank, as trustee (the "Trustee"), as heretofore supplemented and as further supplemented by the Fourth Supplemental Indenture dated as of _____, 2001 (collectively, the "Indenture"); and (ii) the purchase by you of the Notes pursuant to the terms of an Underwriting Agreement dated _____, 2001 among the Company and you (the "Underwriting Agreement"). This opinion is being delivered to you pursuant to Section 5(c)(2) thereof.

All capitalized terms not otherwise defined herein shall have the meanings set forth in the Underwriting Agreement.

In rendering the opinions expressed below, we have examined the registration statement on Form S-3 (Nos. 333-_____, 333-_____and 333-_____) pertaining to the Notes (the "Registration Statement") filed under the Securities Act of 1933, as amended (the "Act"), and the prospectus dated _____, 2001 as supplemented by a final prospectus supplement dated _____, 2001 (the "Final Supplemented Prospectus"), which pursuant to Form S-3 incorporates by reference the Annual Report on Form 10-K of the Company for the fiscal year ended December, 31, 2000, the Quarterly Reports on Form 10-Q of the Company for the quarters ended _____ and the Current Reports on Form 8-K of the Company dated _____ (the "Exchange Act Documents"), each as filed under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

In addition, we have examined, and have relied as to matters of fact upon, the documents delivered to you at the closing (except the certificates representing the Notes, of which we have examined a specimen), and we have made such other and further investigations as we deemed necessary to express the opinions hereinafter set forth. In such examination, we have assumed the genuineness of all signatures, other than those of the Company, the legal capacity of natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies, and the authenticity of the originals of such latter documents.

The Indenture and the Underwriting Agreement are herein referred to collectively as the "Agreements".

Based upon the foregoing, and subject to the qualifications and limitations stated herein, we are of the opinion, relying as to matters of Florida and Mississippi law upon the opinion dated the date hereof rendered to you by Beggs & Lane, a Registered Limited Liability Partnership ("Beggs & Lane"), and relying as to matters of New York law upon the opinion dated the date hereof rendered to you by Dewey Ballantine LLP, that:

1. The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Maine, is duly qualified to carry on its business as a foreign corporation under the laws of the States of Florida, Georgia and Mississippi and has due corporate authority to carry on the public utility business in which it is engaged, to own and operate the properties used by it in such business and to enter into and perform its obligations under the Agreements and the Notes.

2. The execution, delivery and performance by the Company of the Underwriting Agreement have been duly authorized by all necessary corporate action, and the Underwriting Agreement has been duly executed and delivered by the Company.

3. All orders, consents or other authorizations or approvals of the Florida Public Service Commission and the Commission legally required for the issuance and sale of the Notes have been obtained; such orders are sufficient for the issuance and sale of the Notes; the issuance and sale of the Notes conform in all material respects with the terms of such orders; and no other order, consent or other authorization or approval of any Florida or United States governmental body (other than in connection or in compliance with the provisions of the securities or "blue sky" laws of any jurisdiction, as to which we express no opinion) is legally required for the issuance and sale of the Notes in accordance with the terms of the Underwriting Agreement.

4. The Indenture has been duly authorized, executed and delivered by the Company and, assuming the due authorization, execution and delivery thereof by the Trustee, constitutes a valid and legally binding instrument of the Company, enforceable against the Company in accordance with its terms, subject to the qualifications that the enforceability of the Company's obligations under the Indenture may be limited by

bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); and the Indenture conforms as to legal matters in all material respects to the description thereof in the Final Supplemented Prospectus.

5. The Notes have been duly authorized and executed by the Company and, when authenticated by the Trustee in the manner provided in the Indenture and delivered to and paid for by the Underwriters pursuant to the Underwriting Agreement, will constitute valid and binding obligations of the Company, enforceable against the Company in accordance with their terms, subject to the qualifications that the enforceability of the Company's obligations under the Notes may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); and the Notes conform as to legal matters in all material respects to the description thereof in the Final Supplemented Prospectus.

6. The Indenture has been duly qualified under the Trust Indenture Act of 1939, as amended.

We have not independently verified the accuracy, completeness or fairness of the statements made or included in the Registration Statement, the Final Supplemented Prospectus or the Exchange Act Documents and take no responsibility therefor, except as and to the extent set forth in paragraphs 4 and 5 above. In the course of the preparation by the Company of the Registration Statement, the Final Supplemented Prospectus and the Exchange Act Documents, we participated in conferences with certain officers and employees of the Company, with other counsel for the Company, with representatives of Arthur Andersen LLP and with your counsel. Based upon our examination of the Registration Statement, the Final Supplemented Prospectus and the Exchange Act Documents, our investigations made in connection with the preparation of the Registration Statement, the Final Supplemented Prospectus and the Exchange Act Documents and our participation in the conferences referred to above, (i) we are of the opinion that the Registration Statement, as of its effective date, and the Final Supplemented Prospectus, as of _____, complied as to form in all material respects with the requirements of the Act and the applicable rules and regulations of the Commission thereunder and that the Exchange Act Documents, as of their respective dates of filing with the Commission, complied as to form in all material respects with the relevant requirements of the Exchange Act and the applicable rules and regulations of the Commission thereunder, except that in each case we express no opinion as to the financial statements or other financial or statistical data contained or incorporated by reference in the Registration Statement, the Final Supplemented Prospectus or the Exchange Act Documents, and (ii) nothing came to our attention which gives us reason to believe that the Registration Statement, as of its effective date (including the Exchange Act Documents on file with the Commission as of such date), contained any untrue statement of a material fact or omitted to state any material fact required to be stated

therein or necessary in order to make the statements therein not misleading, or that the Final Supplemented Prospectus (including the Exchange Act Documents) contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that in each case we express no opinion or belief with respect to the financial statements or other financial or statistical data contained or incorporated by reference in the Registration Statement, the Final Supplemented Prospectus or the Exchange Act Documents and with respect to information set forth in the Final Supplemented Prospectus under the captions "Description of the Series D Senior Notes - Book-Entry Only Issuance - The Depository Trust Company" and "The Policy and the Insurer" or in Appendix A thereto.

We are members of the State Bar of Georgia and we do not express any opinion herein concerning any law other than the law of the State of Georgia and the federal law of the United States and, to the extent set forth herein, the laws of the States of Maine, Florida, Mississippi and New York.

This opinion is rendered to you in connection with the above-described transaction. This opinion may not be relied upon by you for any other purpose, or relied upon by or furnished to any other person without our prior written consent, except that Beggs & Lane may rely on this opinion in giving its opinion pursuant to the Underwriting Agreement insofar as such opinion relates to matters of Georgia law and the federal law of the United States and Dewey Ballantine LLP may rely on this opinion in giving its opinion pursuant to the Underwriting Agreement insofar as such opinion relates to matters of Georgia law.

Yours very truly,

TROUTMAN SANDERS LLP

Schedule III

[Letterhead of Cravath, Swaine & Moore]

_____ __, 2001

A.G. Edwards & Sons, Inc.
Edward D. Jones & Co., L.P.
Wachovia Securities, Inc.

c/o A.G. Edwards & Sons, Inc.
One North Jefferson
St. Louis, Missouri 63103

Gulf Power Company
500 Bayfront Parkway
Pensacola, Florida 32520

Ambac Assurance Corporation
1 State Street Plaza
New York, New York 10004

Gulf Power Company
Series D ____% Senior Notes
due September 30, 2016

Ladies and Gentlemen:

We have acted as counsel to The Chase Manhattan Bank (the "Bank") in connection with (a) the Senior Note Indenture, dated as of January 1, 1998 as heretofore supplemented (the "Original Indenture"), between Gulf Power Company (the "Company") and the Bank, as Trustee, and (b) the Fourth Supplemental Indenture dated as of October , 2001 (together with the Original Indenture, herein called the "Indenture"), between the Company and the Bank, as Trustee.

In that connection, we have examined originals, or copies certified or otherwise identified to our satisfaction, of such documents, records and other instruments as we have deemed necessary or appropriate for the purpose of this opinion, including copies of the Indenture and certain resolutions adopted by the Board of Directors of the Bank.

Based upon the foregoing, we are of the opinion that:

i) the Bank has been duly incorporated and is validly existing as a banking corporation in good standing under the laws of the State of New York;

ii) the Bank has the corporate trust power and authority to execute, deliver and perform its duties under the Indenture, has duly executed and delivered the Indenture, and, insofar as the laws governing the trust powers of the Bank are concerned and assuming due authorization, execution and delivery thereof by the Company, the Indenture constitutes a legal, valid and binding agreement of the Bank, enforceable against the Bank in accordance with its terms subject to applicable bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium or other laws affecting creditors' rights generally from time to time in effect and to general principles of equity (including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing), regardless of whether considered in a proceeding in equity or at law;

iii) the execution, delivery and performance by the Bank of the Indenture do not conflict with or constitute a breach of the charter or bylaws of the Bank; and

iv) no approval, authorization or other action by, or filing with, any governmental authority of the United States of America or the State of New York having jurisdiction over the trust powers of the Bank is required in connection with the execution and delivery by the Bank of the Indenture or the performance by the Bank of its duties thereunder, except such as have been obtained, taken or made.

We are admitted to practice only in the State of New York, and we express no opinion as to matters governed by any laws other than the laws of the State of New York and the Federal law of the United States of America. We are furnishing this opinion to you solely for your benefit. This opinion is not to be relied upon by any other person or used, circulated, quoted or otherwise referred to for any other purpose.

Very truly yours,

CRAVATH, SWAINE & MOORE

Schedule IV

[Letterhead of DEWEY BALLANTINE LLP]

_____ __, 2001

A.G. Edwards & Sons, Inc.
Edward D. Jones & Co., L.P.
Wachovia Securities, Inc.

c/o A.G. Edwards & Sons, Inc.
One North Jefferson
St. Louis, Missouri 63103

GULF POWER COMPANY
Series D ____% Senior Notes
due September 30, 2016

Ladies and Gentlemen:

We have represented you (the "Underwriters") in connection with (i) the issuance by Gulf Power Company (the "Company") of $75,000,000 of its Series D _____% Senior Notes (the "Notes") pursuant to a Senior Note Indenture dated as of January 1, 1998, by and between the Company and The Chase Manhattan Bank, as trustee (the "Trustee"), as heretofore supplemented and as further supplemented by the Fourth Supplemental Indenture dated as of _____ __, 2001 (collectively, the "Indenture"); and (ii) the purchase by you of the Notes pursuant to the terms of an Underwriting Agreement dated _____, 2001, among the Company and the Underwriters (the "Underwriting Agreement"). This opinion is being delivered to you pursuant to Section 5(c)(4) thereof.

All capitalized terms not otherwise defined herein shall have the meanings set forth in the Underwriting Agreement.

In rendering the opinions expressed below, we have examined the registration statement on Form S-3 (Nos. 333-_____, 333-_____ and 333-_____) pertaining to the Notes (the "Registration Statement"), filed under the Securities Act of 1933, as amended (the "Act"), and the prospectus dated _____, 2001, as supplemented by a final prospectus supplement dated _____, which pursuant to Form S-3 incorporates by reference the Annual Report on Form 10-K of the Company for

the fiscal year ended December 31, 2000, the Quarterly Reports on Form 10-Q of the Company for the quarters ended _____, and the Current Reports on Form 8-K of the Company dated _____ (the "Exchange Act Documents"), each as filed under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

In addition, we have examined, and have relied as to matters of fact upon, the documents delivered to you at the closing (except the Notes, of which we have examined a specimen), and we have made such other and further investigations as we deemed necessary to express the opinions hereinafter set forth. In such examination, we have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such latter documents.

The Indenture and the Underwriting Agreement are herein referred to as the "Agreements".

Based upon the foregoing, and subject to the qualifications and limitations stated herein, we are of the opinion, relying as aforesaid and as to all matters covered hereby which are governed by or dependent upon the laws of the States of Florida and Mississippi upon the opinion of Beggs & Lane, a Registered Limited Liability Partnership ("Beggs & Lane"), dated the date hereof and addressed to you and as to all matters covered hereby which are governed by or dependent upon the laws of the State of Georgia upon the opinion of Troutman Sanders LLP dated the date hereof and addressed to you, that:

1. The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Maine, is duly qualified to carry on its business as a foreign corporation in the States of Florida, Georgia and Mississippi, and has due corporate authority to carry on the public utility business in which it is engaged and to own and operate the properties used by it in such business and to enter into and perform its obligations under the Agreements and the Notes.

2. The execution, delivery and performance by the Company of the Underwriting Agreement have been duly authorized by all necessary corporate action, and the Underwriting Agreement has been duly executed and delivered by the Company.

3. All orders, consents, or other authorizations or approvals of the Florida Public Service Commission and the Commission legally required for the issuance and sale of the Notes have been obtained; such orders are sufficient for the issuance and sale of the Notes; the issuance and sale of the Notes conform in all material respects with the terms of such orders; and no other order, consent or other authorization or approval of any Florida or United States governmental body (other than in connection or in compliance with the provisions of the securities or "blue sky" laws of any jurisdiction, as to which we express no opinion) is legally required for the issuance and sale of the Notes in accordance with the terms of the Underwriting Agreement.

4. The Indenture has been duly authorized, executed and delivered by the Company and, assuming the due authorization, execution and delivery thereof by the Trustee, constitutes a valid and legally binding instrument of the Company, enforceable against the Company in accordance with its terms, subject to the qualifications that the enforceability of the Company's obligations under the Indenture may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); and the Indenture conforms as to legal matters in all material respects to the description thereof in the Final Supplemented Prospectus.

5. The Notes have been duly authorized and executed by the Company and, when authenticated by the Trustee in the manner provided in the Indenture and delivered to and paid for by the Underwriters pursuant to the Underwriting Agreement, will constitute valid and binding obligations of the Company enforceable against the Company in accordance with their terms, subject to the qualifications that the enforceability of the Company's obligations under the Notes may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); and the Notes conform as to legal matters in all material respects to the description thereof in the Final Supplemented Prospectus.

6. The Indenture has been duly qualified under the Trust Indenture Act of 1939, as amended.

We have not independently verified the accuracy, completeness or fairness of the statements made or included in the Registration Statement, the Final Supplemented Prospectus or the Exchange Act Documents and take no responsibility therefor, except as and to the extent set forth in paragraphs 4 and 5 above. In the course of the preparation by the Company of the Registration Statement, the Final Supplemented Prospectus and the Exchange Act Documents, we participated in conferences with certain officers and employees of the Company, with representatives of Arthur Andersen LLP and with counsel to the Company. Based upon our examination of the Registration Statement, the Final Supplemented Prospectus and the Exchange Act Documents, our investigations made in connection with the preparation of the Registration Statement and the Final Supplemented Prospectus and our participation in the conferences referred to above, (i) we are of the opinion that the Registration Statement, as of its effective date, and the Final Supplemented Prospectus, as of _____, complied as to form in all material respects with the requirements of the Act and the applicable rules and regulations of the Commission thereunder and that the Exchange Act Documents, as of their respective dates of filing with the Commission, complied as to form in all material respects with the relevant requirements of the Exchange Act and the applicable rules and regulations of the Commission thereunder, except that in each case we express no opinion as to the financial statements or other financial or statistical data contained or incorporated by reference in the Registration Statement, the Final Supplemented Prospectus or the

Exchange Act Documents, and (ii) nothing came to our attention which gives us reason to believe that the Registration Statement, as of its effective date (including the Exchange Act Documents on file with the Commission as of such date), contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading, or that the Final Supplemented Prospectus (including the Exchange Act Documents) contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that in each case we express no opinion or belief with respect to the financial statements or other financial or statistical data contained or incorporated by reference in the Registration Statement, the Final Supplemented Prospectus or the Exchange Act Documents and with respect to information set forth in the Final Supplemented Prospectus under the captions "Description of the Series D Senior Notes - Book-Entry Only Issuance - The Depository Trust Company" and "The Policy and the Insurer" or in Appendix A thereto.

We are members of the State Bar of New York and we do not express any opinion herein concerning any law other than the law of the State of New York and the federal law of the United States, and to the extent set forth herein, the law of the States of Maine, Florida, Mississippi and Georgia.

This opinion is rendered solely to you in connection with the above matter. This opinion may not be relied upon by you for any other purpose or relied upon by or furnished to any other person without our prior written consent except that Beggs & Lane and Troutman Sanders LLP may rely on this opinion in giving their opinions pursuant to Section 5 of the Underwriting Agreement, insofar as such opinions relate to matters of New York law, and Troutman Sanders LLP may rely on this opinion in giving its opinion pursuant to Sections 102, 302 and 904 of the Indenture, insofar as such opinion relates to matters of New York law.

Very truly yours,

DEWEY BALLANTINE LLP

Schedule V

[Letterhead of Insurer's counsel]

__, 2001

A.G. Edwards & Sons, Inc.
Edward D. Jones & Co., L.P.
Wachovia Securities, Inc.

c/o A.G. Edwards & Sons, Inc.
One North Jefferson
St. Louis, Missouri 63103

GULF POWER COMPANY
Series D ____ % Senior Notes
Due September 30, 2016

Ladies and Gentlemen:

This opinion has been requested of the undersigned, a Vice President and an Assistant General Counsel of Ambac Assurance Corporation, a Wisconsin stock insurance company ("Ambac Assurance"), in connection with the issuance by Ambac Assurance of a certain Financial Guaranty Insurance Policy and endorsement thereto, effective as of the date hereof (the "Policy"), insuring $75,000,000 in aggregate principal amount of the Gulf Power Company (the "Issuer") Series D _% Senior Notes due September 30, 2016 (the "Senior Notes").

In connection with my opinion herein, I have examined the Policy, such statutes, documents and proceedings as I have considered necessary or appropriate under the circumstances to render the following opinion, including, without limiting the generality of the foregoing, certain statements contained in the Prospectus Supplement dated __, 2001 to the Prospectus of the Issuer dated __, 199_ relating to the Obligations (the "Prospectus Supplement") under the headings "The Policy and the Insurer" and "Appendix A - Form of Policy."

Based upon the foregoing and having regard to legal considerations I deem relevant, I am of the opinion that:

1. Ambac Assurance is a stock insurance company duly organized and validly existing under the laws of the State of Wisconsin and duly qualified to conduct an insurance business in the State of Mississippi.

2. Ambac Assurance has full corporate power and authority to execute and deliver the Policy and the Policy has been duly authorized, executed and delivered by Ambac Assurance and constitutes a legal, valid and binding obligation of Ambac Assurance enforceable in accordance with its terms except to the extent that the enforceability (but not the validity) of such obligation may be limited by any applicable bankruptcy, insolvency, liquidation, rehabilitation or other similar law or enactment now or hereafter enacted affecting the enforcement of creditors' rights.

3. The execution and delivery by Ambac Assurance of the Policy will not, and the consummation of the transactions contemplated thereby and the satisfaction of the terms thereof will not, conflict with or result in a breach of any of the terms, conditions or provisions of the Certificate of Authority, Articles of Incorporation or By-Laws of Ambac Assurance, or any restriction contained in any contract, agreement or instrument to which Ambac Assurance is party or by which it is bound or constitute a default under any of the foregoing.

4. Proceedings legally required for the issuance of the Policy have been taken by Ambac Assurance and licenses, orders, consents or other authorizations or approvals of any governmental boards or bodies legally required for the enforceability of the Policy have been obtained; any proceedings not taken and any licenses, authorizations or approvals not obtained are not material to the enforceability of the Policy.

5. The statements contained in the Prospectus Supplement under the heading "The Policy and the Insurer", insofar as such statements constitutes summaries of the matters referred to therein, accurately reflect and fairly present the information purported to be shown and, insofar as such statements describe Ambac Assurance, fairly and accurately describe Ambac Assurance. The form of Policy contained in the Prospectus Supplement under the heading "Appendix A - Form of Policy" is a true and complete copy of the form of Policy.

Very truly yours,

Vice President and
Assistant General Counsel

GULF POWER COMPANY

TO

THE CHASE MANHATTTAN BANK,
TRUSTEE.

FOURTH SUPPLEMENTAL INDENTURE

DATED AS OF OCTOBER 18, 2001

$75,000,000

SERIES D 6.10% SENIOR NOTES

DUE SEPTEMBER 30, 2016

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[1]This Table of Contents does not constitute part of the Indenture or have any bearing upon the interpretation of any of its terms and provisions.

THIS FOURTH SUPPLEMENTAL INDENTURE is made as of the 18th day of October, 2001, by and between GULF POWER COMPANY, a Maine corporation, One Energy Place, Pensacola, Florida 32520-0100 (the "Company"), and THE CHASE MANHATTAN BANK, a New York banking corporation, 450 West 33rd Street, New York, New York 10001 (the "Trustee").

WITNESSETH:

WHEREAS, the Company has heretofore entered into a Senior Note Indenture, dated as of January 1, 1998 (the "Original Indenture"), as heretofore supplemented;

WHEREAS, the Original Indenture is incorporated herein by this reference and the Original Indenture, as heretofore supplemented and as further supplemented by this Fourth Supplemental Indenture, is herein called the "Indenture";

WHEREAS, under the Original Indenture, a new series of Senior Notes may at any time be established pursuant to a supplemental indenture executed by the Company and the Trustee;

WHEREAS, the Company proposes to create under the Indenture a new series of Senior Notes;

WHEREAS, additional Senior Notes of other series hereafter established, except as may be limited in the Original Indenture as at the time supplemented and modified, may be issued from time to time pursuant to the Indenture as at the time supplemented and modified; and

WHEREAS, all conditions necessary to authorize the execution and delivery of this Fourth Supplemental Indenture and to make it a valid and binding obligation of the Company have been done or performed.

NOW, THEREFORE, in consideration of the agreements and obligations set forth herein and for other good and valuable consideration, the sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

ARTICLE 1

Series D Senior Notes

SECTION 101. Establishment. There is hereby established a new series of Senior Notes to be issued under the Indenture, to be designated as the Company's Series D 6.10% Senior Notes due September 30, 2016 (the "Series D Notes").

There are to be authenticated and delivered $75,000,000 principal amount of Series D Notes, and such principal amount of the Series D Notes may be increased from time to time pursuant to Section 301 of the Original Indenture. All Series D Notes need not be issued at the

same time and such series may be reopened at any time, without the consent of any Holder, for issuances of additional Series D Notes. Any such additional Series D Notes will have the same interest rate, maturity and other terms as those initially issued. No Series D Notes shall be authenticated and delivered in excess of the principal amount as so increased except as provided by Sections 203, 303, 304, 907 or 1107 of the Original Indenture. The Series D Notes shall be issued in definitive fully registered form.

The Series D Notes shall be issued in the form of one Global Security in substantially the form set out in Exhibit A hereto. The Depositary with respect to the Series D Notes shall be The Depository Trust Company.

The form of the Trustee's Certificate of Authentication for the Series D Notes shall be in substantially the form set forth in Exhibit B hereto.

Each Series D Note shall be dated the date of authentication thereof and shall bear interest from the date of original issuance thereof or from the most recent Interest Payment Date to which interest has been paid or duly provided for.

SECTION 102. Definitions. The following defined terms used herein shall, unless the context otherwise requires, have the meanings specified below. Capitalized terms used herein for which no definition is provided herein shall have the meanings set forth in the Original Indenture.

"Insurance Trustee" means The Bank of New York, New York, New York, or any successor thereto, as the Insurance Trustee under the Policy.

"Insurer" means Ambac Assurance Corporation, a Wisconsin-domiciled stock insurance corporation.

"Interest Payment Dates" means January 1, April 1, July 1 and October 1 of each year, commencing January 1, 2002.

"Original Issue Date" means October 18, 2001.

"Policy" means the financial guaranty insurance policy issued by the Insurer with respect to payments due for principal of and interest on the Series D Notes as provided in such policy.

"Regular Record Date" means, with respect to each Interest Payment Date, the close of business on the 15th calendar day preceding such Interest Payment Date.

"Stated Maturity" means September 30, 2016.

SECTION 103. Payment of Principal and Interest. The principal of the Series D Notes shall be due at Stated Maturity (unless earlier redeemed). The unpaid principal amount of the Series D Notes shall bear interest at the rate of 6.10% per annum until paid or duly provided for. Interest shall be paid quarterly in arrears on each Interest Payment Date to the Person in whose name the Series D Notes are registered on the Regular Record Date for such Interest Payment Date,

provided that interest payable at the Stated Maturity of principal or on a Redemption Date as provided herein will be paid to the Person to whom principal is payable. Any such interest that is not so punctually paid or duly provided for will forthwith cease to be payable to the Holders on such Regular Record Date and may either be paid to the Person or Persons in whose name the Series D Notes are registered at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Trustee, notice whereof shall be given to Holders of the Series D Notes not less than ten (10) days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange, if any, on which the Series D Notes shall be listed, and upon such notice as may be required by any such exchange, all as more fully provided in the Original Indenture.

Payments of interest on the Series D Notes will include interest accrued to but excluding the respective Interest Payment Dates. Interest payments for the Series D Notes shall be computed and paid on the basis of a 360-day year of twelve 30-day months. In the event that any date on which interest is payable on the Series D Notes is not a Business Day, then a payment of the interest payable on such date will be made on the next succeeding day that is a Business Day (and without any interest or other payment in respect of any such delay), with the same force and effect as if made on the date the payment was originally payable.

Payment of the principal and interest due at the Stated Maturity or earlier redemption of the Series D Notes shall be made upon surrender of the Series D Notes at the Corporate Trust Office of the Trustee. The principal of and interest on the Series D Notes shall be paid in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. Payments of interest (including interest on any Interest Payment Date) will be made, subject to such surrender where applicable, at the option of the Company, (i) by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register or (ii) by wire transfer or other electronic transfer at such place and to such account at a banking institution in the United States as may be designated in writing to the Trustee at least sixteen (16) days prior to the date for payment by the Person entitled thereto.

SECTION 104. Denominations. The Series D Notes may be issued in the denominations of $1,000, or any integral multiple thereof.

SECTION 105. Global Securities. The Series D Notes will be issued in the form of one or more Global Securities registered in the name of the Depositary (which shall be The Depository Trust Company) or its nominee. Except under the limited circumstances described below, Series D Notes represented by the Global Securities will not be exchangeable for, and will not otherwise be issuable as, Series D Notes in definitive form. The Global Securities described above may not be transferred except by the Depositary to a nominee of the Depositary or by a nominee of the Depositary to the Depositary or another nominee of the Depositary or to a successor Depositary or its nominee.

Owners of beneficial interests in such a Global Security will not be considered the Holders thereof for any purpose under the Indenture, and no Global Security representing a Series D Note shall be exchangeable, except for another Global Security of like denomination and tenor to be

registered in the name of the Depositary or its nominee or to a successor Depositary or its nominee. The rights of Holders of such Global Security shall be exercised only through the Depositary.

A Global Security shall be exchangeable for Series D Notes registered in the names of persons other than the Depositary or its nominee only if (i) the Depositary notifies the Company that it is unwilling or unable to continue as a Depositary for such Global Security and no successor Depositary shall have been appointed by the Company, or if at any time the Depositary ceases to be a clearing agency registered under the Securities Exchange Act of 1934, as amended, at a time when the Depositary is required to be so registered to act as such Depositary and no successor Depositary shall have been appointed by the Company, in each case within 90 days after the Company receives such notice or becomes aware of such cessation, (ii) the Company in its sole discretion determines that such Global Security shall be so exchangeable, or (iii) there shall have occurred an Event of Default with respect to the Series D Notes. Any Global Security that is exchangeable pursuant to the preceding sentence shall be exchangeable for Series D Notes registered in such names as the Depositary shall direct.

SECTION 106. Transfer. No service charge will be made for any transfer or exchange of Series D Notes, but payment will be required of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith.

The Company shall not be required (a) to issue, transfer or exchange any Series D Notes except to the Insurer during a period beginning at the opening of business fifteen (15) days before the day of the mailing of a notice pursuant to Section 1104 of the Original Indenture identifying the serial numbers of the Series D Notes to be called for redemption, and ending at the close of business on the day of the mailing, or (b) to transfer or exchange any Series D Notes theretofore selected for redemption in whole or in part, except the unredeemed portion of any Series D Note redeemed in part.

SECTION 107. Redemption. The Series D Notes shall be subject to redemption at the option of the Company, in whole or in part, without premium or penalty, at any time or from time to time on or after October 1, 2004, at a Redemption Price equal to 100% of the principal amount to be redeemed plus accrued but unpaid interest to the Redemption Date.

In the event of redemption of the Series D Notes in part only, a new Series D Note or Notes for the unredeemed portion will be issued in the name or names of the Holders thereof upon the surrender thereof.

The Series D Notes will not have a sinking fund.

Notice of redemption shall be given as provided in Section 1104 of the Original Indenture.

Any redemption of less than all of the Series D Notes shall, with respect to the principal thereof, be divisible by $1,000.

ARTICLE 2

Special Insurance Provisions

SECTION 201. Supplemental Indentures. The consent of the Insurer shall be required with respect to any indenture or indentures supplemental to the Original Indenture requiring the consent of the Holders of the Series D Notes pursuant to Section 902 of the Original Indenture.

SECTION 202. Events of Default and Remedies. Subject to Section 107 of the Original Indenture and to the Trust Indenture Act, including, without limitation, Sections 316(a)(1) and 317(a) thereof, if an Event of Default with respect to the Series D Notes occurs and is continuing, the Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the Holders of the Series D Notes or the Trustee for the benefit of the Holders of the Series D Notes under the Indenture, including, without limitation, (i) the right to accelerate the principal of the Series D Notes as provided in Section 502 of the Original Indenture, and (ii) the right to annul any such declaration of acceleration, and the Insurer shall also be entitled to approve any waiver of an Event of Default with respect to the Series D Notes, the obligation of the Trustee to comply with any such direction to be subject to compliance with the conditions set forth in Sections 512 and 603(e) of the Original Indenture (as if references in those Sections to Holders were references to the Insurer) and the protections provided to the Trustee by Section 601(c)(3) of the Original Indenture shall be applicable with respect to any direction from the Insurer given pursuant hereto (as if references in said Section to Holders were references to the Insurer).

In addition to the Events of Default listed in the Original Indenture, the occurrence and continuance of an "Event of Default" under the Insurance Agreement dated as of October 18, 2001 between the Company and the Insurer, as the same may be amended, shall also constitute an Event of Default with respect to the Series D Notes.

SECTION 203. Insurance Policy Payment Procedures. (a) The Insurer will make payments of principal or interest due on the Series D Notes in accordance with the Policy on or before the first (1st) Business Day next following the date on which the Insurer shall have received notice of Nonpayment (as defined in the Policy) from the Trustee.

(b) In the event of Nonpayment and notification thereof to the Insurer, the Security Registrar shall make available to the Insurer and, at the Insurer's direction, to the Insurance Trustee, the books kept by the Security Registrar for the registration and for the registration of transfer of Series D Notes as provided in the Indenture.

(c) The Trustee shall, at the time it provides notice to the Insurer pursuant to (a) above, notify Holders of Series D Notes entitled to receive the payment of principal or interest thereon from the Insurer (i) as to the fact of such entitlement, (ii) that the Insurer will remit to them all or a part of the interest payments next coming due upon proof of Holder entitlement to interest payments and delivery to the Insurance Trustee, in form satisfactory to the Insurance Trustee, of an appropriate assignment of the Holder's right to payment, (iii) that should they be entitled to receive full payment of principal from the Insurer, they must surrender their Series D

Notes (along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee to permit ownership of such Series D Notes to be registered in the name of the Insurer) for payment to the Insurance Trustee, and not the Trustee or any Paying Agent, and (iv) that should they be entitled to receive partial payment of principal from the Insurer, they must surrender their Series D Notes for payment thereon first to the Trustee, who shall note on such Series D Notes the portion of the principal paid by the Trustee, and then, along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee, to the Insurance Trustee, which will then pay the unpaid portion of principal.

(d) In the event that the Trustee has notice that any payment of principal of or interest on a Series D Note which has become Due for Payment (as defined in the Policy) and which is made to a Holder by or on behalf of the Company has been deemed a preferential transfer and theretofore recovered from its Holder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction, the Trustee shall, at the time the Insurer is notified pursuant to (a) above, notify all Holders of the Series D Notes that in the event that any Holder's payment is so recovered, such Holder will be entitled to payment from the Insurer to the extent of such recovery if sufficient funds are not otherwise available, and the Trustee shall furnish to the Insurer its records evidencing the payments of principal of and interest on the Series D Notes which have been made by the Trustee and subsequently recovered from Holders and the dates on which such payments were made.

(e) In addition to those rights granted the Insurer under the Indenture, the Insurer shall, to the extent it makes payment of principal of or interest on Series D Notes, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Policy, and to evidence such subrogation (i) in the case of subrogation as to claims for past due interest, the Trustee shall note the Insurer's rights as subrogee on the registration books of the Company maintained by the Trustee upon receipt from the Insurer of proof of the payment of interest thereon to the Holders of the Series D Notes, and (ii) in the case of subrogation as to claims for past due principal, the Trustee shall note the Insurer's rights as subrogee on the registration books of the Company maintained by the Trustee upon surrender of the Series D Notes by the Holders thereof together with proof of the payment of principal thereof.

SECTION 204. Application of Term "Outstanding" to Series D Notes. In the event that the principal and/or interest due on the Series D Notes shall be paid by the Insurer pursuant to the Policy, the Series D Notes shall remain Outstanding for all purposes of the Indenture, not be considered defeased or otherwise satisfied and not be considered paid by the Company, and the assignment and pledge of the Indenture and all covenants, agreements and other obligations of the Company to the Holders of the Series D Notes shall continue to exist and shall run to the benefit of the Insurer, and the Insurer shall be subrogated to the rights of such Holders to the extent of each such payment.

SECTION 205. Insurer as Third Party Beneficiary. To the extent that the Indenture confers upon or gives or grants to the Insurer any right, remedy or claim under or by reason of the Indenture, the Insurer is hereby explicitly recognized as being a third-party beneficiary

hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder.

SECTION 206. Concerning the Special Insurance Provisions. The provisions of this Article 2 shall apply notwithstanding anything in the Indenture to the contrary, but only so long as the Policy shall be in full force and effect and the Insurer is not in default thereunder.

ARTICLE 3

Miscellaneous Provisions

SECTION 301. Recitals by Company. The recitals in this Fourth Supplemental Indenture are made by the Company only and not by the Trustee, and all of the provisions contained in the Original Indenture in respect of the rights, privileges, immunities, powers and duties of the Trustee shall be applicable in respect of Series D Notes and of this Fourth Supplemental Indenture as fully and with like effect as if set forth herein in full.

SECTION 302. Ratification and Incorporation of Original Indenture. As heretofore supplemented and as supplemented hereby, the Original Indenture is in all respects ratified and confirmed, and the Original Indenture, as heretofore supplemented and as supplemented by this Fourth Supplemental Indenture shall be read, taken and construed as one and the same instrument.

SECTION 303. Executed in Counterparts. This Fourth Supplemental Indenture may be simultaneously executed in several counterparts, each of which shall be deemed to be an original, and such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, each party hereto has caused this instrument to be signed in its name and behalf by its duly authorized officers, all as of the day and year first above written.

ATTEST:

By: Susan D. Ritenour
Susan D. Ritenour
Assistant Secretary

GULF POWER COMPANY

By: W E Tate
Warren E. Tate
Vice President, Secretary and Treasurer

ATTEST:

By: _____
Virginia Dominguez
Trust Officer

THE CHASE MANHATTAN BANK, as Trustee

By: _____
R. Lorenzen
Assistant Vice President

IN WITNESS WHEREOF, each party hereto has caused this instrument to be signed in its name and behalf by its duly authorized officers, all as of the day and year first above written.

ATTEST:

By:_____
Susan D. Ritenour
Assistant Secretary

GULF POWER COMPANY

By:_____
Warren E. Tate
Vice President, Secretary and Treasurer

ATTEST:

By:_____
Virginia Dominguez
Trust Officer

THE CHASE MANHATTAN BANK, as Trustee

By:_____
R. Lorenzen
Assistant Vice President

EXHIBIT A

FORM OF SERIES D NOTE

NO. __ CUSIP NO. 402479BM0

GULF POWER COMPANY
SERIES D 6.10% SENIOR NOTE
DUE SEPTEMBER 30, 2016

Principal Amount:	$_____
Regular Record Date:	15th calendar day prior to the applicable Interest Payment Date
Original Issue Date:	October 18, 2001
Stated Maturity:	September 30, 2016
Interest Payment Dates:	January 1, April 1, July 1 and October 1
Interest Rate:	6.10% per annum
Authorized Denominations:	$1,000 or any integral multiple thereof
Initial Redemption Date:	October 1, 2004

Gulf Power Company, a Maine corporation (the "Company", which term includes any successor corporation under the Indenture referred to on the reverse hereof), for value received, hereby promises to pay to _____, or registered assigns, the principal sum of _____ DOLLARS ($_____) on the Stated Maturity shown above (or upon earlier redemption), and to pay interest thereon from the Original Issue Date shown above, or from the most recent Interest Payment Date to which interest has been paid or duly provided for, quarterly in arrears on each Interest Payment Date as specified above, commencing January 1, 2002, and on the Stated Maturity (or upon earlier redemption) at the rate per annum shown above until the principal hereof is paid or made available for payment and on any overdue principal and on any overdue installment of interest. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date (other than an Interest Payment Date that is the Stated Maturity or on a Redemption Date) will, as provided in such Indenture, be paid to the Person in whose name this Note (the "Note") is registered at the close of business on the Regular Record Date as specified above next preceding such Interest Payment Date, provided that any interest payable at Stated Maturity or on any Redemption Date will be paid to the Person to whom principal is payable. Except as otherwise provided in the Indenture, any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Note is registered at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Trustee, notice whereof shall be given to Holders of Notes of this series not less than 10 days prior to such

Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange, if any, on which the Notes of this series shall be listed, and upon such notice as may be required by any such exchange, all as more fully provided in the Indenture.

Payments of interest on this Note will include interest accrued to but excluding the respective Interest Payment Dates. Interest payments for this Note shall be computed and paid on the basis of a 360-day year of twelve 30-day months. In the event that any date on which interest is payable on this Note is not a Business Day (and without any interest or other payment in respect of any such delay), then payment of the interest payable on such date will be made on the next succeeding day that is a Business Day, with the same force and effect as if made on the date the payment was originally payable. A "Business Day" shall mean any day other than a Saturday or a Sunday or a day on which banking institutions in New York City are authorized or required by law or executive order to remain closed or a day on which the Corporate Trust Office of the Trustee is closed for business.

Payment of the principal of and interest due at the Stated Maturity or earlier redemption of the Series D Notes shall be made upon surrender of the Series D Notes at the Corporate Trust Office of the Trustee. The principal of and interest on the Series D Notes shall be paid in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. Payment of interest (including interest on an Interest Payment Date) will be made, subject to such surrender where applicable, at the option of the Company, (i) by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register or (ii) by wire transfer at such place and to such account at a banking institution in the United States as may be designated in writing to the Trustee at least 16 days prior to the date for payment by the Person entitled thereto.

Financial Guaranty Insurance Policy No. 18786BE (the "Policy") with respect to payments due for principal of and interest on this Note has been issued by Ambac Assurance Corporation ("Ambac Assurance"). The Policy has been delivered to The Bank of New York, New York, New York, as the Insurance Trustee under said Policy and will be held by such Insurance Trustee or any successor insurance trustee. The Policy is on file and available for inspection at the principal office of the Insurance Trustee and a copy thereof may be secured from Ambac Assurance or the Insurance Trustee. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. The owner of this Note acknowledges and consents to the subrogation rights of Ambac Assurance as more fully set forth in the Policy.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS NOTE SET FORTH ON THE REVERSE HEREOF, WHICH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH AT THIS PLACE.

Unless the certificate of authentication hereon has been executed by the Trustee by manual signature, this Note shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed under its corporate seal.

Dated:

GULF POWER COMPANY

By:_____
Vice President

Attest:

_____
Assistant Secretary

{Seal of GULF POWER COMPANY appears here}

CERTIFICATE OF AUTHENTICATION

This is one of the Senior Notes referred to in the within-mentioned Indenture.

THE CHASE MANHATTAN BANK,
as Trustee

By:_____
Authorized Officer

(Reverse Side of Note)

This Note is one of a duly authorized issue of Senior Notes of the Company (the "Notes"), issued and issuable in one or more series under a Senior Note Indenture, dated as of January 1, 1998, as supplemented (the "Indenture"), between the Company and The Chase Manhattan Bank, Trustee (the "Trustee," which term includes any successor trustee under the Indenture), to which Indenture and all indentures incidental thereto reference is hereby made for a statement of the respective rights, limitation of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Notes issued thereunder and of the terms upon which said Notes are, and are to be, authenticated and delivered. This Note is one of the series designated on the face hereof as Series D 6.10% Senior Notes due September 30, 2016 (the "Series D Notes") which is unlimited in aggregate principal amount. Capitalized terms used herein for which no definition is provided herein shall have the meanings set forth in the Indenture.

The Company shall have the right, subject to the terms and conditions of the Indenture, to redeem this Note at any time on or after October 1, 2004 at the option of the Company, without premium or penalty, in whole or in part, at a Redemption Price equal to 100% of the principal amount to be redeemed plus accrued but unpaid interest to the Redemption Date.

In the event of redemption of this Note in part only, a new Note or Notes of this series for the unredeemed portion hereof will be issued in the name of the Holder hereof upon the surrender hereof. The Notes will not have a sinking fund.

If an Event of Default with respect to the Notes of this series shall occur and be continuing, the principal of the Notes of this series may be declared due and payable in the manner, with the effect and subject to the conditions provided in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Notes of each series to be affected under the Indenture at any time by the Company and the Trustee with the consent of the Holders of not less than a majority in principal amount of the Notes at the time Outstanding of each series to be affected. The Indenture also contains provisions permitting the Holders of specified percentages in principal amount of the Notes of each series at the time Outstanding, on behalf of the Holders of all Notes of such series, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Note shall be conclusive and binding upon such Holder and upon all future Holders of this Note and of any Note issued upon the registration of transfer hereof or in exchange hereof or in lieu hereof, whether or not notation of such consent or waiver is made upon this Note.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and interest on this Note at the times, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Note is registrable in the Security Register, upon surrender of this Note for registration of transfer at the office or agency of the Company for such purpose, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar and duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Notes of this series, of authorized denominations and of like tenor and for the same aggregate principal amount, will be issued to the designated transferee or transferees. No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Note for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Note is registered as the owner hereof for all purposes, whether or not this Note be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

The Notes of this series are issuable only in registered form without coupons in denominations of $1,000 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, Notes of this series are exchangeable for a like aggregate principal amount of Notes of this series of a different authorized denomination, as requested by the Holder surrendering the same upon surrender of the Note or Notes to be exchanged at the office or agency of the Company.

This Note shall be governed by, and construed in accordance with, the internal laws of the State of New York.

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of this instrument, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM-	as tenants in common	UNIF GIFT MIN ACT- _____ Custodian _____ (Cust) (Minor)	
TEN ENT-	as tenants by the entireties	under Uniform Gifts to Minors Act	
JT TEN-	as joint tenants with right of survivorship and not as tenants in common	_____ (State)	

Additional abbreviations may also be used though not on the above list.

FOR VALUE RECEIVED, the undersigned hereby sell(s) and transfer(s) unto

_____

(please insert Social Security or other identifying number of assignee)

_____

PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING POSTAL ZIP CODE OF ASSIGNEE

_____

_____

the within Note and all rights thereunder, hereby irrevocably constituting and appointing

_____

_____

agent to transfer said Note on the books of the Company, with full power of substitution in the premises.

Dated: _____ _____

_____

NOTICE: The signature to this assignment must correspond with the name as written upon the face of the within instrument in every particular without alteration or enlargement, or any change whatever.

EXHIBIT B

CERTIFICATE OF AUTHENTICATION

This is one of the Senior Notes referred to in the within-mentioned Indenture.

THE CHASE MANHATTAN BANK,
as Trustee

By:_____
Authorized Officer

Prospectus Supplement to Prospectus dated June 1, 2001

Ratings:
Standard & Poor's: "AAA"
Moody's: "Aaa"
(See "Ratings" herein)

$75,000,000

GULF POWER
A SOUTHERN COMPANY

Series D 6.10% Senior Notes due September 30, 2016

Gulf Power Company will pay interest on the Series D Senior Notes on January 1, April 1, July 1 and October 1 of each year. The first payment will be made on January 1, 2002. The Series D Senior Notes are redeemable by Gulf Power Company on or after October 1, 2004. The Series D Senior Notes will be issued only in denominations of $1,000 and integral multiples of $1,000.

Payment of the principal of and interest on the Series D Senior Notes when due will be insured by a financial guaranty insurance policy to be issued by Ambac Assurance Corporation.

Ambac

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

	Per Series D Senior Note	Total
Initial Public Offering Price*	100%	$75,000,000
Underwriting Discounts and Commissions	2.35%	$ 1,762,500
Net Proceeds, before expenses, to Gulf Power Company	97.65%	$73,237,500

* The initial public offering price set forth above does not include accrued interest, if any. Interest on the Series D Senior Notes will accrue from the date the Series D Senior Notes are issued.

The underwriters expect to deliver the Series D Senior Notes in book-entry form only through the facilities of The Depository Trust Company against payment in New York, New York on October 18, 2001.

A.G. Edwards & Sons, Inc.

Edward D. Jones & Co., L.P.

Wachovia Securities, Inc.

The date of this Prospectus Supplement is October 5, 2001

THE COMPANY

Gulf Power Company (the "Company") is a corporation organized under the laws of the State of Maine on November 2, 1925, and admitted to do business in Florida on January 15, 1926, in Mississippi on October 25, 1976 and in Georgia on November 20, 1984. The mailing address of the Company's principal executive offices is One Energy Place, Pensacola, Florida 32520-0100, and the telephone number is (850) 444-6111. The Company is a wholly owned subsidiary of The Southern Company.

The Company is a regulated public utility engaged in the generation, transmission, distribution and sale of electric energy within an approximately 7,400 square mile service area within the northwestern portion of the State of Florida.

SELECTED FINANCIAL INFORMATION

The following data is qualified in its entirety by reference to and, therefore, should be read together with the detailed information and financial statements appearing herein, in the accompanying Prospectus or in the documents incorporated herein by reference.

	Year Ended December 31,					Twelve Months Ended
	1996	1997	1998	1999	2000	June 30, 2001
	(Thousands, except ratios)					(unaudited)
Operating Revenues	$634,365	$625,856	$650,518	$674,099	$714,319	$739,160
Earnings Before Interest and Income Taxes	131,856	124,428	120,946	119,576	116,892	126,509
Net Income After Dividends on Preferred Stock	57,845	57,610	56,521	53,667	51,843	59,229
Ratio of Earnings to Fixed Charges(1)	4.29	4.18	3.83	3.62	3.38	3.82

	Capitalization As of June 30, 2001		
	Actual	As Adjusted(2)	
	(Thousands, except percentages)		
Common Stock Equity	$495,544	$ 495,544	46.9%
Cumulative Preferred Stock	4,236	4,236	0.4
Company Obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trusts Holding Company Junior Subordinated Notes	85,000	85,000	8.1
Senior Notes	98,002	233,002	22.1
Other Long-Term Debt	268,092	238,092	22.5
Total	$950,874	$1,055,874	100.0%

(1) This ratio is computed as follows: (i) "Earnings" have been calculated by adding to "Earnings Before Interest and Income Taxes" the debt portion of allowance for funds used during construction; and (ii) "Fixed Charges" consist of "Net Interest Charges" plus the debt portion of allowance for funds used during construction.

(2) Reflects (i) the issuance in August 2001 of $60,000,000 aggregate principal amount of Series C 4.69% Senior Notes due August 1, 2003; (ii) the redemption in September 2001 of $30,000,000 principal amount of First Mortgage Bonds, 6⅛% Series due July 1, 2003; and (iii) the issuance of the Series D Senior Notes offered hereby.

USE OF PROCEEDS

The proceeds from the sale of the Series D Senior Notes will be used by the Company to prepay in November 2001 a portion of a $100,000,000 bank loan which matures in July 2002 and bears interest at the one-month London interbank offered rate plus 0.375%.

RECENT RESULTS OF OPERATIONS; RECENT DEVELOPMENTS

For the twelve months ended June 30, 2001, "Operating Revenues," "Earnings Before Interest and Income Taxes" and "Net Income After Dividends on Preferred Stock" were $739,160,000, $126,509,000 and $59,229,000, respectively. In the opinion of the management of the Company, the above amounts for the twelve months ended June 30, 2001 reflect all adjustments (which were only normal recurring adjustments) necessary to present fairly the results of operations for such period. The "Ratio of Earnings to Fixed Charges" for the twelve months ended June 30, 2001 was 3.82.

On September 10, 2001, the Company filed a request for a base rate increase of $69,867,000, based on a return on equity of 13.0%, with the Florida Public Service Commission (the "Florida PSC"). The requested increase is designed to cover costs associated with the commercial operation of the Company's Plant Smith Unit 3 and other operating costs. The Florida PSC is expected to issue its decision in early May 2002. There can be no assurance that the request, as submitted by the Company, will be approved by the Florida PSC.

For information related to the Company's existing rate order, reference is made to Note 3 to the financial statements of the Company in Item 8 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2000.

DESCRIPTION OF THE SERIES D SENIOR NOTES

Set forth below is a description of the specific terms of the Series D 6.10% Senior Notes due September 30, 2016 (the "Series D Senior Notes"). This description supplements, and should be read together with, the description of the general terms and provisions of the Senior Notes set forth in the accompanying Prospectus under the caption "Description of the Senior Notes." The following description does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the description in the accompanying Prospectus and the Senior Note Indenture dated as of January 1, 1998, as supplemented (the "Senior Note Indenture"), between the Company and The Chase Manhattan Bank, as trustee (the "Senior Note Indenture Trustee").

General

The Series D Senior Notes will be issued as a series of Senior Notes under the Senior Note Indenture. The Series D Senior Notes will initially be issued in the aggregate principal amount of $75,000,000. The Company may, without the consent of the holders of the Series D Senior Notes, issue additional notes having the same ranking and the same interest rate, maturity and other terms as the Series D Senior Notes. Any additional notes having such similar terms, together with the Series D Senior Notes, will constitute a single series of Senior Notes under the Senior Note Indenture.

The entire principal amount of the Series D Senior Notes will mature and become due and payable, together with any accrued and unpaid interest thereon, on September 30, 2016. The Series D Senior Notes are not subject to any sinking fund provision. The Series D Senior Notes are available for purchase in denominations of $1,000 and any integral multiple thereof.

Interest

Each Series D Senior Note shall bear interest at the rate of 6.10% per annum (the "Securities Rate") from the date of original issuance, payable quarterly in arrears on January 1, April 1, July 1 and October 1 of each year to the person in whose name such Series D Senior Note is registered at the close of business on the fifteenth calendar day prior to such payment date. The initial interest payment date is January 1, 2002. The amount of interest payable will be computed on the basis of a 360-day year of twelve 30-day months. In the event that any date on which interest is payable on the Series D Senior Notes is not a Business Day, then payment of the interest payable on such date will be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay), with the same force and effect as if made on such date.

Ranking

The Series D Senior Notes will be direct, unsecured and unsubordinated obligations of the Company ranking *pari passu* with all other unsecured and unsubordinated obligations of the Company. The Series D Senior Notes will be effectively subordinated to all secured debt of the Company, including its first mortgage bonds, aggregating approximately $254,700,000 outstanding at June 30, 2001. See "Selected Financial Information" in this Prospectus Supplement. The Senior Note Indenture contains no restrictions on the amount of additional indebtedness that may be incurred by the Company.

Optional Redemption

The Company shall have the right to redeem the Series D Senior Notes, in whole or in part, without premium, from time to time, on or after October 1, 2004, upon not less than 30 nor more than 60 days' notice, at a redemption price (the "Redemption Price") equal to 100% of the principal amount to be redeemed plus any accrued and unpaid interest to the date of redemption (the "Redemption Date").

If notice of redemption is given as aforesaid, the Series D Senior Notes so to be redeemed shall, on the Redemption Date, become due and payable at the Redemption Price together with any accrued interest thereon, and from and after such date (unless the Company shall default in the payment of the Redemption Price and accrued interest) such Series D Senior Notes shall cease to bear interest. If any Series D Senior Note called for redemption shall not be paid upon surrender thereof for redemption, the principal shall, until paid, bear interest from the Redemption Date at the Securities Rate. See "Description of the Senior Notes—Events of Default" in the accompanying Prospectus.

Subject to the foregoing and to applicable law (including, without limitation, United States federal securities laws), the Company or its affiliates may, at any time and from time to time, purchase outstanding Series D Senior Notes by tender, in the open market or by private agreement.

Events of Default

In addition to the Events of Default described under "Description of the Senior Notes" in the accompanying Prospectus, the occurrence and continuance of an event of default under the Insurance Agreement (as defined under "The Policy and the Insurer") shall also constitute an Event of Default with respect to the Series D Senior Notes. An event of default under the Insurance Agreement includes a default by the Company on certain payment obligations thereunder, failure by the Company in the observance of certain representations and covenants thereunder and certain bankruptcy events of the Company.

Special Insurance Provisions of the Senior Note Indenture

Subject to the provisions of the Senior Note Indenture, so long as the Insurer is not in default under the Policy (each as defined herein), the Insurer shall be entitled to control and direct the enforcement of all rights and remedies with respect to the Series D Senior Notes upon the occurrence and continuation of an Event of Default (as defined in the Senior Note Indenture).

Book-Entry Only Issuance—The Depository Trust Company

The Depository Trust Company ("DTC") will act as the initial securities depositary for the Series D Senior Notes. The Series D Senior Notes will be issued only as fully registered securities registered in the name of Cede & Co., DTC's nominee. One or more fully registered global Series D Senior Notes certificates will be issued, representing in the aggregate the total principal amount of Series D Senior Notes, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended (the "1934 Act"). DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations ("Direct Participants"). DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission (the "Commission").

Purchases of Series D Senior Notes within the DTC system must be made by or through Direct Participants, which will receive a credit for the Series D Senior Notes on DTC's records. The ownership interest of each actual purchaser of Series D Senior Notes ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchases, but Beneficial Owners are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the Direct or Indirect Participants through which the Beneficial Owners purchased Series D Senior Notes. Transfers of ownership interests in the Series D Senior Notes are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series D Senior Notes, except in the event that use of the book-entry system for the Series D Senior Notes is discontinued.

DTC has no knowledge of the actual Beneficial Owners of the Series D Senior Notes. DTC's records reflect only the identity of the Direct Participants to whose accounts such Series D Senior Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Redemption notices shall be sent to DTC. If less than all of the Series D Senior Notes are being redeemed, DTC will reduce the amount of the interest of each Direct Participant in the Series D Senior Notes in accordance with its procedures.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Although voting with respect to the Series D Senior Notes is limited, in those cases where a vote is required, neither DTC nor Cede & Co. will itself consent or vote with respect to Series D Senior Notes. Under its usual procedures, DTC would mail an Omnibus Proxy to the Company as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series D Senior Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Series D Senior Notes will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the relevant payment date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payments on such payment date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the account of customers registered in "street name," and will be the responsibility of such Participant and not of DTC or the Company, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment to DTC is the responsibility of the Company, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

Except as provided herein, a Beneficial Owner of a global Series D Senior Note will not be entitled to receive physical delivery of Series D Senior Notes. Accordingly, each Beneficial Owner must rely on the procedures of DTC to exercise any rights under the Series D Senior Notes. The laws of some jurisdictions require that certain purchasers of securities take physical delivery of securities in definitive form. Such laws may impair the ability to transfer beneficial interests in a global Series D Senior Note.

DTC may discontinue providing its services as securities depositary with respect to the Series D Senior Notes at any time by giving reasonable notice to the Company. Under such circumstances, in the event that a successor securities depositary is not obtained, Series D Senior Notes certificates will be printed and delivered to the holders of record. Additionally, the Company may decide to discontinue use of the system of book-entry transfers through DTC (or a successor depositary) with respect to the Series D Senior Notes. In that event, certificates for the Series D Senior Notes will be printed and delivered to the holders of record.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Company believes to be reliable, but the Company takes no responsibility for the accuracy thereof. The Company has no responsibility for the performance by DTC or its Participants of their respective obligations as described herein or under the rules and procedures governing their respective operations.

THE POLICY AND THE INSURER

The information set forth in this section has been provided by Ambac Assurance Corporation (the "Insurer"). No representation is made by the Company or the Underwriters as to the accuracy or completeness of any such information.

The Policy

The Insurer and the Company will enter into an insurance agreement (the "Insurance Agreement") pursuant to which the Insurer will issue a financial guaranty insurance policy relating to the Series D Senior Notes (the "Policy"), the form of which is attached to this Prospectus Supplement as Appendix A. The following summary of the terms of the Policy does not purport to be complete and is qualified in its entirety by reference to the Policy.

The Insurer has made a commitment to issue the Policy effective as of the date of issuance of the Series D Senior Notes. Under the terms of the Policy, the Insurer will pay to The Bank of New York, in New York, New York, or any successor thereto (the "Insurance Trustee") that portion of the principal of and interest on the Series D Senior Notes which shall become Due for Payment but shall be unpaid by reason of Nonpayment (as such terms are defined in the Policy) by the Company. The Insurer will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which the Insurer shall have received notice of Nonpayment from the Senior Note Indenture Trustee. The insurance will extend for the term of the Series D Senior Notes and, once issued, cannot be canceled by the Insurer.

The Policy will insure payment only on the stated maturity date, in the case of principal, and on interest payment dates, in the case of interest. In the event of any acceleration of the principal of the Series D Senior Notes, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration.

In the event the Senior Note Indenture Trustee has notice that any payment of principal of or interest on a Series D Senior Note which has become Due for Payment and which is made to a holder by or on behalf of the Company has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from the Insurer to the extent of such recovery if sufficient funds are not otherwise available.

The Policy does **not** insure any risk other than Nonpayment, as defined in the Policy. Specifically, the Policy does **not** cover:

1. payment on acceleration, as a result of a call for redemption or as a result of any other advancement of maturity.
2. payment of any redemption, prepayment or acceleration premium.
3. nonpayment of principal or interest caused by the insolvency or negligence of the Senior Note Indenture Trustee.

If it becomes necessary to call upon the Policy, payment of principal requires surrender of Series D Senior Notes to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Series D Senior Notes to be registered in the name of the Insurer to the extent of the payment under the Policy. Payment of interest pursuant to the Policy requires proof of holder entitlement to interest payments and an appropriate assignment of the holder's right to payment to the Insurer.

Upon payment of the insurance benefits, the Insurer will become the owner of the Series D Senior Note or the right to payment of principal or interest on such Series D Senior Note and will be fully subrogated to the surrendering holder's rights to payment.

The Insurer

The Insurer is a Wisconsin-domiciled stock insurance corporation regulated by the office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, the Commonwealth of Puerto Rico and Guam. The Insurer primarily insures newly issued municipal and structured finance obligations. The Insurer is a wholly-owned subsidiary of Ambac Financial Group, Inc. (formerly AMBAC Inc.), a 100% publicly-held company. Moody's Investors Service, Inc. (''Moody's''), Standard & Poor's, a division of the McGraw-Hill Companies, Inc. (''S&P''), and Fitch IBCA, Inc. have each assigned a triple-A financial strength rating to the Insurer.

The consolidated financial statements of the Insurer and subsidiaries as of December 31, 2000 and December 31, 1999 and for each of the years in the three-year period ended December 31, 2000 prepared in accordance with generally accepted accounting principles, included in the Annual Report on Form 10-K of Ambac Financial Group, Inc. (which was filed with the Commission on March 28, 2001; Commission File No. 1-10777) and the unaudited consolidated financial statements of the Insurer and its subsidiaries as of June 30, 2001 and for the periods ending June 30, 2001 and June 30, 2000 included in the Quarterly Report on Form 10-Q of Ambac Financial Group, Inc. for the period ended June 30, 2001 (which was filed with the Commission on August 10, 2001) and information on events subsequent to the Quarterly Report on Form 10-Q contained in press releases issued on September 13, 2001 and September 18, 2001, included in the Current Report on Form 8-K of Ambac Financial Group, Inc. (which were filed with the Commission on September 17, 2001 and September 19, 2001, respectively) are incorporated by reference into this Prospectus Supplement and shall be deemed to be a part hereof. Any statement contained in a document incorporated herein by reference shall be modified or superseded for the purposes of this Prospectus Supplement to the extent that a statement contained herein or in any other subsequently filed document which also is incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus Supplement.

All financial statements of the Insurer and its subsidiaries included in documents filed by Ambac Financial Group, Inc. with the Commission pursuant to Section 13(a), 13(c), 14 or 15(d) of the 1934 Act subsequent to the date of this Prospectus Supplement and prior to the termination of the offering of the Series D Senior Notes shall be deemed to be incorporated by reference into this Prospectus Supplement and to be a part hereof from the respective dates of filing such financial statements.

The following table sets forth the capitalization of the Insurer as of December 31, 1999, December 31, 2000 and June 30, 2001 in conformity with generally accepted accounting principles.

Ambac Assurance Corporation
Consolidated Capitalization Table
(Dollars in Millions)

	December 31, 1999	December 31, 2000	June 30, 2001 (unaudited)
Unearned premiums	$1,442	$1,556	$1,691
Other liabilities	524	581	695
	1,966	2,137	2,386
Stockholder's equity:			
Common Stock	82	82	82
Additional paid-in capital	752	760	760
Accumulated other comprehensive (loss) income	(92)	82	77
Retained earnings	1,674	2,002	2,180
Total stockholder's equity	2,416	2,926	3,099
Total liabilities and stockholder's equity	$4,382	$5,063	$5,485

For additional financial information concerning the Insurer, see the audited financial statements of the Insurer incorporated by reference herein. Copies of the financial statements of the Insurer incorporated herein by reference and copies of the Insurer's annual statement for the year ended December 31, 2000 prepared in accordance with statutory accounting standards are available, without charge, from the Insurer. The address of the Insurer's administrative offices and its telephone number are One State Street Plaza, 19th Floor, New York, New York 10004 and (212) 668-0340.

The Insurer makes no representation regarding the Series D Senior Notes or the advisability of investing in the Series D Senior Notes and makes no representation regarding, nor has it participated in the preparation of, this Prospectus Supplement other than the information supplied by the Insurer and presented under this heading "The Policy and the Insurer" and in the financial statements incorporated herein by reference.

RATINGS

It is anticipated that S&P and Moody's will assign the Series D Senior Notes the ratings set forth on the cover page hereof conditioned upon the issuance and delivery by the Insurer at the time of delivery of the Series D Senior Notes of the Policy, insuring the timely payment of the principal of and interest on the Series D Senior Notes. Such ratings reflect only the views of such rating agencies, and an explanation of the significance of such ratings may be obtained only from such rating agencies at the following addresses: Moody's Investors Service, Inc., 99 Church Street, New York, New York 10007; Standard & Poor's, 25 Broadway, New York, New York 10004. There is no assurance that such ratings will remain in effect for any period of time or that they will not be revised downward or withdrawn entirely by said rating agencies if, in their judgment, circumstances warrant. Neither the Company nor any Underwriter has undertaken any responsibility to oppose any proposed downward revision or withdrawal of a rating on the Series D Senior Notes. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series D Senior Notes.

At present, each of such rating agencies maintains four categories of investment grade ratings. They are for S&P—AAA, AA, A and BBB and for Moody's—Aaa, Aa, A and Baa. S&P defines "AAA" as the highest rating assigned to a debt obligation. Moody's defines "Aaa" as representing the best quality debt obligation carrying the smallest degree of investment risk.

EXPERTS

The financial statements and schedules of the Company included in the Company's Annual Report on Form 10-K for the year ended December 31, 2000, incorporated by reference herein, have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their reports with respect thereto, and are incorporated herein in reliance upon the authority of said firm as experts in accounting and auditing in giving said reports.

The consolidated financial statements of the Insurer, Ambac Assurance Corporation, as of December 31, 2000 and 1999 and for each of the years in the three-year period ended December 31, 2000, are incorporated by reference herein and in the registration statement in reliance upon the report of KPMG Peat Marwick LLP, independent certified public accountants, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing.

UNDERWRITING

Subject to the terms and conditions set forth in the Underwriting Agreement dated the date hereof, the Company has agreed to sell to each of the Underwriters named below and each of the Underwriters severally has agreed to purchase the principal amount of Series D Senior Notes set forth opposite its name below:

Name	Principal Amount of Series D Senior Notes
A.G. Edwards & Sons, Inc.	$25,000,000
Edward D. Jones & Co., L.P.	$25,000,000
Wachovia Securities, Inc.	$25,000,000
Total	$75,000,000

The Underwriting Agreement provides that the obligations of the several Underwriters to pay for and accept delivery of the Series D Senior Notes are subject to, among other things, the approval of certain legal matters by their counsel and certain other conditions. The Underwriters are obligated to take and pay for all the Series D Senior Notes if any are taken.

The Underwriters propose initially to offer all or part of the Series D Senior Notes to the public at the public offering price set forth on the cover page of this prospectus supplement and to certain dealers at such price less a concession not in excess of 1.5% of the principal amount of the Series D Senior Notes. The Underwriters may allow, and such dealers may reallow, a discount not in excess of 1.0% of the principal amount of the Series D Senior Notes to certain other dealers. After the initial public offering, the public offering price, concession and discount may be changed.

The underwriting discounts and commissions to be paid to the Underwriters by the Company with this offering will be 2.35% per Series D Senior Note, for a total of $1,762,500. In addition, the Company estimates that it will incur other offering expenses of approximately $790,000.

In order to facilitate the offering of the Series D Senior Notes, the Underwriters or their affiliates may engage in transactions that stabilize, maintain or otherwise affect the price of the Series D Senior Notes. Specifically, the Underwriters or their affiliates may over-allot in connection with this offering, creating short positions in the Series D Senior Notes for their own account. In addition, to cover over-allotments or to stabilize the price of the Series D Senior Notes, the Underwriters or their affiliates may bid for, and purchase Series D Senior Notes in the open market. Finally, the Underwriters or their affiliates may reclaim selling concessions allowed to an underwriter or dealer for distributing Series D Senior Notes in this offering, if the Underwriters or their affiliates repurchase previously distributed Series D Senior Notes in transactions that cover syndicate short positions, in stabilization transactions or otherwise. Any of these activities may stabilize or maintain the market price of the Series D Senior Notes above independent market levels. The Underwriters or their affiliates are not required to engage in these activities, and may end any of these activities at any time.

Neither the Company nor any Underwriter makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Series D Senior Notes. In addition, neither the Company nor any Underwriter makes any representation that such transactions will be engaged in or that such transactions, once commenced, will not be discontinued without notice.

The Company has agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended.

The Underwriters and their affiliates engage in transactions with and perform services for the Company in the ordinary course of business and have engaged, and may in the future engage, in commercial banking and/or investment banking transactions with the Company or its affiliates.

The Series D Senior Notes will not have an established trading market when issued. There can be no assurance of a secondary market for the Series D Senior Notes or the continued liquidity of such market if one develops. It is not anticipated that the Series D Senior Notes will be listed on any securities exchange.

APPENDIX A

FORM OF POLICY

Ambac

Financial Guaranty Insurance Policy

Ambac Assurance Corporation
One State Street Plaza, 15th Floor
New York, New York 10004
Telephone: (212) 668-0340

Obligor:

Policy Number:

Obligations:

Premium.

Ambac Assurance Corporation (Ambac), a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations or related coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights to payment thereon.

In cases where the Obligations are issued in registered form, the Insurance Trustee shall disburse principal to a Holder only upon presentation and surrender to the Insurance Trustee of the unpaid Obligation, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, so as to permit ownership of such Obligation to be registered in the name of Ambac or its nominee. The Insurance Trustee shall disburse interest to a Holder of a registered Obligation only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Obligation and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, transferring to Ambac all rights under such Obligation to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all of the Holders' rights to payment on registered Obligations to the extent of any insurance disbursements so made.

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Obligations prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.

President

AMBAC ASSURANCE CORPORATION CORPORATE SEAL WISCONSIN

Secretary

Effective Date:

Authorized Representative

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Form No.: 2B-0012 (1/01)

Authorized Officer of Insurance Trustee

SAMPLE

PROSPECTUS

$350,000,000

Gulf Power Company

Senior Notes

Junior Subordinated Notes

Gulf Power Capital Trust III
Gulf Power Capital Trust IV

Trust Preferred Securities

Fully and unconditionally guaranteed, as set forth herein, by

Gulf Power Company

a subsidiary of The Southern Company

We will provide the specific terms of these securities in supplements to this Prospectus. You should read this Prospectus and the applicable prospectus supplement carefully before you invest.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this Prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

June 1, 2001

ABOUT THIS PROSPECTUS

This Prospectus is part of a registration statement filed with the Securities and Exchange Commission (the "Commission") using a "shelf" registration process under the Securities Act of 1933, as amended (the "1933 Act"). Under the shelf process, Gulf Power Company (the "Company") may sell, in one or more transactions,

- senior notes (the "Senior Notes")
- junior subordinated notes (the "Junior Subordinated Notes")

and Gulf Power Capital Trust III and Gulf Power Capital Trust IV (individually, a "Trust" and collectively, the "Trusts") may sell

- trust preferred securities or capital securities (the "Preferred Securities")

in one or more offerings up to a total dollar amount of $350,000,000. This Prospectus provides a general description of those securities. Each time the Company sells securities, the Company will provide a prospectus supplement that will contain specific information about the terms of that offering ("Prospectus Supplement"). The Prospectus Supplement may also add, update or change information contained in this Prospectus. You should read this Prospectus and the applicable Prospectus Supplement together with additional information under the heading "Available Information."

AVAILABLE INFORMATION

The Company and the Trusts have filed with the Commission a combined registration statement on Form S-3 (the "Registration Statement," which term encompasses any amendments thereof and exhibits thereto) under the 1933 Act. As permitted by the rules and regulations of the Commission, this Prospectus does not contain all of the information set forth in the Registration Statement and the exhibits and schedules thereto, to which reference is hereby made.

The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "1934 Act"), and in accordance therewith files reports and other information with the Commission. Such reports and other information can be inspected and copied at the public reference facilities of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, and at the Commission's Regional Offices at 500 West Madison Street, Suite 1400, Chicago, Illinois 60661 and Seven World Trade Center, 13th Floor, New York, New York 10048. Copies of such material can also be obtained at prescribed rates by writing to the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549. The Commission maintains a Web site that contains reports, proxy and information statements and other information regarding registrants including the Company that file electronically at http://www.sec.gov. In addition, reports and other material concerning the Company can be inspected at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

No separate financial statements of any Trust are included herein. The Company considers that such statements would not be material to holders of the Preferred Securities because each Trust has no independent operations and exists for the sole purpose of investing the proceeds of the sale of its Trust Securities (as defined below) in Junior Subordinated Notes.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents have been filed with the Commission pursuant to the 1934 Act and are incorporated herein by reference and made a part of this Prospectus:

(a) the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2000; and

(b) the Company's Current Report on Form 8-K dated February 28, 2001.

All documents filed by the Company with the Commission pursuant to Section 13(a), 13(c), 14 or 15(d) of the 1934 Act subsequent to the date of this Prospectus and prior to the termination of this offering shall be deemed to be incorporated herein by reference and made a part of this Prospectus from the date of filing of such documents. Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

The Company will provide without charge to each person to whom this Prospectus is delivered, on the written or oral request of any such person, a copy of any or all documents incorporated herein by reference (other than the exhibits to such documents unless such exhibits are specifically incorporated by reference). Such requests should be directed to Warren E. Tate, Secretary and Treasurer, Gulf Power Company, One Energy Place, Pensacola, Florida 32520, telephone: (850) 444-6111.

SELECTED INFORMATION

The following material, which is presented herein solely to furnish limited introductory information regarding the Company, has been selected from, or is based upon, the detailed information and financial statements appearing in the documents incorporated herein by reference or elsewhere in this Prospectus, is qualified in its entirety by reference thereto and, therefore, should be read together therewith.

Gulf Power Company

Business	Generation, transmission, distribution and sale of electric energy
Service Area	Approximately 7,400 square miles within the northwestern portion of the State of Florida
Service Area Population (1990 Census)	Approximately 740,000
Customers at December 31, 2000	370,119
Generating Capacity at December 31, 2000 (kilowatts)	2,188,150
Sources of Generation during 2000 (kilowatt-hours)	Coal (98%), Gas and Oil (2%)
Sources of Generation Estimated for 2001 (kilowatt-hours)	Coal (98%), Gas and Oil (2%)

Certain Ratios

The following table sets forth the Ratios of Earnings to Fixed Charges and Earnings to Fixed Charges Plus Preferred Dividend Requirements (Pre-Income Tax Basis) for the periods indicated.

	Year Ended December 31,				
	1996	1997	1998	1999	2000
Ratio of Earnings to Fixed Charges(1)	4.29	4.18	3.83	3.62	3.38
Ratio of Earnings to Fixed Charges Plus Preferred Dividend Requirements (Pre-Income Tax Basis)(2)	3.31	3.53	3.72	3.58	3.34

(1) This ratio is computed as follows: (i) "Earnings" have been calculated by adding to "Earnings Before Interest and Income Taxes" the debt portion of allowance for funds used during construction, and (ii) "Fixed Charges" consist of "Net Interest Charges" plus the debt portion of allowance for funds used during construction.

(2) In computing this ratio, "Preferred Dividend Requirements" represent the before tax earnings necessary to pay such dividends, computed at the effective tax rates for the applicable periods.

GULF POWER COMPANY

The Company is a corporation organized under the laws of the State of Maine on November 2, 1925, and was admitted to do business in Florida on January 15, 1926, in Mississippi on October 25, 1976 and in Georgia on November 20, 1984. The principal executive offices of the Company are located at 500 Bayfront Parkway, Pensacola, Florida 32501, and the telephone number is (850) 444-6111.

The Company is a wholly owned subsidiary of The Southern Company, a holding company registered under the Public Utility Holding Company Act of 1935, as amended. The Company is engaged, within the northwestern portion of the State of Florida, in the generation and purchase of electricity and the distribution and sale of such electricity at retail in 71 communities as well as in rural areas, and at wholesale to a nonaffiliated utility and to a municipality.

THE TRUSTS

Each Trust is a statutory business trust created under Delaware law pursuant to the filing of a certificate of trust with the Delaware Secretary of State on November 26, 1997, with respect to Gulf Power Capital Trust III, and April 25, 2001, with respect to Gulf Power Capital Trust IV. Each Trust's business is defined in a trust agreement, executed by the Company, as Depositor, and the Delaware Trustee thereunder. This trust agreement of each Trust will be amended and restated in its entirety substantially in the form filed as an exhibit to the Registration Statement of which this Prospectus forms a part (the ''Trust Agreement''). Each Trust Agreement will be qualified as an indenture under the Trust Indenture Act of 1939, as amended (the ''1939 Act''). The Company will own all of the common securities (the ''Common Securities'' and, together with the Preferred Securities, the ''Trust Securities'') of each Trust. The Trust Securities represent undivided beneficial interests in the assets of the respective Trusts. Each Trust exists for the exclusive purposes of (i) issuing its Trust Securities representing undivided beneficial interests in the assets of such Trust, (ii) investing the gross proceeds of its Trust Securities in a related series of Junior Subordinated Notes, and (iii) engaging in only those other activities necessary, appropriate, convenient or incidental thereto. The payment of periodic cash distributions on the Preferred Securities of each Trust and payments on liquidation and redemption with respect to the Preferred Securities of each Trust, in each case to the extent each Trust has funds legally and immediately available therefor, will be guaranteed by the Company (individually, a ''Guarantee'' and collectively, the ''Guarantees'') to the extent set forth under ''Description of the Guarantees.''

Each Trust's business and affairs will be conducted by its trustees, which shall be appointed by the Company as the holder of the Common Securities: two employees of the Company as Administrative Trustees; The Chase Manhattan Bank as Property Trustee; and Chase Manhattan Bank USA, National Association as Delaware Trustee (collectively, the ''Securities Trustees''). The Property Trustee of each Trust will act as the indenture trustee with respect to such Trust for purposes of compliance with the provisions of the 1939 Act.

The principal place of business of each Trust shall be c/o the Company, 500 Bayfront Parkway, Pensacola, Florida 32501, telephone (850) 444-6111, Attn: Treasurer.

Reference is made to the Prospectus Supplement relating to the Preferred Securities of a Trust for further information concerning such Trust.

ACCOUNTING TREATMENT OF TRUSTS

For financial reporting purposes, the Trusts will be treated as subsidiaries of the Company and, accordingly, the accounts of the Trusts will be included in the consolidated financial statements of the Company. The Preferred Securities will be presented as a separate line item in the consolidated balance sheet of the Company, and appropriate disclosures concerning the Preferred Securities, the Guarantees and the Junior Subordinated Notes will be included in the notes to the consolidated financial statements. For financial reporting purposes, the Company will record distributions payable on the Preferred Securities as an expense.

USE OF PROCEEDS

Each Trust will invest the proceeds received from the sale of its Preferred Securities in Junior Subordinated Notes. Except as may be otherwise described in an applicable Prospectus Supplement, the net proceeds received by the Company from such investment and any proceeds received from the sale of its Senior Notes or other sales of its Junior Subordinated Notes will be used in connection with its ongoing construction program, to pay scheduled maturities and/or refundings of its securities, to repay short-term indebtedness to the extent outstanding and for other general corporate purposes.

DESCRIPTION OF THE SENIOR NOTES

Set forth below is a description of the general terms of the Senior Notes. The following description does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the Senior Note Indenture, dated as of January 1, 1998, between the Company and The Chase Manhattan Bank, as trustee (the "Senior Note Indenture Trustee"), as to be supplemented by a supplemental indenture thereto establishing the Senior Notes of each series (the Senior Note Indenture, as so supplemented, is hereinafter referred to as the "Senior Note Indenture"), the forms of which are filed as exhibits to the Registration Statement of which this Prospectus forms a part. The terms of the Senior Notes will include those stated in the Senior Note Indenture and those made a part of the Senior Note Indenture by reference to the 1939 Act. Certain capitalized terms used herein are defined in the Senior Note Indenture.

General

The Senior Notes will be issued as unsecured senior debt securities under the Senior Note Indenture and will rank *pari passu* with all other unsecured and unsubordinated debt of the Company. The Senior Notes will be effectively subordinated to all secured debt of the Company, including its first mortgage bonds, aggregating approximately $254,700,000 outstanding at December 31, 2000. The Senior Note Indenture does not limit the aggregate principal amount of Senior Notes that may be issued thereunder and provides that Senior Notes may be issued from time to time in one or more series pursuant to an indenture supplemental to the Senior Note Indenture. The Senior Note Indenture gives the Company the ability to reopen a previous issue of Senior Notes and issue additional Senior Notes of such series, unless otherwise provided.

Reference is made to the Prospectus Supplement that will accompany this Prospectus for the following terms of the series of Senior Notes being offered thereby: (i) the title of such Senior Notes; (ii) any limit on the aggregate principal amount of such Senior Notes; (iii) the date or dates on which the principal of such Senior Notes is payable; (iv) the rate or rates at which such Senior Notes shall bear interest, if any, or any method by which such rate or rates will be determined, the date or dates from which such interest will accrue, the interest payment dates on which such interest shall be payable, and the regular record date for the interest payable on any interest payment date; (v) the place or places where the principal of (and premium, if any) and interest, if any, on such Senior Notes shall be payable; (vi) the period or periods within which, the price or prices at which

and the terms and conditions on which such Senior Notes may be redeemed, in whole or in part, at the option of the Company; (vii) the obligation, if any, of the Company to redeem or purchase such Senior Notes; (viii) the denominations in which such Senior Notes shall be issuable; (ix) if other than the principal amount thereof, the portion of the principal amount of such Senior Notes which shall be payable upon declaration of acceleration of the maturity thereof; (x) any deletions from, modifications of or additions to the Events of Default or covenants of the Company as provided in the Senior Note Indenture pertaining to such Senior Notes; (xi) whether such Senior Notes shall be issued in whole or in part in the form of a Global Security; and (xii) any other terms of such Senior Notes.

The Senior Note Indenture does not contain provisions that afford holders of Senior Notes protection in the event of a highly leveraged transaction involving the Company.

Events of Default

The Senior Note Indenture provides that any one or more of the following described events with respect to the Senior Notes of any series, which has occurred and is continuing, constitutes an "Event of Default" with respect to the Senior Notes of such series:

(a) failure for 10 days to pay interest on the Senior Notes of such series, when due on an interest payment date other than at maturity or upon earlier redemption; or

(b) failure to pay principal or premium, if any, or interest on the Senior Notes of such series when due at maturity or upon earlier redemption; or

(c) failure for three Business Days to deposit any sinking fund payment when due by the terms of a Senior Note of such series; or

(d) failure to observe or perform any other covenant or warranty of the Company in the Senior Note Indenture (other than a covenant or warranty which has expressly been included therein solely for the benefit of one or more series of Senior Notes other than such series) for 90 days after written notice to the Company from the Senior Note Indenture Trustee or the holders of at least 25% in principal amount of the outstanding Senior Notes of such series; or

(e) certain events of bankruptcy, insolvency or reorganization of the Company.

The holders of not less than a majority in aggregate outstanding principal amount of the Senior Notes of any series have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Senior Note Indenture Trustee with respect to the Senior Notes of such series. If a Senior Note Indenture Event of Default occurs and is continuing with respect to the Senior Notes of any series, then the Senior Note Indenture Trustee or the holders of not less than 25% in aggregate outstanding principal amount of the Senior Notes of such series may declare the principal amount thereof due and payable immediately by notice in writing to the Company (and to the Senior Note Indenture Trustee if given by the holders), and upon any such declaration such principal amount shall become immediately due and payable. At any time after such a declaration of acceleration with respect to the Senior Notes of any series has been made and before a judgment or decree for payment of the money due has been obtained as provided in Article Five of the Senior Note Indenture, the holders of not less than a majority in aggregate outstanding principal amount of the Senior Notes of such series may rescind and annul such declaration and its consequences if the default has been cured or waived and the Company has paid or deposited with the Senior Note Indenture Trustee a sum sufficient to pay all matured installments of interest and principal due otherwise than by acceleration and all sums paid or advanced by the Senior Note Indenture Trustee, including reasonable compensation and expenses of the Senior Note Indenture Trustee.

The holders of not less than a majority in aggregate outstanding principal amount of the Senior Notes of any series may, on behalf of the holders of all the Senior Notes of such series, waive any past default with respect to such series, except (i) a default in the payment of principal or interest or (ii) a default in respect of a covenant or provision which under Article Nine of the Senior Note Indenture cannot be modified or amended thereunder without the consent of the holder of each outstanding Senior Note of such series affected thereby.

Registration and Transfer

The Company shall not be required to (i) issue, register the transfer of or exchange Senior Notes of any series during a period of 15 days immediately preceding the date notice is given identifying the Senior Notes of such series called for redemption, or (ii) register the transfer of or exchange any Senior Notes so selected for redemption, in whole or in part, except the unredeemed portion of any Senior Note being redeemed in part.

Payment and Paying Agent

Unless otherwise indicated in an applicable Prospectus Supplement, payment of principal of any Senior Notes will be made only against surrender to the Paying Agent of such Senior Notes. Principal of and interest on Senior Notes will be payable subject to any applicable laws and regulations, at the office of such Paying Agent or Paying Agents as the Company may designate from time to time, except that, at the option of the Company, payment of any interest may be made by wire transfer or by check mailed to the address of the person entitled thereto as such address shall appear in the Security Register with respect to the Senior Notes. Payment of interest on Senior Notes on any interest payment date will be made to the person in whose name the Senior Notes (or predecessor security) are registered at the close of business on the record date for such interest payment.

Unless otherwise indicated in an applicable Prospectus Supplement, the Senior Note Indenture Trustee will act as Paying Agent with respect to the Senior Notes. The Company may at any time designate additional Paying Agents or rescind the designation of any Paying Agents or approve a change in the office through which any Paying Agent acts.

All moneys paid by the Company to a Paying Agent for the payment of the principal of or interest on the Senior Notes of any series which remain unclaimed at the end of two years after such principal or interest shall have become due and payable will be repaid to the Company, and the holder of such Senior Notes will thereafter look only to the Company for payment thereof.

Modification

The Senior Note Indenture contains provisions permitting the Company and the Senior Note Indenture Trustee, with the consent of the holders of not less than a majority in principal amount of the outstanding Senior Notes of each series affected thereby, to modify the Senior Note Indenture or the rights of the holders of the Senior Notes of such series; provided, that no such modification may, without the consent of the holder of each outstanding Senior Note affected thereby, (i) change the stated maturity of the principal of, or any installment of principal of or interest on, any Senior Note, or reduce the principal amount thereof or the rate of interest thereon or any premium payable upon the redemption thereof, or change the method of calculating the rate of interest thereon, or impair the right to institute suit for the enforcement of any such payment on or after the stated maturity thereof (or, in the case of redemption, on or after the redemption date), or (ii) reduce the percentage of principal amount of the outstanding Senior Notes of any series, the consent of whose holders is required for any such supplemental indenture, or the consent of whose holders is required for any waiver (of compliance with certain provisions of the Senior Note Indenture or certain defaults thereunder and their consequences) provided for in the Senior Note Indenture, or (iii) modify any of the provisions of the Senior Note Indenture relating to supplemental indentures, waiver of past defaults, or waiver of certain covenants, except to increase any such percentage or to provide that certain other provisions of the Senior Note Indenture cannot be modified or waived without the consent of the holder of each outstanding Senior Note affected thereby.

In addition, the Company and the Senior Note Indenture Trustee may execute, without the consent of any holders of Senior Notes, any supplemental indenture for certain other usual purposes, including the creation of any new series of senior notes.

Consolidation, Merger and Sale

The Company shall not consolidate with or merge into any other corporation or convey, transfer or lease its properties and assets substantially as an entirety to any person, unless (1) such other corporation or person is a corporation organized and existing under the laws of the United States, any state thereof or the District of Columbia and such other corporation or person expressly assumes, by supplemental indenture executed and delivered to the Senior Note Indenture Trustee, the payment of the principal of (and premium, if any) and interest on all the Senior Notes and the performance of every covenant of the Senior Note Indenture on the part of the Company to be performed or observed; (2) immediately after giving effect to such transactions, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have happened and be continuing; and (3) the Company has delivered to the Senior Note Indenture Trustee an officers' certificate and an opinion of counsel, each stating that such transaction complies with the provisions of the Senior Note Indenture governing consolidation, merger, conveyance, transfer or lease and that all conditions precedent thereto have been complied with.

Information Concerning the Senior Note Indenture Trustee

The Senior Note Indenture Trustee, prior to an Event of Default with respect to Senior Notes of any series, undertakes to perform, with respect to Senior Notes of such series, only such duties as are specifically set forth in the Senior Note Indenture and, in case an Event of Default with respect to Senior Notes of any series has occurred and is continuing, shall exercise, with respect to Senior Notes of such series, the same degree of care as a prudent individual would exercise in the conduct of his or her own affairs. Subject to such provision, the Senior Note Indenture Trustee is under no obligation to exercise any of the powers vested in it by the Senior Note Indenture at the request of any holder of Senior Notes of any series, unless offered reasonable indemnity by such holder against the costs, expenses and liabilities which might be incurred thereby. The Senior Note Indenture Trustee is not required to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties if the Senior Note Indenture Trustee reasonably believes that repayment or adequate indemnity is not reasonably assured to it.

The Chase Manhattan Bank, the Senior Note Indenture Trustee, also serves as Subordinated Note Indenture Trustee, as Property Trustee and as Guarantee Trustee. The Company and certain of its affiliates maintain deposit accounts and banking relationships with The Chase Manhattan Bank. The Chase Manhattan Bank also serves as trustee under other indentures pursuant to which securities of the Company and affiliates of the Company are outstanding.

Governing Law

The Senior Note Indenture and the Senior Notes will be governed by, and construed in accordance with, the internal laws of the State of New York.

Miscellaneous

The Company will have the right at all times to assign any of its rights or obligations under the Senior Note Indenture to a direct or indirect wholly-owned subsidiary of the Company; provided, that, in the event of any such assignment, the Company will remain primarily liable for all such obligations. Subject to the foregoing, the Senior Note Indenture will be binding upon and inure to the benefit of the parties thereto and their respective successors and assigns.

DESCRIPTION OF THE JUNIOR SUBORDINATED NOTES

Set forth below is a description of the general terms of the Junior Subordinated Notes. The following description does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the Subordinated Note Indenture, dated as of January 1, 1997, between the Company and The Chase Manhattan Bank, as trustee (the "Subordinated Note Indenture Trustee"), as to be supplemented by a supplemental indenture thereto establishing the Junior Subordinated Notes of each series (the Subordinated Note Indenture, as so supplemented, is hereinafter referred to as the "Subordinated Note Indenture"), the forms of which are filed as exhibits to the Registration Statement of which this Prospectus forms a part. The terms of the Junior Subordinated Notes will include those stated in the Subordinated Note Indenture and those made a part of the Subordinated Note Indenture by reference to the 1939 Act. Certain capitalized terms used herein are defined in the Subordinated Note Indenture.

General

The Junior Subordinated Notes will be issued as unsecured junior subordinated debt securities under the Subordinated Note Indenture. The Subordinated Note Indenture does not limit the aggregate principal amount of Junior Subordinated Notes that may be issued thereunder and provides that Junior Subordinated Notes may be issued from time to time in one or more series pursuant to an indenture supplemental to the Subordinated Note Indenture. The Subordinated Note Indenture gives the Company the ability to reopen a previous issue of Junior Subordinated Notes and issue additional Junior Subordinated Notes of such series, unless otherwise provided.

Reference is made to the Prospectus Supplement that will accompany this Prospectus for the following terms of the series of Junior Subordinated Notes being offered thereby: (i) the title of such Junior Subordinated Notes; (ii) any limit on the aggregate principal amount of such Junior Subordinated Notes; (iii) the date or dates on which the principal of such Junior Subordinated Notes is payable; (iv) the rate or rates at which such Junior Subordinated Notes shall bear interest, if any, or any method by which such rate or rates will be determined, the date or dates from which such interest will accrue, the interest payment dates on which such interest shall be payable, and the regular record date for the interest payable on any interest payment date; (v) the place or places where the principal of (and premium, if any) and interest, if any, on such Junior Subordinated Notes shall be payable; (vi) the period or periods within which, the price or prices at which and the terms and conditions on which such Junior Subordinated Notes may be redeemed, in whole or in part, at the option of the Company; (vii) the obligation, if any, of the Company to redeem or purchase such Junior Subordinated Notes; (viii) the denominations in which such Junior Subordinated Notes shall be issuable; (ix) if other than the principal amount thereof, the portion of the principal amount of such Junior Subordinated Notes which shall be payable upon declaration of acceleration of the maturity thereof; (x) any deletions from, modifications of or additions to the Events of Default or covenants of the Company as provided in the Subordinated Note Indenture pertaining to such Junior Subordinated Notes; (xi) whether such Junior Subordinated Notes shall be issued in whole or in part in the form of a Global Security; (xii) the right, if any, of the Company to extend the interest payment periods of such Junior Subordinated Notes; and (xiii) any other terms of such Junior Subordinated Notes. The terms of each series of Junior Subordinated Notes issued to a Trust will correspond to those of the related Preferred Securities of such Trust as described in the Prospectus Supplement relating to such Preferred Securities.

The Subordinated Note Indenture does not contain provisions that afford holders of Junior Subordinated Notes protection in the event of a highly leveraged transaction involving the Company.

Subordination

The Junior Subordinated Notes are subordinated and junior in right of payment to all Senior Indebtedness (as defined below) of the Company. No payment of principal of (including redemption payments, if any), or premium, if any, or interest on (including Additional Interest (as defined below)) the Junior Subordinated Notes may be made if (a) any Senior Indebtedness is not paid when due and any applicable grace period with respect to such default has ended with such default not being cured or waived or otherwise ceasing to exist, or (b) the

maturity of any Senior Indebtedness has been accelerated because of a default, or (c) notice has been given of the exercise of an option to require repayment, mandatory payment or prepayment or otherwise. Upon any payment or distribution of assets of the Company to creditors upon any liquidation, dissolution, winding-up, reorganization, assignment for the benefit of creditors, marshalling of assets or liabilities, or any bankruptcy, insolvency or similar proceedings of the Company, the holders of Senior Indebtedness shall be entitled to receive payment in full of all amounts due or to become due on or in respect of all Senior Indebtedness before the holders of the Junior Subordinated Notes are entitled to receive or retain any payment or distribution. Subject to the prior payment of all Senior Indebtedness, the rights of the holders of the Junior Subordinated Notes will be subrogated to the rights of the holders of Senior Indebtedness to receive payments and distributions applicable to such Senior Indebtedness until all amounts owing on the Junior Subordinated Notes are paid in full.

The term "Senior Indebtedness" means, with respect to the Company, (i) any payment due in respect of indebtedness of the Company, whether outstanding at the date of execution of the Subordinated Note Indenture or thereafter incurred, created or assumed, (a) in respect of money borrowed (including any financial derivative, hedging or futures contract or similar instrument) and (b) evidenced by securities, debentures, bonds, notes or other similar instruments issued by the Company that, by their terms, are senior or senior subordinated debt securities including, without limitation, all obligations under its indentures with various trustees; (ii) all capital lease obligations; (iii) all obligations issued or assumed as the deferred purchase price of property, all conditional sale obligations and all obligations of the Company under any title retention agreement (but excluding trade accounts payable arising in the ordinary course of business and long-term purchase obligations); (iv) all obligations for the reimbursement of any letter of credit, banker's acceptance, security purchase facility or similar credit transaction; (v) all obligations of the type referred to in clauses (i) through (iv) above of other persons the payment of which the Company is responsible or liable as obligor, guarantor or otherwise; and (vi) all obligations of the type referred to in clauses (i) through (v) above of other persons secured by any lien on any property or asset of the Company (whether or not such obligation is assumed by the Company), except for (1) any such indebtedness that is by its terms subordinated to or *pari passu* with the Junior Subordinated Notes and (2) any unsecured indebtedness between or among the Company or its affiliates. Such Senior Indebtedness shall continue to be Senior Indebtedness and be entitled to the benefits of the subordination provisions contained in the Subordinated Note Indenture irrespective of any amendment, modification or waiver of any term of such Senior Indebtedness.

The Subordinated Note Indenture does not limit the aggregate amount of Senior Indebtedness that may be issued by the Company. As of December 31, 2000, Senior Indebtedness of the Company aggregated approximately $416,000,000.

Additional Interest

"Additional Interest" is defined in the Subordinated Note Indenture as (i) such additional amounts as may be required so that the net amounts received and retained by a holder of Junior Subordinated Notes (if the holder is a Trust) after paying taxes, duties, assessments or governmental charges of whatever nature (other than withholding taxes) imposed by the United States or any other taxing authority will not be less than the amounts the holder would have received had no such taxes, duties, assessments, or other governmental charges been imposed; and (ii) any interest due and not paid on an interest payment date, together with interest thereon from such interest payment date to the date of payment, compounded quarterly, on each interest payment date.

Certain Covenants

The Company covenants in the Subordinated Note Indenture, for the benefit of the holders of each series of Junior Subordinated Notes, that, (i) if at such time the Company shall have given notice of its election to extend an interest payment period for such series of Junior Subordinated Notes and such extension shall be continuing, (ii) if at such time the Company shall be in default with respect to its payment or other obligations under the Guarantee with respect to the Trust Securities, if any, related to such series of Junior Subordinated Notes, or (iii) if at such time an Event of Default thereunder with respect to such series of Junior Subordinated Notes shall have occurred and be continuing, (a) the Company shall not declare or pay any dividend or make any

distributions with respect to, or redeem, purchase, acquire or make a liquidation payment with respect to, any of its capital stock, and (b) the Company shall not make any payment of interest, principal or premium, if any, on or repay, repurchase or redeem any debt securities (including guarantees other than the Guarantees) issued by the Company which rank *pari passu* with or junior to the Junior Subordinated Notes. None of the foregoing, however, shall restrict (i) any of the actions described in the preceding sentence resulting from any reclassifications of the Company's capital stock or the exchange or conversion of one class or series of the Company's capital stock for another class or series of the Company's capital stock, or (ii) the purchase of fractional interests in shares of the Company's capital stock pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged.

The Subordinated Note Indenture further provides that, for so long as the Trust Securities of any Trust remain outstanding, the Company covenants (i) to directly or indirectly maintain 100% ownership of the Common Securities of such Trust; provided, however, that any permitted successor of the Company under the Subordinated Note Indenture may succeed to the Company's ownership of such Common Securities, and (ii) to use its reasonable efforts to cause such Trust (a) to remain a statutory business trust, except in connection with the distribution of Junior Subordinated Notes to the holders of Trust Securities in liquidation of such Trust, the redemption of all of the Trust Securities of such Trust, or certain mergers, consolidations or amalgamations, each as permitted by the related Trust Agreement, and (b) to otherwise continue to be classified as a grantor trust for United States federal income tax purposes.

Events of Default

The Subordinated Note Indenture provides that any one or more of the following described events with respect to the Junior Subordinated Notes of any series, which has occurred and is continuing, constitutes an "Event of Default" with respect to the Junior Subordinated Notes of such series:

(a) failure for 10 days to pay interest on the Junior Subordinated Notes of such series, including any Additional Interest (as defined in clause (ii) of the definition thereof in the Subordinated Note Indenture) in respect thereof, when due on an interest payment date other than at maturity or upon earlier redemption; provided, however, that a valid extension of the interest payment period by the Company shall not constitute a default in the payment of interest for this purpose; or

(b) failure for 10 days to pay Additional Interest (as defined in clause (i) of the definition thereof in the Subordinated Note Indenture); or

(c) failure to pay principal or premium, if any, or interest, including Additional Interest (as defined in clause (ii) of the definition thereof in the Subordinated Note Indenture), on the Junior Subordinated Notes of such series when due at maturity or upon earlier redemption; or

(d) failure for three Business Days to deposit any sinking fund payment when due by the terms of a Junior Subordinated Note of such series; or

(e) failure to observe or perform any other covenant or warranty of the Company in the Subordinated Note Indenture (other than a covenant or warranty which has expressly been included therein solely for the benefit of one or more series of Junior Subordinated Notes other than such series) for 90 days after written notice to the Company from the Subordinated Note Indenture Trustee or the holders of at least 25% in principal amount of the outstanding Junior Subordinated Notes of such series; or

(f) certain events of bankruptcy, insolvency or reorganization of the Company.

The holders of not less than a majority in aggregate outstanding principal amount of the Junior Subordinated Notes of any series have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Subordinated Note Indenture Trustee with respect to the Junior Subordinated Notes of such series. If a Subordinated Note Indenture Event of Default occurs and is continuing with respect to the Junior Subordinated Notes of any series, then the Subordinated Note Indenture Trustee or the holders of not less than 25% in aggregate outstanding principal amount of the Junior Subordinated Notes of such series may declare the principal amount thereof due and payable immediately by notice in writing to the Company (and to the

Subordinated Note Indenture Trustee if given by the holders), and upon any such declaration such principal amount shall become immediately due and payable. At any time after such a declaration of acceleration with respect to the Junior Subordinated Notes of any series had been made and before a judgment or decree for payment of the money due has been obtained as provided in Article Five of the Subordinated Note Indenture, the holders of not less than a majority in aggregate outstanding principal amount of the Junior Subordinated Notes of such series may rescind and annul such declaration and its consequences if the default has been cured or waived and the Company has paid or deposited with the Subordinated Note Indenture Trustee a sum sufficient to pay all matured installments of interest (including any Additional Interest) and principal due otherwise than by acceleration and all sums paid or advanced by the Subordinated Note Indenture Trustee, including reasonable compensation and expenses of the Subordinated Note Indenture Trustee.

A holder of Preferred Securities may institute a legal proceeding directly against the Company, without first instituting a legal proceeding against the Property Trustee or any other person or entity, for enforcement of payment to such holder of principal of or interest on the Junior Subordinated Notes of the related series having a principal amount equal to the aggregate stated liquidation amount of the Preferred Securities of such holder on or after the due dates specified in the Junior Subordinated Notes of such series.

The holders of not less than a majority in aggregate outstanding principal amount of the Junior Subordinated Notes of any series may, on behalf of the holders of all the Junior Subordinated Notes of such series, waive any past default with respect to such series, except (i) a default in the payment of principal or interest or (ii) a default in respect of a covenant or provision which under Article Nine of the Subordinated Note Indenture cannot be modified or amended thereunder without the consent of the holder of each outstanding Junior Subordinated Note of such series affected thereby.

Registration and Transfer

The Company shall not be required to (i) issue, register the transfer of or exchange Junior Subordinated Notes of any series during a period of 15 days immediately preceding the date notice is given identifying the Junior Subordinated Notes of such series called for redemption, or (ii) register the transfer of or exchange any Junior Subordinated Notes so selected for redemption, in whole or in part, except the unredeemed portion of any Junior Subordinated Note being redeemed in part.

Payment and Paying Agent

Unless otherwise indicated in an applicable Prospectus Supplement, payment of principal of any Junior Subordinated Notes will be made only against surrender to the Paying Agent of such Junior Subordinated Notes. Principal of and interest on Junior Subordinated Notes will be payable, subject to any applicable laws and regulations, at the office of such Paying Agent or Paying Agents as the Company may designate from time to time, except that, at the option of the Company, payment of any interest may be made by wire transfer or by check mailed to the address of the person entitled thereto as such address shall appear in the Security Register with respect to the Junior Subordinated Notes. Payment of interest on Junior Subordinated Notes on any interest payment date will be made to the person in whose name the Junior Subordinated Notes (or predecessor security) are registered at the close of business on the record date for such interest payment.

Unless otherwise indicated in an applicable Prospectus Supplement, the Subordinated Note Indenture Trustee will act as Paying Agent with respect to the Junior Subordinated Notes. The Company may at any time designate additional Paying Agents or rescind the designation of any Paying Agents or approve a change in the office through which any Paying Agent acts.

All moneys paid by the Company to a Paying Agent for the payment of the principal of or interest on the Junior Subordinated Notes of any series which remain unclaimed at the end of two years after such principal or interest shall have become due and payable will be repaid to the Company, and the holder of such Junior Subordinated Notes will thereafter look only to the Company for payment thereof.

Modification

The Subordinated Note Indenture contains provisions permitting the Company and the Subordinated Note Indenture Trustee, with the consent of the holders of not less than a majority in principal amount of the outstanding Junior Subordinated Notes of each series affected thereby, to modify the Subordinated Note Indenture or the rights of the holders of the Junior Subordinated Notes of such series; provided, that no such modification may, without the consent of the holder of each outstanding Junior Subordinated Note affected thereby, (i) change the stated maturity of the principal of, or any installment of principal of or interest on, any Junior Subordinated Note, or reduce the principal amount thereof or the rate of interest (including Additional Interest) thereon or any premium payable upon the redemption thereof, or change the method of calculating the rate of interest thereon, or impair the right to institute suit for the enforcement of any such payment on or after the stated maturity thereof (or, in the case of redemption, on or after the redemption date), or (ii) reduce the percentage of principal amount of the outstanding Junior Subordinated Notes of any series, the consent of whose holders is required for any such supplemental indenture, or the consent of whose holders is required for any waiver (of compliance with certain provisions of the Subordinated Note Indenture or certain defaults thereunder and their consequences) provided for in the Subordinated Note Indenture, or (iii) modify any of the provisions of the Subordinated Note Indenture relating to supplemental indentures, waiver of past defaults, or waiver of certain covenants, except to increase any such percentage or to provide that certain other provisions of the Subordinated Note Indenture cannot be modified or waived without the consent of the holder of each outstanding Junior Subordinated Note affected thereby, or (iv) modify the provisions of the Subordinated Note Indenture with respect to the subordination of the Junior Subordinated Notes in a manner adverse to such holder.

In addition, the Company and the Subordinated Note Indenture Trustee may execute, without the consent of any holders of Junior Subordinated Notes, any supplemental indenture for certain other usual purposes, including the creation of any new series of junior subordinated notes.

Consolidation, Merger and Sale

The Company shall not consolidate with or merge into any other corporation or convey, transfer or lease its properties and assets substantially as an entirety to any person, unless (1) such other corporation or person is a corporation organized and existing under the laws of the United States, any state thereof or the District of Columbia and such other corporation or person expressly assumes, by supplemental indenture executed and delivered to the Subordinated Note Indenture Trustee, the payment of the principal of (and premium, if any) and interest (including Additional Interest) on all the Junior Subordinated Notes and the performance of every covenant of the Subordinated Note Indenture on the part of the Company to be performed or observed; (2) immediately after giving effect to such transactions, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have happened and be continuing; and (3) the Company has delivered to the Subordinated Note Indenture Trustee an officers' certificate and an opinion of counsel, each stating that such transaction complies with the provisions of the Subordinated Note Indenture governing consolidation, merger, conveyance, transfer or lease and that all conditions precedent thereto have been complied with.

Information Concerning the Subordinated Note Indenture Trustee

The Subordinated Note Indenture Trustee, prior to an Event of Default with respect to Junior Subordinated Notes of any series, undertakes to perform, with respect to Junior Subordinated Notes of such series, only such duties as are specifically set forth in the Subordinated Note Indenture and, in case an Event of Default with respect to Junior Subordinated Notes of any series has occurred and is continuing, shall exercise, with respect to Junior Subordinated Notes of such series, the same degree of care as a prudent individual would exercise in the conduct of his or her own affairs. Subject to such provision, the Subordinated Note Indenture Trustee is under no obligation to exercise any of the powers vested in it by the Subordinated Note Indenture at the request of any holder of Junior Subordinated Notes of any series, unless offered reasonable indemnity by such holder against the costs, expenses and liabilities which might be incurred thereby. The Subordinated Note Indenture Trustee is not required to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties if the Subordinated Note Indenture Trustee reasonably believes that repayment or adequate indemnity is not reasonably assured to it.

The Chase Manhattan Bank, the Subordinated Note Indenture Trustee, also serves as Senior Note Indenture Trustee, as Property Trustee and as Guarantee Trustee. The Company and certain of its affiliates maintain deposit accounts and banking relationships with The Chase Manhattan Bank. The Chase Manhattan Bank also serves as trustee under other indentures pursuant to which securities of the Company and affiliates of the Company are outstanding.

Governing Law

The Subordinated Note Indenture and Junior Subordinated Notes will be governed by, and construed in accordance with, the internal laws of the State of New York.

Miscellaneous

The Company will have the right at all times to assign any of its rights or obligations under the Subordinated Note Indenture to a direct or indirect wholly-owned subsidiary of the Company; provided, that, in the event of any such assignment, the Company will remain primarily liable for all such obligations. Subject to the foregoing, the Subordinated Note Indenture will be binding upon and inure to the benefit of the parties thereto and their respective successors and assigns.

DESCRIPTION OF THE PREFERRED SECURITIES

Each Trust may issue only one series of Preferred Securities having terms described in the Prospectus Supplement relating thereto. The Trust Agreement of each Trust will authorize the Administrative Trustees, on behalf of the Trust, to issue the Preferred Securities of such Trust. The Preferred Securities of each Trust will have such terms, including distributions, redemption, voting, liquidation rights and such other preferred, deferral or other special rights or such restrictions as shall be set forth in the Trust Agreement of such Trust. Reference is made to the Prospectus Supplement relating to the Preferred Securities of a Trust for specific terms, including (i) the distinctive designation of such Preferred Securities; (ii) the number of Preferred Securities issued by such Trust; (iii) the annual distribution rate (or method of determining such rate) for Preferred Securities of such Trust and the date or dates on which such distributions shall be payable; (iv) whether distributions on such Preferred Securities shall be cumulative and, in the case of Preferred Securities having cumulative distribution rights, the date or dates, or method of determining the date or dates, from which distributions on such Preferred Securities shall be cumulative; (v) the amount or amounts that shall be paid out of the assets of such Trust to the holders of the Preferred Securities of such Trust upon voluntary or involuntary dissolution, winding-up or termination of such Trust; (vi) the obligation, if any, of such Trust to purchase or redeem such Preferred Securities and the price or prices at which, the period or periods within which, and the terms and conditions upon which such Preferred Securities shall be purchased or redeemed, in whole or in part, pursuant to such obligation; (vii) the voting rights, if any, of such Preferred Securities in addition to those required by law, including the number of votes per Preferred Security and any requirement for the approval by the holders of Preferred Securities as a condition to specified action or amendments to the Trust Agreement of such Trust; (viii) the rights, if any, to defer distributions on the Preferred Securities by extending the interest payment period on the related Junior Subordinated Notes; and (ix) any other relative rights, preferences, privileges, limitations or restrictions of such Preferred Securities not inconsistent with the Trust Agreement of such Trust or applicable law. All Preferred Securities offered hereby will be guaranteed by the Company to the extent set forth under "Description of the Guarantees." Any material United States federal income tax considerations applicable to an offering of Preferred Securities will be described in the Prospectus Supplement relating thereto.

DESCRIPTION OF THE GUARANTEES

Set forth below is a summary of information concerning the Guarantees that will be executed and delivered by the Company for the benefit of the holders of Preferred Securities of the respective Trusts from time to time. Each Guarantee will be qualified as an indenture under the 1939 Act. The Chase Manhattan Bank will act as indenture trustee under each Guarantee (the "Guarantee Trustee") for purposes of the 1939 Act. The terms of the respective Guarantees will be those set forth therein and those made part thereof by the 1939 Act. The following summary does not purport to be complete and is subject in all respects to the provisions of, and is qualified in its entirety by reference to, the Guarantees, the form of which is filed as an exhibit to the Registration Statement of which this Prospectus forms a part, and the 1939 Act. Each Guarantee will be held by the Guarantee Trustee for the benefit of holders of the Preferred Securities to which it relates.

General

Pursuant to each Guarantee, the Company will irrevocably and unconditionally agree, to the extent set forth therein, to pay in full, to the holders of the related Preferred Securities, the Guarantee Payments (as defined herein), to the extent not paid by, or on behalf of, the related Trust, regardless of any defense, right of set-off or counterclaim that the Company may have or assert against any person. The following payments or distributions with respect to the Preferred Securities of any Trust to the extent not paid or made by, or on behalf of, such Trust will be subject to the Guarantee related thereto (without duplication): (i) any accrued and unpaid distributions required to be paid on the Preferred Securities of such Trust but if and only if and to the extent that such Trust has funds legally and immediately available therefor, (ii) the redemption price, including all accrued and unpaid distributions to the date of redemption (the "Redemption Price"), with respect to any Preferred Securities called for redemption by such Trust, but if and only to the extent such Trust has funds legally and immediately available therefor, and (iii) upon a dissolution, winding-up or termination of such Trust (other than in connection with the distribution of Junior Subordinated Notes to the holders of Trust Securities of such Trust or the redemption of all of the Preferred Securities of such Trust), the lesser of (a) the aggregate of the liquidation amount and all accrued and unpaid distributions on the Preferred Securities of such Trust to the date of payment, to the extent such Trust has funds legally and immediately available therefor, and (b) the amount of assets of such Trust remaining available for distribution to holders of Preferred Securities of such Trust in liquidation of such Trust (the "Guarantee Payments"). The Company's obligation to make a Guarantee Payment may be satisfied by direct payment of the required amounts by the Company to the holders of the related Preferred Securities or by causing the related Trust to pay such amounts to such holders.

Each Guarantee will be a guarantee of the Guarantee Payments with respect to the related Preferred Securities from the time of issuance of such Preferred Securities, but will not apply to the payment of distributions and other payments on such Preferred Securities when the related Trust does not have sufficient funds legally and immediately available to make such distributions or other payments. **If the Company does not make interest payments on the Junior Subordinated Notes held by the Property Trustee under any Trust, such Trust will not make distributions on its Preferred Securities.**

Subordination

The Company's obligations under each Guarantee to make the Guarantee Payments will constitute an unsecured obligation of the Company and will rank (i) subordinate and junior in right of payment to all other liabilities of the Company, including the Junior Subordinated Notes, except those obligations or liabilities made *pari passu* or subordinate by their terms, (ii) *pari passu* with the most senior preferred or preference stock now or hereafter issued by the Company and with any guarantee now or hereafter entered into by the Company in respect of any preferred or preference securities of any affiliate of the Company, and (iii) senior to all common stock of the Company. The terms of the Preferred Securities will provide that each holder of Preferred Securities by acceptance thereof agrees to the subordination provisions and other terms of the Guarantee related thereto. The Company has outstanding preferred stock that ranks *pari passu* to the Guarantees and common stock that ranks junior to the Guarantees.

Each Guarantee will constitute a guarantee of payment and not of collection (that is, the guaranteed party may institute a legal proceeding directly against the guarantor to enforce its rights under the guarantee without first instituting a legal proceeding against any other person or entity).

Amendments and Assignment

Except with respect to any changes that do not materially and adversely affect the rights of holders of the related Preferred Securities (in which case no consent will be required), each Guarantee may be amended only with the prior approval of the holders of not less than 66⅔% in liquidation amount of such outstanding Preferred Securities. The manner of obtaining any such approval of holders of the Preferred Securities will be as set forth in an accompanying Prospectus Supplement. All guarantees and agreements contained in each Guarantee shall bind the successors, assigns, receivers, trustees and representatives of the Company and shall inure to the benefit of the holders of the related Preferred Securities then outstanding.

Termination

Each Guarantee will terminate and be of no further force and effect as to the related Preferred Securities upon full payment of the Redemption Price of all such Preferred Securities, upon distribution of Junior Subordinated Notes to the holders of such Preferred Securities, or upon full payment of the amounts payable upon liquidation of the related Trust. Each Guarantee will continue to be effective or will be reinstated, as the case may be, if at any time any holder of the related Preferred Securities must restore payment of any sums paid with respect to such Preferred Securities or under such Guarantee.

Events of Default

An event of default under each Guarantee will occur upon the failure by the Company to perform any of its payment obligations thereunder. The holders of a majority in liquidation amount of the Preferred Securities to which any Guarantee relates have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Guarantee Trustee in respect of such Guarantee or to direct the exercise of any trust or power conferred upon the Guarantee Trustee under such Guarantee. Any holder of the related Preferred Securities may institute a legal proceeding directly against the Company to enforce its rights under such Guarantee without first instituting a legal proceeding against the Guarantee Trustee or any other person or entity. The holders of a majority in liquidation amount of Preferred Securities of any series may, by vote, on behalf of the holders of all the Preferred Securities of such series, waive any past event of default and its consequences.

Information Concerning the Guarantee Trustee

The Guarantee Trustee, prior to the occurrence of any event of default with respect to any Guarantee and after the curing or waiving of all events of default with respect to such Guarantee, undertakes to perform only such duties as are specifically set forth in such Guarantee and, in case an event of default has occurred, shall exercise the same degree of care as a prudent individual would exercise in the conduct of his or her own affairs. Subject to such provisions, the Guarantee Trustee is under no obligation to exercise any of the powers vested in it by any Guarantee at the request of any holder of the related Preferred Securities, unless offered reasonable indemnity against the costs, expenses and liabilities which might be incurred thereby.

The Chase Manhattan Bank, the Guarantee Trustee, also serves as Property Trustee, as Senior Note Indenture Trustee and as Subordinated Note Indenture Trustee. The Company and certain of its affiliates maintain deposit accounts and banking relationships with The Chase Manhattan Bank. The Chase Manhattan Bank serves as trustee under other indentures pursuant to which securities of the Company and affiliates of the Company are outstanding.

Governing Law

Each Guarantee will be governed by, and construed in accordance with, the internal laws of the State of New York.

The Agreements as to Expenses and Liabilities

Pursuant to an Agreement as to Expenses and Liabilities to be entered into by the Company under each Trust Agreement, the Company will irrevocably and unconditionally guarantee to each person or entity to whom each Trust becomes indebted or liable the full payment of any indebtedness, expenses or liabilities of such Trust, other than obligations of such Trust to pay to the holders of the related Preferred Securities or other similar interests in such Trust the amounts due such holders pursuant to the terms of such Preferred Securities or such other similar interests, as the case may be.

RELATIONSHIP AMONG THE PREFERRED SECURITIES, THE JUNIOR SUBORDINATED NOTES AND THE GUARANTEES

As long as payments of interest and other payments are made when due on each series of Junior Subordinated Notes issued to a Trust, such payments will be sufficient to cover distributions and payments due on the related Trust Securities of such Trust primarily because (i) the aggregate principal amount of each series of Junior Subordinated Notes will be equal to the sum of the aggregate stated liquidation amount of the related Trust Securities; (ii) the interest rate and interest and other payment dates on each series of Junior Subordinated Notes will match the distribution rate and distribution and other payment dates for the related Preferred Securities; (iii) the Company shall pay for all costs and expenses of each Trust pursuant to the Agreements as to Expenses and Liabilities; and (iv) each Trust Agreement provides that the Securities Trustees thereunder shall not cause or permit the Trust to, among other things, engage in any activity that is not consistent with the purposes of the Trust.

Payments of distributions (to the extent funds therefor are legally and immediately available) and other payments due on the Preferred Securities (to the extent funds therefor are legally and immediately available) will be guaranteed by the Company as and to the extent set forth under "Description of the Guarantees." If the Company does not make interest payments on any series of Junior Subordinated Notes, it is not expected that the related Trust will have sufficient funds to pay distributions on its Preferred Securities. Each Guarantee is a guarantee from the time of its issuance, but does not apply to any payment of distributions unless and until the related Trust has sufficient funds legally and immediately available for the payment of such distributions.

If the Company fails to make interest or other payments on any series of Junior Subordinated Notes when due (taking into account any extension period as described in the applicable Prospectus Supplement), the Trust Agreement provides a mechanism whereby the holders of the related Preferred Securities may appoint a substitute Property Trustee. Such holders may also direct the Property Trustee to enforce its rights under the Junior Subordinated Notes of such series, including proceeding directly against the Company to enforce such Junior Subordinated Notes. If the Property Trustee fails to enforce its rights under any series of Junior Subordinated Notes, to the fullest extent permitted by applicable law, any holder of related Preferred Securities may institute a legal proceeding directly against the Company to enforce the Property Trustee's rights under such series of Junior Subordinated Notes without first instituting any legal proceeding against the Property Trustee or any other person or entity. Notwithstanding the foregoing, a holder of Preferred Securities may institute a legal proceeding directly against the Company, without first instituting a legal proceeding against the Property Trustee or any other person or entity, for enforcement of payment to such holder of principal of or interest on Junior Subordinated Notes of the related series having a principal amount equal to the aggregate stated liquidation amount of the Preferred Securities of such holder on or after the due dates specified in the Junior Subordinated Notes of such series.

If the Company fails to make payments under any Guarantee, such Guarantee provides a mechanism whereby the holders of the Preferred Securities to which such Guarantee relates may direct the Guarantee Trustee to enforce its rights thereunder. In addition, any holder of Preferred Securities may institute a legal proceeding directly against the Company to enforce the Guarantee Trustee's rights under the related Guarantee without first instituting a legal proceeding against the Guarantee Trustee or any other person or entity.

Each Guarantee, the Subordinated Note Indenture, the Junior Subordinated Notes of the related series, the related Trust Agreement and the related Agreement as to Expenses and Liabilities, as described above, constitute a full and unconditional guarantee by the Company of the payments due on the related series of Preferred Securities.

Upon any voluntary or involuntary dissolution, winding-up or termination of any Trust, unless Junior Subordinated Notes of the related series are distributed in connection therewith, the holders of Preferred Securities of such Trust will be entitled to receive, out of assets legally available for distribution to holders, a liquidation distribution in cash as described in the applicable Prospectus Supplement. Upon any voluntary or involuntary liquidation or bankruptcy of the Company, the Property Trustee, as holder of the related series of Junior Subordinated Notes, would be a subordinated creditor of the Company, subordinated in right of payment to all Senior Indebtedness, but entitled to receive payment in full of principal and interest, before any stockholders of the Company receive payments or distributions. Because the Company is guarantor under each Guarantee and has agreed to pay for all costs, expenses and liabilities of each Trust (other than the Trust's obligations to holders of the Preferred Securities) pursuant to the related Agreement as to Expenses and Liabilities, the positions of a holder of Preferred Securities and a holder of Junior Subordinated Notes of the related series relative to other creditors and to stockholders of the Company in the event of liquidation or bankruptcy of the Company would be substantially the same.

A default or event of default under any Senior Indebtedness would not constitute a default or Event of Default under the Subordinated Note Indenture. However, in the event of payment defaults under, or acceleration of, Senior Indebtedness, the subordination provisions of the Junior Subordinated Notes provide that no payments may be made in respect of the Junior Subordinated Notes until such Senior Indebtedness has been paid in full or any payment default thereunder has been cured or waived. Failure to make required payments on the Junior Subordinated Notes of any series would constitute an Event of Default under the Subordinated Note Indenture with respect to the Junior Subordinated Notes of such series except that failure to make interest payments on the Junior Subordinated Notes of such series will not be an Event of Default during an extension period as described in the applicable Prospectus Supplement.

PLAN OF DISTRIBUTION

The Company may sell the Senior Notes and the Junior Subordinated Notes and the Trusts may sell the Preferred Securities in one or more of the following ways from time to time: (i) to underwriters for resale to the public or to institutional investors; (ii) directly to institutional investors; or (iii) through agents to the public or to institutional investors. The Prospectus Supplement with respect to each series of Senior Notes, Junior Subordinated Notes or Preferred Securities will set forth the terms of the offering of such Senior Notes, Junior Subordinated Notes or Preferred Securities, including the name or names of any underwriters or agents, the purchase price of such Senior Notes, Junior Subordinated Notes or Preferred Securities and the proceeds to the Company or the applicable Trust from such sale, any underwriting discounts or agency fees and other items constituting underwriters' or agents' compensation, any initial public offering price, any discounts or concessions allowed or reallowed or paid to dealers and any securities exchange on which such Senior Notes, Junior Subordinated Notes or Preferred Securities may be listed.

If underwriters participate in the sale, such Senior Notes, Junior Subordinated Notes or Preferred Securities will be acquired by the underwriters for their own account and may be resold from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale.

Unless otherwise set forth in the Prospectus Supplement, the obligations of the underwriters to purchase any series of Senior Notes, Junior Subordinated Notes or Preferred Securities will be subject to certain conditions precedent and the underwriters will be obligated to purchase all of such series of Senior Notes, Junior Subordinated Notes or Preferred Securities, if any are purchased.

Underwriters and agents may be entitled under agreements entered into with the Company and/or the applicable Trust to indemnification against certain civil liabilities, including liabilities under the 1933 Act. Underwriters and agents may engage in transactions with, or perform services for, the Company in the ordinary course of business.

Each series of Senior Notes, Junior Subordinated Notes or Preferred Securities will be a new issue of securities and will have no established trading market. Any underwriters to whom Senior Notes, Junior Subordinated Notes or Preferred Securities are sold for public offering and sale may make a market in such Senior Notes, Junior Subordinated Notes or Preferred Securities, but such underwriters will not be obligated to do so and may discontinue any market making at any time without notice. The Senior Notes, Junior Subordinated Notes or Preferred Securities may or may not be listed on a national securities exchange.

LEGAL MATTERS

Certain matters of Delaware law relating to the validity of the Preferred Securities will be passed upon on behalf of the Company and the Trusts by Richards, Layton & Finger, Wilmington, Delaware, special Delaware counsel to the Company and the Trusts. The validity of the Senior Notes, the Junior Subordinated Notes, the Guarantees and certain matters relating thereto will be passed upon on behalf of the Company by Beggs & Lane, Pensacola, Florida, and by Troutman Sanders LLP, Atlanta, Georgia. Certain legal matters will be passed upon for the Underwriters by Dewey Ballantine LLP, New York, New York.

EXPERTS

The financial statements and schedules of the Company included in the Company's Annual Report on Form 10-K for the year ended December 31, 2000, incorporated by reference in this Prospectus, have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their reports with respect thereto, and are incorporated herein in reliance upon the authority of said firm as experts in accounting and auditing in giving said reports.

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$75,000,000

GULF POWER
A SOUTHERN COMPANY

Series D 6.10% Senior Notes due September 30, 2016

PROSPECTUS SUPPLEMENT

A.G. Edwards & Sons, Inc.
Edward D. Jones & Co., L.P.
Wachovia Securities, Inc.

October 5, 2001

BEGGS & LANE
A REGISTERED LIMITED LIABILITY PARTNERSHIP
ATTORNEYS AND COUNSELLORS AT LAW
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PENSACOLA, FLORIDA 32576-2950

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DAVID E. HIGHTOWER
WILLIAM H. MITCHEM
PETER J. MOUGEY
R. ANDREW KENT

W. SPENCER MITCHEM
ROBERT L. CRONGEYER
Of Counsel

E. DIXIE BEGGS
1908-2001

BERT H. LANE
1917-1981

October 18, 2001

A.G. Edwards & Sons, Inc.
Edward D. Jones & Co., L.P.
Wachovia Securities, Inc.

c/o A.G. Edwards & Sons, Inc.
One North Jefferson
St. Louis, Missouri 63103

GULF POWER COMPANY
SERIES D 6.10% SENIOR NOTES DUE SEPTEMBER 30, 2016

Ladies and Gentlemen:

We have acted as general counsel to Gulf Power Company (the "Company") in connection with (i) the Company's issuance and sale of $75,000,000 aggregate principal amount of its Series D 6.10% Senior Notes due September 30, 2016 (the "Notes") pursuant to the Senior Note Indenture dated as of January 1, 1998, by and between the Company and The Chase Manhattan Bank, as trustee (the "Trustee"), as heretofore supplemented and as further supplemented by the Fourth Supplemental Indenture dated as of October 18, 2001 (collectively, the "Indenture"); and (ii) the purchase by you of the Notes pursuant to the terms of an Underwriting Agreement dated October 5, 2001 (the "Underwriting Agreement"), among the Company and you. This opinion is being delivered to you pursuant to Section 5(c)(1) of the Underwriting Agreement.

All capitalized terms not otherwise defined herein shall have the meanings set forth in the Underwriting Agreement.

In rendering the opinions expressed below, we have examined the registration statement on Form S-3 (Nos. 333-59942, 333-59942-01 and 333-59942-02) pertaining to the Notes and certain other securities (the "Registration Statement") filed under the Securities Act of 1933, as amended (the "Act"), and the prospectus of the Company dated June 1, 2001, as supplemented by the prospectus supplement dated October 5, 2001 (the "Final Supplemented Prospectus"), which pursuant to Form S-3 incorporates by reference the Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 2000, the Quarterly Reports on Form 10-Q of the Company for the quarters ended March 31, 2001 and June 30, 2001 and the Current Reports

on Form 8-K of the Company dated February 28, 2001, July 31, 2001 and October 5, 2001 (the "Exchange Act Documents"), each as filed under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

In addition, we have examined, and have relied as to matters of fact upon, the documents delivered to you at the closing (except the certificate representing the Notes, of which we have examined a specimen), and we have made such other and further investigations as we deemed necessary to express the opinions hereinafter set forth. In such examination, we have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies, and the authenticity of the originals of such latter documents.

The Indenture and the Underwriting Agreement are herein referred to collectively as the "Agreements."

Based upon the foregoing, and subject to the qualifications and limitations stated herein, we are of the opinion, relying as to matters of Georgia law and the federal law of the United States upon the opinion dated the date hereof rendered to you by Troutman Sanders LLP and relying as to matters of New York law upon the opinion dated the date hereof rendered to you by Dewey Ballantine LLP, that:

1. The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Maine, is duly qualified to carry on its business as a foreign corporation in the States of Florida, Georgia and Mississippi and has due corporate authority to carry on the public utility business in which it is engaged, to own and operate the properties used by it in such business and to enter into and perform its obligations under the Agreements and the Notes.

2. The execution, delivery and performance by the Company of the Underwriting Agreement have been duly authorized by all necessary corporate action, and the Underwriting Agreement has been duly executed and delivered by the Company.

3. All orders, consents or other authorizations or approvals of the Florida Public Service Commission and the Commission legally required for the issuance and sale of the Notes have been obtained; such orders are sufficient for the issuance and sale of the Notes; the issuance and sale of the Notes conform in all material respects with the terms of such orders; and no other order, consent or other authorization or approval of any Florida or United States governmental body (other than in connection or in compliance with the provisions of the securities or "blue sky" laws of any jurisdiction, as to which we express no opinion) is legally required for the issuance and sale of the Notes in accordance with the terms of the Underwriting Agreement.

4. The Indenture has been duly authorized, executed and delivered by the Company and, assuming the due authorization, execution and delivery thereof by the Trustee, constitutes a valid and legally binding instrument of the Company, enforceable against the Company in accordance with its terms, subject to the qualifications that the enforceability of the Company's obligations under the Indenture may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); and the Indenture conforms as to legal matters in all material respects to the description thereof in the Final Supplemented Prospectus.

5. The Notes have been duly authorized and executed by the Company and, when authenticated by the Trustee in the manner provided in the Indenture and delivered to and paid for by you pursuant to the Underwriting Agreement, will constitute valid and binding obligations of the Company, enforceable against the Company in accordance with their terms, subject to the qualifications that the enforceability of the Company's obligations under the Notes may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); and the Notes conform as to legal matters in all material respects to the description thereof in the Final Supplemented Prospectus.

6. The Indenture has been duly qualified under the Trust Indenture Act of 1939, as amended.

We have not independently verified the accuracy, completeness or fairness of the statements made or included in the Registration Statement, the Final Supplemented Prospectus or the Exchange Act Documents and take no responsibility therefor, except as and to the extent set forth in paragraphs 4 and 5 above. In the course of the preparation by the Company of the Registration Statement, the Final Supplemented Prospectus and the Exchange Act Documents, we participated in conferences with certain officers and employees of the Company, with other counsel for the Company, with representatives of Arthur Andersen LLP and with your counsel. Based upon our examination of the Registration Statement, the Final Supplemented Prospectus and the Exchange Act Documents, our investigations made in connection with the preparation of the Registration Statement, the Final Supplemented Prospectus and the Exchange Act Documents and our participation in the conferences referred to above, (i) we are of the opinion that the Registration Statement, as of its effective date, and the Final Supplemented Prospectus, as of October 5, 2001, complied as to form in all material respects with the requirements of the Act and the applicable rules and regulations of the Commission thereunder and that the Exchange Act Documents, as of their respective dates of filing with the Commission, complied as to form in all material respects with the relevant requirements of the Exchange Act and the applicable rules and regulations of the Commission thereunder, except that in each case we express no opinion as to the financial statements or other financial or statistical data contained or

incorporated by reference in the Registration Statement, the Final Supplemented Prospectus or the Exchange Act Documents, and (ii) nothing came to our attention which gives us reason to believe that the Registration Statement, as of its effective date (including the Exchange Act Documents on file with the Commission as of such date), contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading, or that the Final Supplemented Prospectus (including the Exchange Act Documents) contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that in each case we express no opinion or belief with respect to the financial statements or other financial or statistical data contained or incorporated by reference in the Registration Statement, the Final Supplemented Prospectus or the Exchange Act Documents and with respect to information set forth in the Final Supplemented Prospectus under the captions "Description of the Series D Senior Notes – Book-Entry Only Issuance – The Depository Trust Company" and "The Policy and the Insurer" and in Appendix A thereto.

We are members of the State Bar of Florida and we do not express any opinion herein concerning any law other than the law of the States of Florida and Mississippi and, to the extent set forth herein, the laws of the States of Maine, Georgia and New York and the federal law of the United States.

This opinion is rendered to you in connection with the above-described transaction. This opinion may not be relied upon by you for any other purpose or relied upon by or furnished to any other person without our prior written consent, except that Troutman Sanders LLP and Dewey Ballantine LLP may rely on this opinion in giving their opinions pursuant to Section 5(c) of the Underwriting Agreement insofar as such opinions relate to matters of Florida and Mississippi law.

Very truly yours,

Beggs & Lane

BEGGS & LANE

TROUTMAN SANDERS LLP
ATTORNEYS AT LAW
A LIMITED LIABILITY PARTNERSHIP

1300 I STREET, N.W., SUITE 500 EAST
WASHINGTON, D.C. 20005-3314
TELEPHONE: 202-274-2950
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ATLANTA, GEORGIA 30308-2216
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TWO EXCHANGE SQUARE, SUITE 3503A
8 CONNAUGHT PLACE
CENTRAL, HONG KONG
TELEPHONE: 852-2533-7888
FACSIMILE: 852-2533-7898

October 18, 2001

A.G. Edwards & Sons, Inc.
Edward D. Jones & Co., L.P.
Wachovia Securities, Inc.

c/o A.G. Edwards & Sons, Inc.
One North Jefferson
St. Louis, Missouri 63103

GULF POWER COMPANY
SERIES D 6.10% SENIOR NOTES DUE SEPTEMBER 30, 2016

Ladies and Gentlemen:

We have acted as counsel to Gulf Power Company (the "Company") in connection with (i) the Company's issuance and sale of $75,000,000 aggregate principal amount of its Series D 6.10% Senior Notes due September 30, 2016 (the "Notes") pursuant to the Senior Note Indenture dated as of January 1, 1998, by and between the Company and The Chase Manhattan Bank, as trustee (the "Trustee"), as heretofore supplemented and as further supplemented by the Fourth Supplemental Indenture dated as of October 18, 2001 (collectively, the "Indenture"); and (ii) the purchase by you of the Notes pursuant to the terms of an Underwriting Agreement dated October 5, 2001 (the "Underwriting Agreement"), among the Company and you. This opinion is being delivered to you pursuant to Section 5(c)(2) of the Underwriting Agreement.

All capitalized terms not otherwise defined herein shall have the meanings set forth in the Underwriting Agreement.

In rendering the opinions expressed below, we have examined the registration statement on Form S-3 (Nos. 333-59942, 333-59942-01 and 333-59942-02) pertaining to the Notes and certain other securities (the "Registration Statement") filed under the Securities Act of 1933, as amended (the "Act"), and the prospectus of the Company dated June 1, 2001, as supplemented by the prospectus supplement dated October 5, 2001 (the "Final Supplemented Prospectus"), which pursuant to Form S-3 incorporates by reference the Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 2000, the Quarterly Reports on Form 10-Q of

the Company for the quarters ended March 31, 2001 and June 30, 2001 and the Current Reports on Form 8-K of the Company dated February 28, 2001, July 31, 2001 and October 5, 2001 (the "Exchange Act Documents"), each as filed under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

In addition, we have examined, and have relied as to matters of fact upon, the documents delivered to you at the closing (except the certificate representing the Notes, of which we have examined a specimen), and we have made such other and further investigations as we deemed necessary to express the opinions hereinafter set forth. In such examination, we have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies, and the authenticity of the originals of such latter documents.

The Indenture and the Underwriting Agreement are herein referred to collectively as the "Agreements."

Based upon the foregoing, and subject to the qualifications and limitations stated herein, we are of the opinion, relying as to matters of New York law upon the opinion dated the date hereof rendered to you by Dewey Ballantine LLP, and as to matters of Florida and Mississippi law upon the opinion dated the date hereof rendered to you by Beggs & Lane, a Registered Limited Liability Partnership ("Beggs & Lane"), that:

1. The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Maine, is duly qualified to carry on its business as a foreign corporation in the States of Florida, Georgia and Mississippi and has due corporate authority to carry on the public utility business in which it is engaged, to own and operate the properties used by it in such business and to enter into and perform its obligations under the Agreements and the Notes.

2. The execution, delivery and performance by the Company of the Underwriting Agreement have been duly authorized by all necessary corporate action, and the Underwriting Agreement has been duly executed and delivered by the Company.

3. All orders, consents or other authorizations or approvals of the Florida Public Service Commission and the Commission legally required for the issuance and sale of the Notes have been obtained; such orders are sufficient for the issuance and sale of the Notes; the issuance and sale of the Notes conform in all material respects with the terms of such orders; and no other order, consent or other authorization or approval of any Florida or United States governmental body (other than in connection or in compliance with the provisions of the securities or "blue sky" laws of any jurisdiction, as to which we express no opinion) is legally required for the issuance and sale of the Notes in accordance with the terms of the Underwriting Agreement.

4. The Indenture has been duly authorized, executed and delivered by the Company and, assuming the due authorization, execution and delivery thereof by the Trustee, constitutes a valid and legally binding instrument of the Company, enforceable against the Company in accordance with its terms, subject to the qualifications that the enforceability of the Company's obligations under the Indenture may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); and the Indenture conforms as to legal matters in all material respects to the description thereof in the Final Supplemented Prospectus.

5. The Notes have been duly authorized and executed by the Company and, when authenticated by the Trustee in the manner provided in the Indenture and delivered to and paid for by you pursuant to the Underwriting Agreement, will constitute valid and binding obligations of the Company, enforceable against the Company in accordance with their terms, subject to the qualifications that the enforceability of the Company's obligations under the Notes may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); and the Notes conform as to legal matters in all material respects to the description thereof in the Final Supplemented Prospectus.

6. The Indenture has been duly qualified under the Trust Indenture Act of 1939, as amended.

We have not independently verified the accuracy, completeness or fairness of the statements made or included in the Registration Statement, the Final Supplemented Prospectus or the Exchange Act Documents and take no responsibility therefor, except as and to the extent set forth in paragraphs 4 and 5 above. In the course of the preparation by the Company of the Registration Statement, the Final Supplemented Prospectus and the Exchange Act Documents, we participated in conferences with certain officers and employees of the Company, with other counsel for the Company, with representatives of Arthur Andersen LLP and with your counsel. Based upon our examination of the Registration Statement, the Final Supplemented Prospectus and the Exchange Act Documents, our investigations made in connection with the preparation of the Registration Statement, the Final Supplemented Prospectus and the Exchange Act Documents and our participation in the conferences referred to above, (i) we are of the opinion that the Registration Statement, as of its effective date, and the Final Supplemented Prospectus, as of October 5, 2001, complied as to form in all material respects with the requirements of the Act and the applicable rules and regulations of the Commission thereunder and that the Exchange Act Documents, as of their respective dates of filing with the Commission, complied as to form in all material respects with the relevant requirements of the Exchange Act and the applicable rules and regulations of the Commission thereunder, except that in each case we express no

opinion as to the financial statements or other financial or statistical data contained or incorporated by reference in the Registration Statement, the Final Supplemented Prospectus or the Exchange Act Documents, and (ii) nothing came to our attention which gives us reason to believe that the Registration Statement, as of its effective date (including the Exchange Act Documents on file with the Commission as of such date), contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading, or that the Final Supplemented Prospectus (including the Exchange Act Documents) contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that in each case we express no opinion or belief with respect to the financial statements or other financial or statistical data contained or incorporated by reference in the Registration Statement, the Final Supplemented Prospectus or the Exchange Act Documents and with respect to information set forth in the Final Supplemented Prospectus under the captions "Description of the Series D Senior Notes – Book-Entry Only Issuance – The Depository Trust Company" and "The Policy and the Insurer" or in Appendix A thereto.

We are members of the State Bar of Georgia and we do not express any opinion herein concerning any law other than the law of the State of Georgia and the federal law of the United States and, to the extent set forth herein, the laws of the States of Florida, Maine, Mississippi and New York.

This opinion is rendered to you in connection with the above-described transaction. This opinion may not be relied upon by you for any other purpose or relied upon by or furnished to any other person without our prior written consent, except that Beggs & Lane may rely on this opinion in giving its opinion pursuant to Section 5(c) of the Underwriting Agreement insofar as such opinion relates to matters of Georgia law and the federal law of the United States and Dewey Ballantine LLP may rely on this opinion in giving its opinion pursuant to Section 5(c) of the Underwriting Agreement insofar as such opinion relates to matters of Georgia law.

Very truly yours,

Troutman Sanders LLP

TROUTMAN SANDERS LLP

File No. 70-9171

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM U-1
APPLICATION OR DECLARATION
under
The Public Utility Holding Company Act of 1935

GULF POWER COMPANY
500 Bayfront Parkway
Pensacola, Florida 32501

MISSISSIPPI POWER COMPANY
2992 West Beach
Gulfport, Mississippi 39501

(Name of company or companies filing this statement
and addresses of principal executive offices)

THE SOUTHERN COMPANY

(Name of top registered holding company parent of each
applicant or declarant)

Warren E. Tate, Secretary and Treasurer
Gulf Power Company
500 Bayfront Parkway
Pensacola, Florida 32501

Michael W. Southern, Vice President,
Secretary, Treasurer and
Chief Financial Officer
Mississippi Power Company
2992 West Beach
Gulfport, Mississippi 39501

(Names and addresses of agents for service)

The Commission is requested to mail signed copies of all orders,
notices and communications to:

W. L. Westbrook
Financial Vice President
The Southern Company
270 Peachtree Street, N.W.
Atlanta, Georgia 30303

John D. McLanahan, Esq.
Troutman Sanders LLP
600 Peachtree Street, N.E., Suite 5200
Atlanta, Georgia 30308

ITEM 1. DESCRIPTION OF PROPOSED TRANSACTION.

Gulf Power Company ("Gulf") and Mississippi Power Company ("Mississippi") are wholly-owned subsidiaries of The Southern Company ("Southern"), a registered holding company under the Public Utility Holding Company Act of 1935, as amended (the "Act"). Gulf and Mississippi are sometimes hereinafter referred to individually as an "Applicant" and collectively as the "Applicants." Each of Gulf and Mississippi proposes to issue and sell at any time or from time to time in one or more series through March 31, 2003 up to $350 million and $400 million, respectively, aggregate principal amount of its senior debentures, senior promissory notes or other senior debt instruments (individually, a "Senior Note" and collectively, the "Senior Notes") governed by an indenture or other document. Each Applicant requests authority to issue and sell Senior Notes pursuant to the authority requested herein without additional prior Securities and Exchange Commission (the "Commission") approval if the Applicant is within the parameters discussed below under the heading "Parameters of Authorization." The provisions of each series of Senior Notes and related instruments would be determined at the time of the sale of such series of Senior Notes.

The proceeds from the issuance and sale of Senior Notes by the Applicants will be added to their respective treasuries and subsequently used principally (i) to finance capital expenditures, (ii) to acquire, retire or redeem securities of which the respective Applicant is the issuer, (iii) to repay outstanding short-term borrowings, (iv) to provide working capital and/or (v) for other general corporate purposes.

Parameters of Authorization

The Applicants request authority to issue Senior Notes for which the specific terms and conditions are not currently known, subject to the following parameters:

Effective Cost of Money on Senior Notes. The effective cost of money on Senior Notes issued pursuant to this application-declaration (this "Application") will not exceed the greater of (i) 300 basis points over comparable term U.S. Treasury securities, or (ii) a gross spread over such Treasury securities which is consistent with comparable securities.

Maturity of Senior Notes. The maturity of the Senior Notes will not exceed approximately 50 years.

Interest. The interest rate on each issue of Senior Notes may be either a fixed rate or an adjustable rate to be determined on a periodic basis by auction or remarketing procedures, in accordance with formula or formulae based upon certain reference rates, or by other predetermined methods.

Ranking. The Senior Notes will be direct, unsecured and unsubordinated obligations of the respective Applicants ranking pari passu with all other unsecured and unsubordinated obligations of the Applicants. The Senior Notes of each Applicant will be effectively subordinated to all secured debt of such Applicant, including its first mortgage bonds.

Issuance Expenses. The underwriting fees, commissions, or other similar expenses paid in connection with the issue, sale or distribution of the Senior Notes of each series pursuant to this Application will not exceed 5% of the aggregate principal amount of such series.

Description of Senior Notes

The Applicants request authority to sell Senior Notes covered by this Application in any of the following ways: (i) through underwriters or dealers; (ii) directly to a limited number of purchasers or to a single purchaser, or (iii) through agents or dealers. If underwriters are used in the sale of the Senior Notes, such Senior Notes will be acquired by the underwriters for their own account and may be resold from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale. The Senior Notes may be offered to the public either through underwriting syndicates (which may be represented by managing underwriters) or directly by one or more underwriters acting alone. The Senior Notes may be sold directly by an Applicant or through agents designated from time to time. If dealers are used in the sale of any Senior Notes, such Senior Notes will be sold to the dealers as principal. Any dealer may then resell such Senior Notes to the public at varying prices to be determined by such dealer at the time of resale.

Senior Notes may be sold pursuant to "delayed delivery contracts" which permit the underwriters to locate buyers who will agree to buy the Senior Notes at the same price but at a later date than the date of the closing of the sale to the underwriters. Senior Notes may also be sold through the use of medium-term note and similar programs, including in transactions covered by Rule 144A under the Securities Act of 1933, as amended.

Any Senior Notes would have such designations, aggregate principal amount, maturity, interest rate(s) or methods of determining the same, interest payment terms, redemption provisions, non-refunding provisions, sinking fund terms, conversion or put terms and other terms and conditions as the Applicants may determine at the time of issuance.

ITEM 2. FEES, COMMISSIONS AND EXPENSES.

The estimated fees and expenses to be incurred by Gulf in connection herewith are as follows:

	Initial Issuance	Each Additional Issuance
*Florida Documentary Stamp Tax	$ 1,225,000	$ —
*Filing fees - Securities and Exchange Commission	103,250	—
Fees and Expenses of Trustees	9,500	9,500
*Listing on New York Stock Exchange	79,300	—
Printing charges	40,000	10,000
Rating Agency Fees	59,250	27,500
Services of Southern Company Services, Inc.	40,000	10,000
Fees and Expenses of counsel	65,000	35,000
Blue sky fees and expenses	3,500	3,500
Fees of accountants, Arthur Andersen LLP	40,000	20,000
Miscellaneous	15,200	4,500
TOTAL	$1,680,000	$120,000

*These categories of expenses are a function of the amount of issuance.

The estimated fees and expenses to be incurred by Mississippi in connection herewith are as follows:

	Initial Issuance	Each Additional Issuance
*Filing fees - Securities and Exchange Commission	$ 118,000	$ —
Fees and Expenses of Trustees	17,000	17,000
*Listing on New York Stock Exchange	86,300	—
Printing charges	40,000	10,000
Rating Agency Fees	98,500	27,500
Services of Southern Company Services, Inc.	40,000	10,000
Fees and Expenses of counsel	65,000	35,000
Blue sky fees and expenses	3,500	3,500
Fees of accountants, Arthur Andersen LLP	40,000	20,000
Miscellaneous	11,700	7,000
TOTAL	$520,000	$130,000

*These categories of expenses are a function of the amount of issuance.

ITEM 3. APPLICABLE STATUTORY PROVISIONS.

Sections 6(a) and 7 of the Act and Rules 24 and 54 thereunder are applicable to the proposed transactions.

Rule 54 Analysis: The proposed transaction is also subject to Rule 54, which provides that, in determining whether to approve an application which does not relate to any "exempt wholesale generator" ("EWG") or "foreign utility company" ("FUCO"), the Commission shall not consider the effect of the capitalization or earnings of any such EWG or FUCO which is a subsidiary of a registered holding company if the requirements of Rule 53(a), (b) and (c) are satisfied.

Southern currently meets all of the conditions of Rule 53(a), except for clause (1). At January 31, 1998, Southern's "aggregate investment," as defined in Rule 53(a)(1), in EWGs and

FUCOs was approximately $2.899 billion, or about 76.82% of Southern's "consolidated retained earnings," also as defined in Rule 53(a)(1), for the four quarters ended September 30, 1997 ($3,774 million). With respect to Rule 53(a)(1), however, the Commission has determined that Southern's financing of investments in EWGs and FUCOs in an amount greater than the amount that would otherwise be allowed by Rule 53(a)(1) would not have either of the adverse effects set forth in Rule 53(c). See The Southern Company, Holding Company Act Release No. 16501, dated April 1, 1996 (the "Rule 53(c) Order"); and Holding Company Act Release No. 26646, dated January 15, 1997 (order denying request for reconsideration and motion to stay).

In addition, Southern has complied and will continue to comply with the record-keeping requirements of Rule 53(a)(2), the limitation under Rule 53(a)(3) on the use of operating company personnel to render services to EWGs and FUCOs, and the requirements of Rule 53(a)(4) concerning the submission of copies of certain filings under the Act to retail rate regulatory commissions. Further, none of the circumstances described in Rule 53(b) has occurred.

Moreover, even if the effect of the capitalization and earnings of EWGs and FUCOs in which Southern has an ownership interest upon the Southern holding company system were considered, there is no basis for the Commission to withhold or deny approval for the proposal made in this Application. The action requested in the instant filing (*viz.* issuance of Senior Notes by Gulf and Mississippi) would not, by itself, or even considered in conjunction with the effect of the capitalization and earnings of Southern's EWGs and FUCOs, have a material adverse effect on the financial integrity of the Southern system, or an adverse impact on Southern's public-utility

subsidiaries, their customers, or the ability of State commissions to protect such public-utility customers.

The Rule 53(c) Order was predicated, in part, upon an assessment of Southern's overall financial condition which took into account, among other factors, Southern's consolidated capitalization ratio and the recent growth trend in Southern's retained earnings. As of December 31, 1995, the most recent fiscal year preceding the Rule 53(c) Order, Southern's consolidated capitalization consisted of 49.3% equity (including mandatorily redeemable preferred securities) and 50.7% debt (including $1.68 billion of long-term, non-recourse debt and short-term debt related to EWGs and FUCOs). As of year-end 1996, that ratio was 52.9% equity and 47.1% debt (including $1.74 billion of long-term, non-recourse debt and short-term debt related to EWGs and FUCOs); and as of September 30, 1997, the comparable ratio was 48.9% equity and 51.1% debt (including $4.354 billion of long-term, non-recourse debt and short-term debt related to EWGs and FUCOs). On a *pro forma* basis, taking into consideration, among other things, the transactions contemplated hereby such ratios are 48.6% and 51.4%, respectively, for equity and debt. The common equity component of Southern's pro forma consolidated capitalization represents 35.6% of total capitalization at September 30, 1997. Thus, since the date of the Rule 53(c) Order, there has been no material change in Southern's consolidated capitalization ratio, which remains within acceptable ranges and limits of rating agencies as evident by the continued "A" corporate credit rating of Southern. Specifically, in January 1997 Standard & Poor's assigned Southern its corporate credit rating of "A" which was consistent with the implied corporate rating previously held by Southern. This implied rating had been in effect since May 1995. Therefore, since the April 1996 issue of the Rule 53(c) Order, the Southern consolidated

credit rating has remained at "A" thereby demonstrating Southern's continued strong financial integrity. In addition, the underlying ratings of the affiliated operating companies, which have a strong influence on the Southern corporate rating, are all "A+". As a point of reference, the consolidated pro forma percentage of debt in the total capital structure of the Southern domestic operating utility companies is 42.6%, which is solidly below the median total debt ratio of the Standard & Poor's "A" rated vertically integrated utilities.[1]

Southern's consolidated retained earnings grew on average approximately 8.8% per year from 1991 through 1995. In 1996, consolidated retained earnings increased $280,365,000, or slightly more than 8%. The small reduction in the rate of earnings growth was primarily attributable to reduced domestic utility sales due to mild weather conditions throughout most of 1996 in the southeastern United States. Earnings attributable to Southern's investments in EWGs and FUCOs continued to contribute modestly to consolidated retained earnings.

Accordingly, since the date of the Rule 53(c) Order, the capitalization and earnings attributable to Southern's investments in EWGs and FUCOs has not had any adverse impact on Southern's financial integrity.

Reference is made to Exhibit H filed herewith which reflects capitalization at September 30, 1997 and the Statement of Income for the twelve months ended September 30, 1997 for Southern and subsidiaries consolidated.

---

[1] Currently, capitalization ratios, including short-term debt, for "A" rated vertically integrated electric utilities have a median total debt to total capital ratio of 45% as noted by Standard & Poor's in May 1997 for companies rated both publicly and confidentially. Prior to issuing this rating standard, the Standard & Poor's total debt to total capital benchmark for an "A" rated vertically integrated investor-owned-utility having an average business position was 47%.

ITEM 4. REGULATORY APPROVAL.

A. The issuance of any series of Senior Notes by Gulf has been or will be authorized by the Florida Public Service Commission.

B. No other state commission (except as aforesaid) has jurisdiction with respect to the subject transactions and no federal commission other than the Commission has jurisdiction with respect thereto.

ITEM 5. PROCEDURE.

It is hereby requested that the Commission's order be issued as soon as the rules allow, and that there be no thirty-day waiting period between the issuance of the Commission's order and the date on which it is to become effective. The Applicants hereby waive a recommended decision by a hearing officer or other responsible officer of the Commission and hereby consent that the Division of Investment Management may assist in the preparation of the Commission's decision and/or orders in this matter unless the Division opposes the matters covered hereby.

ITEM 6. EXHIBITS AND FINANCIAL STATEMENTS.

(a) Exhibits:

Exhibit B-1	Form of Gulf Senior Note Indenture (Designated in Registration No. 333-42033 as Exhibit 4.1).
Exhibit B-2	Form of Mississippi Senior Note Indenture (Designated in Registration No. 333-45069 as Exhibit 4.1).
Exhibit B-3	Form of Gulf Senior Note (included in Exhibit B-1 above).
Exhibit B-4	Form of Mississippi Senior Note (included in Exhibit B-2 above).

Exhibit C-1 Gulf Registration Statement under the Securities Act of 1933. (Filed electronically December 11, 1997, File Nos. 333-42033, 333-42033-01 and 333-42033-02.).

Exhibit C-2 Mississippi Registration Statement under the Securities Act of 1933. (Filed electronically January 28, 1998, File Nos. 333-45069, 333-45069-01 and 333-45069-02.).

Exhibit F-1 Opinion of Beggs & Lane, counsel for Gulf (to be filed by amendment).

Exhibit F-2 Opinion of Eaton and Cottrell, P.A., counsel for Mississippi (to be filed by amendment).

Exhibit G Proposed form of notice.

Exhibit H Capitalization and Income Statement of The Southern Company and Subsidiary Companies after giving effect to the issuance of the Senior Notes.

(b) Financial Statements:

Balance sheet of each Applicant at September 30, 1997. (Designated in each Applicant's Form 10-Q for the quarter ended September 30, 1997, File Nos. 0-2429 and 0-6849.)

Statements of Income of each Applicant for the period ended September 30, 1997. (Designated in each Applicant's Form 10-Q for the quarter ended September 30, 1997, File Nos. 0-2429 and 0-6849.)

Since September 30, 1997, there have been no material adverse changes, not in the ordinary course of business, in the financial condition of the Applicants from that set forth in or contemplated by the foregoing financial statements.

ITEM 7. INFORMATION AS TO ENVIRONMENTAL EFFECTS.

A. As described in Item 1, the proposed transactions are of a routine and strictly financial nature in the ordinary course of the Applicants' businesses. Accordingly, the Commission's action in this matter will not constitute any major federal action significantly affecting the quality of the human environment.

B. No other federal agency has prepared or is preparing an environmental impact statement with respect to the proposed transactions.

SIGNATURES

Pursuant to the requirements of the Public Utility Holding Company Act of 1935, the undersigned companies have duly caused this statement to be signed on their behalf by the undersigned thereunto duly authorized.

Date: February 6, 1998

GULF POWER COMPANY

By _____
Wayne Boston
Assistant Secretary

MISSISSIPPI POWER COMPANY

By _____
Wayne Boston
Assistant Secretary

File No. 70-9171

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Amendment No. 1
to
FORM U-1
APPLICATION OR DECLARATION
under
The Public Utility Holding Company Act of 1935

GULF POWER COMPANY
500 Bayfront Parkway
Pensacola, Florida 32501

MISSISSIPPI POWER COMPANY
2992 West Beach
Gulfport, Mississippi 39501

(Name of company or companies filing this statement
and addresses of principal executive offices)

THE SOUTHERN COMPANY

(Name of top registered holding company parent of each
applicant or declarant)

Warren E. Tate, Secretary and Treasurer
Gulf Power Company
500 Bayfront Parkway
Pensacola, Florida 32501

Michael W. Southern, Vice President,
Secretary, Treasurer and
Chief Financial Officer
Mississippi Power Company
2992 West Beach
Gulfport, Mississippi 39501

(Names and addresses of agents for service)

The Commission is requested to mail signed copies of all orders,
notices and communications to:

W. L. Westbrook
Financial Vice President
The Southern Company
270 Peachtree Street, N.W.
Atlanta, Georgia 30303

John D. McLanahan, Esq.
Troutman Sanders LLP
600 Peachtree Street, N.E., Suite 5200
Atlanta, Georgia 30308

Item 3. Applicable Statutory Provisions.

Rule 54 Analysis. The proposed transaction is also subject to Rule 54, which provides that, in determining whether to approve an application which does not relate to any "exempt wholesale generator" ("EWG") or "foreign utility company" ("FUCO"), the Commission shall not consider the effect of the capitalization or earnings of any such EWG or FUCO which is a subsidiary of a registered holding company if the requirements of Rule 53(a), (b) and (c) are satisfied.

Southern currently meets all of the conditions of Rule 53(a), except for clause (1). At March 31, 1998, Southern's "aggregate investment," as defined in Rule 53(a)(1), in EWGs and FUCOs was approximately $2.947 billion, or about 77.70% of Southern's "consolidated retained earnings," also as defined in Rule 53(a)(1), for the four quarters ended December 31, 1997 ($3,793 million). With respect to Rule 53(a)(1), however, the Commission has determined that Southern's financing of investments in EWGs and FUCOs in an amount greater than the amount that would otherwise be allowed by Rule 53(a)(1) would not have either of the adverse effects set forth in Rule 53(c). See *The Southern Company*, Holding Company Act Release No. 16501, dated April 1, 1996 (the "Rule 53(c) Order"); and Holding Company Act Release No. 26646, dated January 15, 1997 (order denying request for reconsideration and motion to stay).

In addition, Southern has complied and will continue to comply with the record-keeping requirements of Rule 53(a)(2), the limitation under Rule 53(a)(3) on the use of Operating Company personnel to render services to EWGs and FUCOs, and the

requirements of Rule 53(a)(4) concerning the submission of copies of certain filings under the Act to retail rate regulatory commissions. Further, none of the circumstances described in Rule 53(b) has occurred.

Moreover, even if the effect of the capitalization and earnings of EWGs and FUCOs in which Southern has an ownership interest upon the Southern holding company system were considered, there is no basis for the Commission to withhold or deny approval for the proposal made in this Application-Declaration. The action requested in the instant filing (*viz.* issuance of Senior Notes by Gulf and Mississippi) would not, by itself, or even considered in conjunction with the effect of the capitalization and earnings of Southern's EWGs and FUCOs, have a material adverse effect on the financial integrity of the Southern system, or an adverse impact on Southern's public-utility subsidiaries, their customers, or the ability of State commissions to protect such public-utility customers.

The Rule 53(c) Order was predicated, in part, upon an assessment of Southern's overall financial condition which took into account, among other factors, Southern's consolidated capitalization ratio and the recent growth trend in Southern's retained earnings. As of December 31, 1995, the most recent fiscal year preceding the Rule 53(c) Order, Southern's consolidated capitalization consisted of 49.3% equity (including mandatorily redeemable preferred securities) and 50.7% debt (including $1.68 billion of long-term, non-recourse debt and short-term debt related to EWGs and FUCOs). As of year-end 1997, that ratio was 47.5% equity and 52.5% debt (including $4.593 billion of long-term, non-recourse debt and short-term debt related to EWGs

and FUCOs). On a *pro forma* basis, taking into consideration, among other things, the transactions contemplated hereby such ratios are 47.5% and 52.5%, respectively, for equity and debt. The common equity component of Southern's pro forma consolidated capitalization represents 35.1% of total capitalization at December 31, 1997. Thus, since the date of the Rule 53(c) Order, there has been no material change in Southern's consolidated capitalization ratio, which remains within acceptable ranges and limits of rating agencies as evident by the continued "A" corporate credit rating of Southern. Specifically, in January 1997 Standard & Poor's assigned Southern its corporate credit rating of "A" which was consistent with the implied corporate rating previously held by Southern. This implied rating had been in effect since May 1995. Therefore, since the April 1996 issue of the Rule 53(c) Order, the Southern consolidated credit rating has remained at "A" thereby demonstrating Southern's continued strong financial integrity. In addition, the underlying ratings of the affiliated operating companies, which have a strong influence on the Southern corporate rating, are all "A+". As a point of reference, the pro forma percentage of debt in the total capital structure of the Southern domestic operating utility companies is 45.1%, which is at the median total debt ratio of the Standard & Poor's "A" rated vertically integrated utilities.[1]

Southern's consolidated retained earnings grew on average approximately 8.6% per year from 1992 through 1996. In 1997, consolidated retained earnings increased

---

[1] Currently, capitalization ratios, including short-term debt, for "A" rated vertically integrated electric utilities have a median total debt to total capital ratio of 45% as noted by Standard & Poor's in May 1997 for companies rated both publicly and confidentially. Prior to issuing this rating standard, the Standard & Poor's total debt to total capital benchmark for an "A" rated vertically integrated investor-owned-utility having an average business position was 47%.

approximately $78,148,000, or slightly more than 2%. The reduction in the rate of earnings growth in 1997 was primarily due to a $111 million windfall profits tax assessed against South Western Electricity in the United Kingdom. Excluding the impact of such tax, earnings attributable to Southern's investments in EWGs and FUCOs continued to contribute modestly to consolidated retained earnings.

Accordingly, since the date of the Rule 53(c) Order, the capitalization and earnings attributable to Southern's investments in EWGs and FUCOs has not had any adverse impact on Southern's financial integrity.

Reference is made to Exhibit H filed herewith which reflects capitalization at December 31, 1997 and the Statement of Income for the year ended December 31, 1997 for Southern and subsidiaries consolidated.

Item 6. Exhibits and Financial Statements.

(a) Exhibits:

F-1	Opinion of Beggs & Lane, counsel for Gulf.
F-2	Opinion of Eaton and Cottrell, P.A., counsel for Mississippi.
H	Capitalization and Income Statement of The Southern Company and Subsidiary Companies after giving effect to the issuance of the Senior Notes.

(b) Financial Statements:

Balance sheet of each Applicant at December 31, 1997. (Designated in each Applicant's Form 10-K for the year ended December 31, 1997, File Nos. 0-2429 and 0-6849.)

Statements of Income of each Applicant for the period ended December 31, 1997. (Designated in each Applicant's Form 10-K for the year ended December 31, 1997, File Nos. 0-2429 and 0-6849.)

Since December 31, 1997, there have been no material adverse changes, not in the ordinary course of business, in the financial condition of the Applicants from that set forth in or contemplated by the foregoing financial statements.

SIGNATURES

Pursuant to the requirements of the Public Utility Holding Company Act of 1935, the undersigned companies have duly caused this amendment to be signed on their behalf by the undersigned thereunto duly authorized.

Date: April 14, 1998

GULF POWER COMPANY

By _____
Wayne Boston
Assistant Secretary

MISSISSIPPI POWER COMPANY

By _____
Wayne Boston
Assistant Secretary

File No. 70-9171

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Amendment No. 2
to
FORM U-1
APPLICATION OR DECLARATION
under
The Public Utility Holding Company Act of 1935

GULF POWER COMPANY
500 Bayfront Parkway
Pensacola, Florida 32501

MISSISSIPPI POWER COMPANY
2992 West Beach
Gulfport, Mississippi 39501

(Name of company or companies filing this statement
and addresses of principal executive offices)

THE SOUTHERN COMPANY

(Name of top registered holding company parent of each
applicant or declarant)

Warren E. Tate, Secretary and Treasurer
Gulf Power Company
500 Bayfront Parkway
Pensacola, Florida 32501

Michael W. Southern, Vice President,
Secretary, Treasurer and
Chief Financial Officer
Mississippi Power Company
2992 West Beach
Gulfport, Mississippi 39501

(Names and addresses of agents for service)

The Commission is requested to mail signed copies of all orders,
notices and communications to:

W. L. Westbrook
Financial Vice President
The Southern Company
270 Peachtree Street, N.W.
Atlanta, Georgia 30303

John D. McLanahan, Esq.
Troutman Sanders LLP
600 Peachtree Street, N.E., Suite 5200
Atlanta, Georgia 30308

Item 3. Applicable Statutory Provisions.

Rule 54 Analysis as amended by Amendment No. 1 hereto is hereby amended by adding the following sentence to the sixth paragraph thereto:

"The total windfall profits tax for South Western Electricity was $148 million; however, the $111 million only reflects Southern's 75% ownership."

SIGNATURES

Pursuant to the requirements of the Public Utility Holding Company Act of 1935, the undersigned companies have duly caused this amendment to be signed on their behalf by the undersigned thereunto duly authorized.

Date: May 12, 1998

GULF POWER COMPANY

By _____
Wayne Boston
Assistant Secretary

MISSISSIPPI POWER COMPANY

By _____
Wayne Boston
Assistant Secretary

CERTIFICATE OF NOTIFICATION

Filed by

GULF POWER COMPANY

Pursuant to order of the Securities and Exchange Commission dated May 14, 1998 in the matter of File No. 70-9171.

Gulf Power Company (the "Company") hereby certifies to said Commission, pursuant to Rule 24, as follows:

1. On October 18, 2001, the issuance by the Company of $75,000,000 aggregate principal amount of its Series D 6.10% Senior Notes due September 30, 2016 (the "Series D Notes"), pursuant to the Fourth Supplemental Indenture dated as of October 18, 2001, supplementing the Senior Note Indenture dated as of January 1, 1998 between the Company and The Chase Manhattan Bank, as Trustee, was carried out in accordance with the terms and conditions of and for the purposes represented by the application, as amended, and of said order with respect thereto.

2. Filed herewith are the following exhibits:

Exhibit A — Prospectus supplement with respect to the Series D Notes, dated October 5, 2001. (Filed electronically October 9, 2001, in File Nos. 333-59942, 333-59942-01 and 333-59942-02.)

Exhibit B — Underwriting Agreement with respect to the Series D Notes dated October 5, 2001. (Designated in Form 8-K dated October 5, 2001 as Exhibit 1.)

Exhibit C — Fourth Supplemental Indenture dated as of October 18, 2001 to the Senior Note Indenture dated as of January 1, 1998 between the Company and The Chase Manhattan Bank, as Trustee. (Designated in Form 8-K dated October 5, 2001, as Exhibit 4.2.)

Exhibit D — Opinion of Beggs & Lane, a Registered Limited Liability Partnership, dated October 29, 2001.

Dated October 29, 2001

GULF POWER COMPANY

By_____
Wayne Boston
Assistant Secretary

Description of Holder

$75,000,000 6.10% Series D Senior Notes

Name of Underwriters	Principal Amount of Notes
A. G. Edwards & Sons, Inc. One North Jefferson St. Louis, Missouri 63103	$25,000,000
Edward D. Jones & Co., L.P. c/o A. G. Edwards & Sons, Inc. One North Jefferson St. Louis, Missouri 63103	$25,000,000
Wachovia Securities c/o A. G. Edwards & Sons, Inc. One North Jefferson St. Louis, Missouri 63103	$25,000,000

Underwriters Fees: $1,762,500,000

GULF POWER COMPANY
Summary of Debt Expenses in Conjunction with the
Issuance and Sale of $75,000,000 Principal Amount
Series D 6.10% Insured Senior Notes Due 2016

Item Number	Issuance Expenses For:	Amount $
1	Charges of Trustee (Including Counsel)	$3,000.00
2	Shelf Registration-Securities & Exchange Commission	30,624.42
3	Printing and Preparation of Registration Statement, Financial Statements, Prospectus, Competitive Bidding Papers, Supplemental Indenture, etc.	10,845.45
4	Fees and Expenses of Counsel	22,362.49
5	Fees of Accountants	24,000.00
6	Rating Fees	24,455.00
7	Expenses of Southern Company Services, Inc.	4,563.50
8	Miscellaneous Expenses	351.19
	Total Expenses of Issue	$120,202.05
	Unamortized Discount Expense	1,762,500.00
	Total Cost of Issue	$ 1,882,702.05

TRUST AGREEMENT

THIS TRUST AGREEMENT is made as of November 26, 1997, by and between Gulf Power Company, a Maine corporation, as Depositor (the "Depositor"), and Chase Manhattan Bank Delaware, duly organized and existing in the State of Delaware, as Trustee (the "Trustee"). The Depositor and the Trustee hereby agree as follows:

1. The trust created hereby shall be known as "Gulf Power Capital Trust III", in which name the Trustee, or the Depositor to the extent provided herein, may conduct the business of the Trust, make and execute contracts, and sue and be sued.

2. The Depositor hereby assigns, transfers, conveys and sets over to the Trustee the sum of $10. The Trustee hereby acknowledges receipt of such amount in trust from the Depositor, which amount shall constitute the initial trust estate. The Trustee hereby declares that it will hold the trust estate in trust for the Depositor. It is the intention of the parties hereto that the Trust created hereby constitute a business trust under Chapter 38 of Title 12 of the Delaware Code, 12 Del. C. § 3801, et seq. (the "Business Trust Act"), and that this document constitute the governing instrument of the Trust. The Trustee is hereby authorized and directed to execute and file a certificate of trust with the Delaware Secretary of State substantially in the form attached hereto or in such other form as the Trustee may approve.

3. The Depositor and the Trustee will enter into an amended and restated Trust Agreement satisfactory to each such party and substantially in the form included as an exhibit to the Registration Statement on Form S-3 (the "1933 Act Registration Statement") referred to below, or in such other form as the Trustee and the Depositor may approve, to provide for the contemplated operation of the Trust created hereby and the issuance of the Preferred Securities and Common Securities referred to therein. Prior to the execution and delivery of such amended and restated Trust Agreement, the Trustee shall not have any duty or obligation hereunder or with respect to the trust estate, except as otherwise required by applicable law or as may be necessary to obtain prior to such execution and delivery any licenses, consents or approvals required by applicable law or otherwise. However, notwithstanding the foregoing, the Trustee may take all actions deemed proper as are necessary to effect the transactions contemplated herein.

4. The Depositor and the Trustee hereby authorize and direct the Depositor, as the sponsor of the Trust, (i) to file with the Securities and Exchange Commission (the "Commission") and execute, in the case of the 1933 Act Registration Statement and 1934 Act Registration Statement (as herein defined), on behalf of the Trust, (a) the 1933 Act Registration Statement including pre-effective or post-effective amendments to such Registration Statement, relating to the registration under the Securities Act of 1933, as amended (the "1933 Act"), of the Preferred Securities of the Trust, (b) any preliminary prospectus or prospectus or supplement thereto relating to the Preferred Securities required to be filed pursuant to Rule 424 under the 1933 Act, and (c) a Registration Statement on Form 8-A or other appropriate form (the "1934 Act Registration Statement") (including all pre-effective and post-effective amendments thereto) relating to the registration of the Preferred Securities of the Trust under Section 12(b) of the Securities Exchange Act of 1934, as amended; (ii) to file with the New York Stock Exchange and execute on behalf of the Trust a listing application and all other applications, statements, certificates, agreements and

other instruments as shall be necessary or desirable to cause the Preferred Securities to be listed on the New York Stock Exchange; (iii) to file and execute on behalf of the Trust such applications, reports, surety bonds, irrevocable consents, appointments of attorney for service of process and other papers and documents as shall be necessary or desirable to register the Preferred Securities under the securities or "Blue Sky" laws of such jurisdictions as the Depositor, on behalf of the Trust, may deem necessary or desirable; and (iv) to execute, deliver and perform on behalf of the Trust an underwriting agreement with the Depositor and the underwriter or underwriters of the Preferred Securities of the Trust. The Trustee further hereby ratifies and approves all actions having previously been taken with respect to the foregoing. In the event that any filing referred to in clauses (i)-(iii) above is required by the rules and regulations of the Commission, the New York Stock Exchange or state securities or Blue Sky laws to be executed on behalf of the Trust by the Trustee, Chase Manhattan Bank Delaware, in its capacity as Trustee of the Trust, is hereby authorized and directed to join in any such filing and to execute on behalf of the Trust any and all of the foregoing, it being understood that Chase Manhattan Bank Delaware in its capacity as Trustee of the Trust shall not be required to join in any such filing or execute on behalf of the Trust any such document unless required by the rules and regulations of the Commission, the New York Stock Exchange or state securities or Blue Sky laws.

5. This Trust Agreement may be executed in one or more counterparts.

6. The number of Trustees initially shall be one (1) and thereafter the number of Trustees shall be such number as shall be fixed from time to time by a written instrument signed by the Depositor which may increase or decrease the number of Trustees; *provided, however*, that to the extent required by the Business Trust Act, one Trustee shall either be a natural person who is a resident of the State of Delaware or, if not a natural person, an entity which has its principal place of business in the State of Delaware. Subject to the foregoing the Depositor is entitled to appoint or remove without cause any Trustee at any time. Any Trustee may resign upon thirty days' prior notice to the Depositor.

7. This Trust Agreement shall be construed in accordance with and governed by the internal laws of the State of Delaware.

IN WITNESS WHEREOF, the parties hereto have caused this Trust Agreement to be duly executed as of the day and year first above written.

GULF POWER COMPANY,
as Depositor

By: _____
Name: Wayne Boston
Title: Assistant Secretary

CHASE MANHATTAN BANK DELAWARE,
as Trustee

By: _____
Name: John J. Cashin
Title: Vice President

IN WITNESS WHEREOF, the parties hereto have caused this Trust Agreement to be duly executed as of the day and year first above written.

GULF POWER COMPANY,
as Depositor

By: _____
Name: Wayne Boston
Title: Assistant Secretary

CHASE MANHATTAN BANK DELAWARE,
as Trustee

By: _____
Name: John J. Cashin
Title: Vice President

0189692.01

GULF POWER CAPITAL TRUST III

AMENDED AND RESTATED

TRUST AGREEMENT

among

GULF POWER COMPANY, as Depositor,

JPMORGAN CHASE BANK, as Property Trustee,

CHASE MANHATTAN BANK USA, NATIONAL ASSOCIATION, as Delaware Trustee,

and

LINDA MALONE and WAYNE BOSTON,
as Administrative Trustees

Dated as of November 1, 2001

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GULF POWER CAPITAL TRUST III

Certain Sections of this Trust Agreement relating to
Sections 310 through 318 of the
Trust Indenture Act of 1939:

Trust Indenture Act Section	Trust Agreement Section
Section 310(a)(1)	8.07
(a)(2)	8.07
(a)(3)	8.09
(a)(4)	Not Applicable
(b)	8.08
Section 311(a)	8.13
(b)	8.13
Section 312(a)	5.07
(b)	5.07
(c)	5.07
Section 313(a)	8.14(a)
(a)(4)	8.14(b)
(b)	8.14(b)
(c)	8.14(a)
(d)	8.14(a), 8.14(b)
Section 314(a)	8.15
(b)	Not Applicable
(c)(1)	8.15, 8.16
(c)(2)	8.16
(c)(3)	8.16
(d)	Not Applicable
(e)	8.16
Section 315(a)	8.01
(b)	8.02, 8.14(b)
(c)	8.01(a)
(d)	8.01, 8.03
(e)	Not Applicable
Section 316(a)	Not Applicable
(a)(1)(A)	8.19
(a)(1)(B)	8.19
(a)(2)	Not Applicable
(b)	Not Applicable
(c)	Not Applicable
Section 317(a)(1)	Not Applicable
(a)(2)	Not Applicable
(b)	5.09
Section 318(a)	10.10

Note: This Cross-Reference Table does not constitute part of the Trust Agreement and shall not affect the interpretation of any of its terms and provisions.

AMENDED AND RESTATED TRUST AGREEMENT

THIS AMENDED AND RESTATED TRUST AGREEMENT is made as of November 1, 2001, by and among (i) Gulf Power Company, a Maine corporation (the "Depositor" or the "Company"), (ii) JPMorgan Chase Bank, a banking corporation duly organized and existing under the laws of New York, as trustee (the "Property Trustee" and, in its separate corporate capacity and not in its capacity as Trustee, the "Bank"), (iii) Chase Manhattan Bank USA, National Association (formerly known as Chase Manhattan Bank Delaware), a national banking association, as Delaware trustee (the "Delaware Trustee" and, in its separate corporate capacity and not in its capacity as Delaware Trustee, the "Delaware Bank"), (iv) Linda Malone, an individual, and Wayne Boston, an individual, as administrative trustees (each an "Administrative Trustee" and together the "Administrative Trustees") (the Property Trustee, the Delaware Trustee and the Administrative Trustees referred to collectively as the "Trustees") and (v) the several Holders, as hereinafter defined.

WITNESSETH:

WHEREAS, the Depositor and the Delaware Trustee have heretofore duly declared and established a business trust pursuant to the Delaware Business Trust Act by the entering into that certain Trust Agreement, dated as of November 26, 1997 (the "Original Trust Agreement"), and by the execution and filing by the Delaware Trustee with the Secretary of State of the State of Delaware of the Certificate of Trust, dated November 26, 1997; and

WHEREAS, the parties hereto desire to amend and restate the Original Trust Agreement in its entirety as set forth herein to provide for, among other things, (i) the addition of the Bank, Linda Malone and Wayne Boston as trustees of the Trust, (ii) the acquisition by the Trust from the Depositor of all of the right, title and interest in the Junior Subordinated Notes, (iii) the issuance of the Common Securities by the Trust to the Depositor, and (iv) the issuance and sale of the Preferred Securities by the Trust pursuant to the Underwriting Agreement.

NOW THEREFORE, in consideration of the agreements and obligations set forth herein and for other good and valuable consideration, the sufficiency of which is hereby acknowledged, each party, for the benefit of the other parties and for the benefit of the Securityholders, hereby amends and restates the Original Trust Agreement in its entirety and agrees as follows:

ARTICLE I

Defined Terms

Section 1.01 Definitions. For all purposes of this Trust Agreement, except as otherwise expressly provided or unless the context otherwise requires:

(a) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular;

(b) all other terms used herein that are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein;

(c) unless the context otherwise requires, any reference to an "Article" or a "Section" refers to an Article or a Section, as the case may be, of this Trust Agreement; and

(d) the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Trust Agreement as a whole and not to any particular Article, Section or other subdivision.

"Act" has the meaning specified in Section 6.08.

"Additional Amount" means, with respect to Trust Securities of a given Liquidation Amount and/or a given period, an amount equal to the Additional Interest (as defined in clause (ii) of the definition of "Additional Interest" in the Subordinated Indenture) paid by the Depositor on a Like Amount of Junior Subordinated Notes for such period.

"Administrative Trustee" means each of the individuals identified as an "Administrative Trustee" in the preamble to this Trust Agreement solely in their capacities as Administrative Trustees of the Trust formed and continued hereunder and not in their individual capacities, or such trustee's successor(s) in interest in such capacity, or any successor "Administrative Trustee" appointed as herein provided.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect 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.

"Bank" has the meaning specified in the preamble to this Trust Agreement.

"Bankruptcy Event" means, with respect to any Person:

(i) the entry of a decree or order by a court having jurisdiction in the premises judging such Person a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjudication or composition of or in respect of such Person under federal bankruptcy law or any other applicable federal or state law, or appointing a receiver, liquidator, assignee, trustee, sequestrator or other similar official of such Person or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, and the continuance of such decree or order unstayed and in effect for a period of 60 consecutive days; or

(ii) the institution by such Person of proceedings to be adjudicated a bankrupt or insolvent, or the consent by it to the institution of bankruptcy or insolvency proceedings against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under federal bankruptcy law or any other applicable federal or state law, or the consent by it to the filing of such petition or to the appointment of a receiver, liquidator, assignee, trustee, sequestrator or similar official of such Person or of any substantial part of its property, or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due, or the taking of action by such Person in furtherance of any such action.

"Bankruptcy Laws" has the meaning specified in Section 10.09.

"Board Resolution" means a copy of a resolution certified by the Secretary or an Assistant Secretary of the Depositor to have been duly adopted by the Depositor's Board of Directors or a duly authorized committee thereof and to be in full force and effect on the date of such certification, and delivered to the Trustees.

"Book-Entry Preferred Securities Certificates" means certificates representing Preferred Securities issued in global, fully registered form to the Clearing Agency as described in Section 5.11.

"Business Day" means a day other than (i) a Saturday or a Sunday, (ii) a day on which banks in New York, New York are authorized or obligated by law or executive order to remain closed or (iii) a day on which the Corporate Trust Office or the Indenture Trustee's principal corporate trust office is closed for business.

"Certificate Depository Agreement" means the agreement among the Trust, the Property Trustee and The Depository Trust Company, as the initial Clearing Agency, dated November 15, 2001, relating to the Preferred Securities Certificates, as the same may be amended and supplemented from time to time.

"Clearing Agency" means an organization registered as a "clearing agency" pursuant to Section 17A of the Securities Exchange Act of 1934, as amended. The Depository Trust Company will be the initial Clearing Agency.

"Clearing Agency Participant" means a broker, dealer, bank, other financial institution or other Person for whom from time to time a Clearing Agency effects book-entry transfers and pledges of securities deposited with the Clearing Agency.

"Code" means the Internal Revenue Code of 1986, as amended.

"Commission" means the Securities and Exchange Commission, as from time to time constituted, created under the Securities Exchange Act of 1934, or, if at any time after the execution of this instrument such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body performing such duties at such time.

"Common Security" means an undivided beneficial ownership interest in the assets of the Trust having a Liquidation Amount of $25 and having the rights provided therefor in this Trust Agreement, including the right to receive Distributions and a Liquidation Distribution as provided herein.

"Common Securities Certificate" means a certificate evidencing ownership of a Common Security or Securities, substantially in the form attached as Exhibit A.

"Company" means Gulf Power Company.

"Corporate Trust Office" means the office of the Property Trustee at which its corporate trust business shall be principally administered.

"Definitive Preferred Securities Certificates" means either or both (as the context requires) of (i) Preferred Securities Certificates issued in certificated, fully registered form as provided in Section 5.11(a) and (ii) Preferred Securities Certificates issued in certificated, fully registered form as provided in Section 5.13.

"Delaware Bank" has the meaning specified in the preamble to this Trust Agreement.

"Delaware Business Trust Act" means Chapter 38 of Title 12 of the Delaware Code, 12 Del. Code Section 3801 et seq., as it may be amended from time to time.

"Delaware Trustee" means the commercial bank or trust company or any other Person identified as the "Delaware Trustee" and has the meaning specified in the preamble to this Trust Agreement solely in its capacity as Delaware Trustee of the Trust formed and continued hereunder and not in its individual capacity, or its successor in interest in such capacity, or any successor Delaware Trustee appointed as herein provided.

"Depositor" means Gulf Power Company, in its capacity as "Depositor" under this Trust Agreement.

"Distribution Date" has the meaning specified in Section 4.01(a).

"Distributions" means amounts payable in respect of the Trust Securities as provided in Section 4.01.

"Event of Default" 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):

(i) the occurrence of an Indenture Event of Default; or

(ii) default by the Trust in the payment of any Distribution when it becomes due and payable, and continuation of such default for a period of 30 days; or

(iii) default by the Trust in the payment of any Redemption Price of any Trust Security when it becomes due and payable; or

(iv) default in the performance, or breach, of any covenant or warranty of the Trustees in this Trust Agreement (other than a covenant or warranty a default in whose performance or breach is dealt with in clause (ii) or (iii) above) and continuation of such default or breach for a period of 60 days after there has been given, by registered or certified mail, to the Trustees by the Holders of at least 10% in Liquidation Amount of the Outstanding Preferred Securities a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder; or

(v) the occurrence of a Bankruptcy Event with respect to the Trust.

"Expense Agreement" means the Agreement as to Expenses and Liabilities between the Company and the Trust, substantially in the form attached as Exhibit B, as amended from time to time.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Guarantee" means the Guarantee Agreement executed and delivered by the Company and JPMorgan Chase Bank, as Guarantee Trustee, contemporaneously with the execution and delivery of this Trust Agreement, for the benefit of the Holders of the Preferred Securities, as amended from time to time.

"Indenture Event of Default" means an "Event of Default" as defined in the Subordinated Indenture.

"Indenture Redemption Date" means "Redemption Date," as defined in the Subordinated Indenture.

"Indenture Trustee" means the trustee under the Subordinated Indenture.

"Issue Date" means the date of the delivery of the Trust Securities.

"Junior Subordinated Notes" means the $30,927,850 aggregate principal amount of the Depositor's Series D 7.375% Junior Subordinated Notes due September 30, 2041, issued pursuant to the Subordinated Indenture.

"Lien" means any lien, pledge, charge, encumbrance, mortgage, deed of trust, adverse ownership interest, hypothecation, assignment, security interest or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever.

"Like Amount" means (i) Trust Securities having a Liquidation Amount equal to the principal amount of Junior Subordinated Notes to be contemporaneously redeemed in accordance with the Subordinated Indenture and the proceeds of which will be used to pay the Redemption Price of such Trust Securities and (ii) Junior Subordinated Notes having a principal amount equal to the Liquidation Amount of the Trust Securities of the Holder to whom such Junior Subordinated Notes are distributed.

"Liquidation Amount" means the stated amount of $25 per Trust Security.

"Liquidation Date" means the date on which Junior Subordinated Notes are to be distributed to Holders of Trust Securities in connection with a dissolution and liquidation of the Trust pursuant to Section 9.04.

"Liquidation Distribution" has the meaning specified in Section 9.05.

"Officers' Certificate" means a certificate signed by the Chairman of the Board, a Vice Chairman of the Board, the President or a Vice President, and by the Treasurer, an Assistant Treasurer, the Secretary or an Assistant Secretary, of the Depositor, and delivered to the appropriate Trustee. One of the officers signing an Officers' Certificate given pursuant to Section 8.16 shall be the principal executive, financial or accounting officer of the Depositor. An Officers' Certificate delivered with respect to compliance with a condition or covenant provided for in this Trust Agreement shall include:

(a) a statement that each officer signing the Officers' Certificate has read the covenant or condition and the definitions relating thereto;

(b) a brief statement of the nature and scope of the examination or investigation undertaken by each officer in rendering the Officers' Certificate;

(c) a statement that each such officer has made such examination or investigation as is necessary, in such officer's opinion, to express an informed opinion as to whether or not such covenant or condition has been complied with; and

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

"Opinion of Counsel" means a written opinion of counsel, who may be counsel for the Trust, the Trustees or the Depositor, but not an employee of the Trust or the Trustees, and who shall be reasonably acceptable to the Property Trustee. Any Opinion of Counsel pertaining to federal income tax matters may rely on published rulings of the Internal Revenue Service.

"Original Trust Agreement" has the meaning specified in the recitals to this Trust Agreement.

"Outstanding", when used with respect to Preferred Securities, means, as of the date of determination, all Preferred Securities theretofore authenticated and delivered under this Trust Agreement, except:

(i) Preferred Securities theretofore cancelled by the Administrative Trustees or delivered to the Administrative Trustees for cancellation;

(ii) Preferred Securities for whose payment or redemption money in the necessary amount has been theretofore deposited with the Property Trustee or any Paying Agent for the Holders of such Preferred Securities; provided that if such Preferred Securities are to be redeemed, notice of such redemption has been duly given pursuant to this Trust Agreement; and

(iii) Preferred Securities in exchange for or in lieu of which other Preferred Securities have been authenticated and delivered pursuant to this Trust Agreement;

provided, however, that in determining whether the Holders of the requisite Liquidation Amount of the Outstanding Preferred Securities have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Preferred Securities owned by the Depositor, the Holder of the Common Securities, any Trustee or any Affiliate of the Depositor or any Trustee shall be disregarded and deemed not to be Outstanding, except that (a) in determining whether any Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Preferred Securities which such Trustee knows to be so owned shall be so disregarded and (b) the foregoing shall not apply at any time when all of the outstanding Preferred Securities are owned by the Depositor, the Holder of the Common Securities, one or more Trustees and/or any such Affiliate. Preferred Securities so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Administrative Trustees the pledgee's right so to act with respect to such Preferred Securities and that the pledgee is not the Depositor or any Affiliate of the Depositor.

"Owner" means each Person who is the beneficial owner of a Book-Entry Preferred Securities Certificate as reflected in the records of the Clearing Agency or, if a Clearing Agency Participant is not the Owner, then as reflected in the records of a Person maintaining an account with such Clearing Agency (directly or indirectly, in accordance with the rules of such Clearing Agency).

"Paying Agent" means any paying agent or co-paying agent appointed pursuant to Section 5.09 and shall initially be the Property Trustee.

"Payment Account" means a segregated non-interest-bearing corporate trust account maintained by the Property Trustee for the benefit of the Securityholders in which all amounts paid in respect of the Junior Subordinated Notes will be held and from which the Property Trustee shall make payments to the Securityholders in accordance with Section 4.01.

"Person" means an individual, corporation, partnership, joint venture, trust, limited liability company or corporation, unincorporated organization or government or any agency or political subdivision thereof.

"Preferred Security" means an undivided beneficial ownership interest in the assets of the Trust having a Liquidation Amount of $25 and having rights provided therefor in this Trust Agreement, including the right to receive Distributions and a Liquidation Distribution as provided herein.

"Preferred Securities Certificate" means a certificate evidencing ownership of a Preferred Security or Securities, substantially in the form attached as Exhibit C.

"Property Trustee" means the commercial bank or trust company identified as the "Property Trustee" in the preamble to this Trust Agreement solely in its capacity as Property Trustee of the Trust formed and continued hereunder and not in its individual capacity, or its successor in interest in such capacity, or any successor "Property Trustee" as herein provided.

"Redemption Date" means, with respect to any Trust Security to be redeemed, the date fixed for such redemption by or pursuant to this Trust Agreement; provided that each Indenture Redemption Date shall be a Redemption Date for a Like Amount of Trust Securities.

"Redemption Price" means, with respect to any date fixed for redemption of any Trust Security, the Liquidation Amount of such Trust Security, plus accrued and unpaid Distributions to such date.

"Relevant Trustee" shall have the meaning specified in Section 8.10.

"Securities Register" and "Securities Registrar" are described in Section 5.04.

"Securityholder" or "Holder" means a Person in whose name a Trust Security or Securities is registered in the Securities Register; any such Person is a beneficial owner within the meaning of the Delaware Business Trust Act.

"Subordinated Indenture" means the Subordinated Note Indenture, dated as of January 1, 1997, between the Depositor and the Indenture Trustee, as heretofore supplemented and as further supplemented by the Supplemental Indenture.

"Supplemental Indenture" means the Fourth Supplemental Indenture, dated as of November 16, 2001, by and between the Depositor and the Indenture Trustee.

"Trust" means the Delaware business trust continued hereby and identified on the cover page to this Trust Agreement.

"Trust Agreement" means this Amended and Restated Trust Agreement, as the same may be modified, amended or supplemented in accordance with the applicable provisions hereof, including all exhibits hereto, including, for all purposes of this Amended and Restated Trust Agreement and any modification, amendment or supplement, the provisions of the Trust Indenture Act that are deemed to be a part of and govern this Amended and Restated Trust Agreement and any such modification, amendment or supplement, respectively.

"Trustees" means the Persons identified as "Trustees" in the preamble to this Trust Agreement solely in their capacities as Trustees of the Trust formed and continued hereunder and not in their individual capacities, or their successor in interest in such capacity, or any successor trustee appointed as herein provided.

"Trust Indenture Act" means the Trust Indenture Act of 1939 as in force at the date as of which this instrument was executed; provided, however, that in the event the Trust Indenture Act of 1939 is amended after such date, "Trust Indenture Act" means, to the extent required by any such amendment, the Trust Indenture Act of 1939 as so amended.

"Trust Property" means (i) the Junior Subordinated Notes, (ii) any cash on deposit in, or owing to, the Payment Account, and (iii) all proceeds and rights in respect of the foregoing and any other property and assets for the time being held or deemed to be held by the Property Trustee pursuant to this Trust Agreement.

"Trust Securities Certificate" means any one of the Common Securities Certificates or the Preferred Securities Certificates.

"Trust Security" means any one of the Common Securities or the Preferred Securities.

"Underwriting Agreement" means the Underwriting Agreement, dated November 8, 2001, among the Trust, the Depositor and the underwriters named therein.

ARTICLE II

Establishment of the Trust

Section 2.01 Name. The Trust continued hereby shall be known as "Gulf Power Capital Trust III", in which name the Trustees may conduct the business of the Trust, make and execute contracts and other instruments on behalf of the Trust and sue and be sued. The Administrative

Trustees may change the name of the Trust from time to time following written notice to the Holders.

Section 2.02 Offices of the Trustees; Principal Place of Business. The address of the Property Trustee is JPMorgan Chase Bank, 450 West 33rd Street, New York, New York 10001, or at such other address as the Property Trustee may designate by written notice to the Securityholders and the Depositor. The principal place of business of the Delaware Trustee is c/o JPMorgan Chase Bank, 500 Stanton Christiana Road, Building 4, 3rd Floor, Newark, Delaware 19713, Attn: Institutional Trust Services, or at such other address in Delaware as the Delaware Trustee may designate by notice to the Depositor. The address of the Administrative Trustees for United States mail is c/o Gulf Power Company, One Energy Place, Pensacola, Florida 32520-0102, Attention: Treasurer. The principal place of business of the Trust is c/o Gulf Power Company, 500 Bayfront Parkway, Pensacola, Florida 32501. The Depositor may change the principal place of business of the Trust at any time by giving notice thereof to the Trustees.

Section 2.03 Initial Contribution of Trust Property; Organizational Expenses. The Delaware Trustee acknowledges receipt in trust from the Depositor in connection with the Original Trust Agreement of the sum of $10, which constituted the initial Trust Property. The Depositor shall pay organizational expenses of the Trust as they arise or shall, upon request of the Trustees, promptly reimburse the Trustees for any such expenses paid by the Trustees. The Depositor shall make no claim upon the Trust Property for the payment of such expenses.

Section 2.04 Issuance of the Preferred Securities. The Administrative Trustees, on behalf of the Trust, shall execute and deliver to the underwriters named in the Underwriting Agreement Preferred Securities Certificates, registered in the name of the nominee of the initial Clearing Agency, in an aggregate amount of 1,200,000 Preferred Securities having an aggregate Liquidation Amount of $30,000,000, against receipt of the aggregate purchase price of such Preferred Securities of $30,000,000, which amount the Administrative Trustees shall promptly deliver to the Property Trustee.

Section 2.05 Subscription and Purchase of Junior Subordinated Notes; Issuance of the Common Securities. Contemporaneously with the execution and delivery of this Trust Agreement, the Administrative Trustees, on behalf of the Trust, shall execute and deliver to the Depositor Common Securities Certificates, registered in the name of the Depositor, in an aggregate amount of 37,114 Common Securities having an aggregate Liquidation Amount of $927,850, against payment by the Depositor of such amount. Contemporaneously therewith, the Administrative Trustees, on behalf of the Trust, shall subscribe to and purchase from the Depositor Junior Subordinated Notes, registered in the name of the Property Trustee, on behalf of the Trust and the Holders, and having an aggregate principal amount equal to $30,927,850, and, in satisfaction of the purchase price for such Junior Subordinated Notes, the Property Trustee, on behalf of the Trust, shall deliver to the Depositor the sum of $30,927,850.

Section 2.06 Declaration of Trust. The exclusive purposes and functions of the Trust are (i) to issue and sell the Trust Securities and use the proceeds from such sale to acquire the Junior Subordinated Notes, and (ii) to engage in those activities necessary, incidental, appropriate or

convenient thereto. The Depositor hereby appoints each of the Bank, the Delaware Bank, Linda Malone and Wayne Boston as trustees of the Trust, to have all the rights, powers and duties to the extent set forth herein. The Property Trustee hereby declares that it will hold the Trust Property in trust upon and subject to the conditions set forth herein for the benefit of the Trust and the Securityholders. The Trustees shall have all rights, powers and duties set forth herein and in accordance with applicable law with respect to accomplishing the purposes of the Trust. The Delaware Trustee shall not be entitled to exercise any powers, nor shall the Delaware Trustee have any of the duties and responsibilities, of the Property Trustee or the Administrative Trustees set forth herein. The Delaware Trustee shall be one of the Trustees for the sole and limited purpose of fulfilling the requirements of the Delaware Business Trust Act.

Section 2.07 Authorization to Enter into Certain Transactions. The Trustees shall conduct the affairs of the Trust in accordance with the terms of this Trust Agreement. Subject to the limitations set forth in paragraph C of this Section, and in accordance with the following paragraphs A and B, the Trustees shall have the authority to enter into all transactions and agreements determined by the Trustees to be appropriate in exercising the authority, express or implied, otherwise granted to the Trustees under this Trust Agreement, and to perform all acts in furtherance thereof, including without limitation, the following:

A. As among the Trustees, the Administrative Trustees, acting singly or jointly, shall have the exclusive power, duty and authority to act on behalf of the Trust with respect to the following matters:

(i) to acquire the Junior Subordinated Notes with the proceeds of the sale of the Trust Securities; provided, however, the Administrative Trustees shall cause legal title to all of the Junior Subordinated Notes to be vested in, and the Junior Subordinated Notes to be held of record in the name of, the Property Trustee for the benefit of the Trust and Holders of the Trust Securities;

(ii) to give the Depositor and the Property Trustee prompt written notice of the occurrence of any Special Event (as defined in the Supplemental Indenture) and to take any ministerial actions in connection therewith; provided, that the Administrative Trustees shall consult with the Depositor and the Property Trustee before taking or refraining to take any ministerial action in relation to a Special Event;

(iii) to establish a record date with respect to all actions to be taken hereunder that require a record date be established, including for the purposes of § 316(c) of the Trust Indenture Act and with respect to Distributions, voting rights, redemptions, and exchanges, and to issue relevant notices to Holders of the Trust Securities as to such actions and applicable record dates;

(iv) to bring or defend, pay, collect, compromise, arbitrate, resort to legal action, or otherwise adjust claims or demands of or against the Trust ("Legal Action"), unless pursuant to Section 2.07(B)(v), the Property Trustee has the power to bring such Legal Action;

(v) to employ or otherwise engage employees and agents (who may be designated as officers with titles) and managers, contractors, advisors, and consultants and pay reasonable compensation for such services;

(vi) to cause the Trust to comply with the Trust's obligations under the Trust Indenture Act;

(vii) to give the certificate to the Property Trustee required by § 314(a)(4) of the Trust Indenture Act, which certificate may be executed by any Administrative Trustee;

(viii) to take all actions and perform such duties as may be required of the Administrative Trustees pursuant to the terms of this Trust Agreement;

(ix) to take all action that may be necessary or appropriate for the preservation and the continuation of the Trust's valid existence, rights, franchises and privileges as a statutory business trust under the laws of the State of Delaware and of each other jurisdiction in which such existence is necessary to protect the limited liability of the Holders of the Trust Securities or to enable the Trust to effect the purposes for which the Trust has been created;

(x) to take all action necessary to cause all applicable tax returns and tax information reports that are required to be filed with respect to the Trust to be duly prepared and filed by the Administrative Trustees, on behalf of the Trust;

(xi) to issue and sell the Trust Securities;

(xii) to cause the Trust to enter into, and to execute, deliver and perform on behalf of the Trust, the Expense Agreement and the Certificate Depository Agreement and such other agreements as may be necessary or desirable in connection with the consummation hereof;

(xiii) to assist in the registration of the Preferred Securities under the Securities Act of 1933, as amended, and under state securities or blue sky laws, and the qualification of this Trust Agreement as a trust indenture under the Trust Indenture Act;

(xiv) to assist in the listing of the Preferred Securities upon such securities exchange or exchanges as shall be determined by the Depositor and the registration of the Preferred Securities under the Exchange Act, and the preparation and filing of all periodic and other reports and other documents pursuant to the foregoing;

(xv) to send notices (other than notices of default) and other information regarding the Trust Securities and the Junior Subordinated Notes to the Securityholders in accordance with this Trust Agreement;

(xvi) to appoint a Paying Agent (subject to Section 5.09), authenticating agent and Securities Registrar in accordance with this Trust Agreement;

(xvii) to register transfers of the Trust Securities in accordance with this Trust Agreement;

(xviii) to assist in, to the extent provided in this Trust Agreement, the winding up of the affairs of and termination of the Trust and the preparation, execution and filing of the certificate of cancellation with the Secretary of State of the State of Delaware; and

(xix) to take any action incidental to the foregoing as the Administrative Trustees may from time to time determine is necessary, appropriate, convenient or advisable to protect and conserve the Trust Property for the benefit of the Securityholders (without consideration of the effect of any such action on any particular Securityholder).

B. As among the Trustees, the Property Trustee shall have the exclusive power, duty and authority to act on behalf of the Trust with respect to the following matters:

(i) engage in such ministerial activities as shall be necessary or appropriate to effect promptly the redemption of the Trust Securities to the extent the Junior Subordinated Notes are redeemed or mature;

(ii) upon notice of distribution issued by the Administrative Trustees in accordance with the terms of this Trust Agreement, engage in such ministerial activities as shall be necessary or appropriate to effect promptly the distribution pursuant to terms of this Trust Agreement of Junior Subordinated Notes to Holders of Trust Securities;

(iii) subject to the terms hereof, exercise all of the rights, powers and privileges of a holder of the Junior Subordinated Notes under the Subordinated Indenture and, if an Event of Default occurs and is continuing, shall enforce for the benefit of, and subject to the rights of, the Holders of the Trust Securities, its rights as holder of the Junior Subordinated Notes under the Subordinated Indenture;

(iv) take all actions and perform such duties as may be specifically required of the Property Trustee pursuant to the terms of this Trust Agreement;

(v) take any Legal Action specifically required of the Property Trustee pursuant to the terms of this Trust Agreement which arises out of or in connection with an Event of Default or the Property Trustee's duties and obligations under this Trust Agreement, the Delaware Business Trust Act or the Trust Indenture Act;

(vi) the establishment and maintenance of the Payment Account;

(vii) the receipt of and holding of legal title to the Junior Subordinated Notes as described herein;

(viii) the collection of interest, principal and any other payments made in respect of the Junior Subordinated Notes in the Payment Account;

(ix) the distribution of amounts owed to the Securityholders in respect of the Trust Securities;

(x) the sending of notices of default and other information regarding the Trust Securities and the Junior Subordinated Notes to the Securityholders in accordance with this Trust Agreement;

(xi) the distribution of the Trust Property in accordance with the terms of this Trust Agreement;

(xii) as provided in this Trust Agreement, the winding up of the affairs of and termination of the Trust and the preparation, execution and filing of the certificate of cancellation with the Secretary of State of Delaware; and

(xiii) the taking of any action incidental to the foregoing as the Property Trustee may from time to time determine is necessary, appropriate, convenient or advisable to protect and conserve the Trust Property for the benefit of the Securityholders (without consideration of the effect of any such action on any particular Securityholder).

C. So long as this Trust Agreement remains in effect, the Trust (or the Trustees acting on behalf of the Trust) shall not undertake any business, activities or transaction except as expressly provided herein or contemplated hereby. In particular, the Trustees shall not (i) acquire any investments or engage in any activities not authorized by this Trust Agreement, (ii) sell, assign, transfer, exchange, pledge, set-off or otherwise dispose of any of the Trust Property or interests therein, including to Securityholders, except as expressly provided herein, (iii) take any action that would cause the Trust to fail or cease to qualify as a grantor trust for United States federal income tax purposes, (iv) incur any indebtedness for borrowed money, (v) take or consent to any action that would result in the placement of a Lien on any of the Trust Property, (vi) issue any securities other than the Trust Securities, or (vii) have any power to, or agree to any action by the Depositor that would, vary the investment (within the meaning of Treasury Regulation Section 301.7701-4(c)) of the Trust or of the Securityholders. The Trustees shall defend all claims and demands of all Persons at any time claiming any Lien on any of the Trust Property adverse to the interest of the Trust or the Securityholders in their capacity as Securityholders.

D. In connection with the issue and sale of the Preferred Securities, the Depositor shall have the right and responsibility to assist the Trust with respect to, or effect on behalf of the Trust, the following (and any actions taken by the Depositor in furtherance of the following prior to the date of this Trust Agreement are hereby ratified and confirmed in all respects):

(i) to prepare for filing by the Trust with the Commission a registration statement on Form S-3 under the Securities Act of 1933, as amended, in relation to the Preferred Securities, including any amendments thereto;

(ii) to determine the states in which to take appropriate action to qualify or register for sale all or part of the Preferred Securities and to do any and all such acts, other than actions which must be taken by or on behalf of the Trust, and advise the Trustees of actions they must take on behalf of the Trust, and prepare for execution and filing any documents to be executed and filed by the Trust or on behalf of the Trust, as the Depositor deems necessary or advisable in order to comply with the applicable laws of any such States;

(iii) to prepare for filing by the Trust an application to the New York Stock Exchange or any other national stock exchange or the NASDAQ National Market for listing upon notice of issuance of any Preferred Securities;

(iv) to prepare for filing by the Trust with the Commission a registration statement on Form 8-A relating to the registration of the Preferred Securities under Section 12(b) of the Exchange Act, including any amendments thereto;

(v) to negotiate the terms of the Underwriting Agreement providing for the sale of the Preferred Securities and to execute, deliver and perform the Underwriting Agreement on behalf of the Trust; and

(vi) any other actions necessary, incidental, appropriate or convenient to carry out any of the foregoing activities.

E. Notwithstanding anything herein to the contrary, the Administrative Trustees are authorized and directed to conduct the affairs of the Trust and to operate the Trust so that the Trust will not be deemed to be an "investment company" required to be registered under the Investment Company Act of 1940, as amended, or taxed as other than a grantor trust for United States federal income tax purposes and so that the Junior Subordinated Notes will be treated as indebtedness of the Depositor for United States federal income tax purposes. In this connection, the Depositor and the Administrative Trustees are authorized to take any action, not inconsistent with applicable law, the Certificate of Trust or this Trust Agreement, that each of the Depositor and the Administrative Trustees determines in its discretion to be necessary or desirable for such purposes, as long as such action does not materially and adversely affect the interests of the Holders of the Preferred Securities.

Section 2.08 Assets of Trust. The assets of the Trust shall consist of the Trust Property.

Section 2.09 Title to Trust Property. Legal title to all Trust Property shall be vested at all times in the Property Trustee (in its capacity as such) and shall be held and administered by the Property Trustee for the benefit of the Securityholders and the Trust in accordance with this Trust Agreement. The right, title and interest of the Property Trustee to the Junior Subordinated Notes

shall vest automatically in each Person who may thereafter be appointed as Property Trustee in accordance with the terms hereof. Such vesting and cessation of title shall be effective whether or not conveyancing documents have been executed and delivered.

Section 2.10 Mergers and Consolidations of the Trust. The Trust may not consolidate, amalgamate, merge with or into, or be replaced by, or convey, transfer or lease its properties and assets substantially as an entirety to any corporation or other body, except as described below or otherwise provided in this Trust Agreement. The Trust may at the request of the Company, with the consent of the Administrative Trustees and without the consent of the Holders of the Trust Securities, consolidate, amalgamate, merge with or into, or be replaced by a trust organized as such under the laws of any state; provided, that (i) such successor entity either (x) expressly assumes all of the obligations of the Trust with respect to the Trust Securities or (y) substitutes for the Preferred Securities other securities having substantially the same terms as the Trust Securities (herein referred to as the "Successor Securities") so long as the Successor Securities rank the same as the Trust Securities rank in priority with respect to Distributions and payments upon liquidation, redemption and otherwise, (ii) the Company expressly appoints a trustee of such successor entity possessing the same powers and duties as the Property Trustee as the holder of legal title to the Junior Subordinated Notes, (iii) the Preferred Securities or any Successor Securities are listed, or any Successor Securities will be listed upon notification of issuance, on any national securities exchange or other organization on which the Preferred Securities are then listed, (iv) such merger, consolidation, amalgamation or replacement does not cause the Preferred Securities (including any Successor Securities) to be downgraded by any nationally recognized statistical rating organization, (v) such merger, consolidation, amalgamation or replacement does not adversely affect the rights, preferences and privileges of the Holders of the Trust Securities (including any Successor Securities) in any material respect, (vi) such successor entity has a purpose substantially identical to that of the Trust, (vii) prior to such merger, consolidation, amalgamation, or replacement, the Company has received an Opinion of Counsel to the effect that (A) such merger, consolidation, amalgamation or replacement does not adversely affect the rights, preferences and privileges of the Holders of the Trust Securities (including any Successor Securities) in any material respect, and (B) following such merger, consolidation, amalgamation or replacement, neither the Trust nor such successor entity will be required to register as an investment company under the Investment Company Act of 1940, and (viii) the Company guarantees the obligations of such successor entity under the Successor Securities at least to the extent provided by the Guarantee. Notwithstanding the foregoing, the Trust shall not, except with the consent of Holders of 100% in Liquidation Amount of the Trust Securities, consolidate, amalgamate, merge with or into, or be replaced by any other entity or permit any other entity to consolidate, amalgamate, merge with or into, or replace it if such consolidation, amalgamation, merger or replacement would cause the Trust or the successor entity to be classified as other than a grantor trust for federal income tax purposes.

ARTICLE III

Payment Account

Section 3.01 Payment Account.

(a) On or prior to the Issue Date, the Property Trustee shall establish the Payment Account. The Property Trustee and an agent of the Property Trustee shall have exclusive control and sole right of withdrawal with respect to the Payment Account for the purpose of making deposits in and withdrawals from the Payment Account in accordance with this Trust Agreement. All monies and other property deposited or held from time to time in the Payment Account shall be held by the Property Trustee in the Payment Account for the exclusive benefit of the Securityholders and for distribution as herein provided, including (and subject to) any priority of payments provided for herein.

(b) The Property Trustee shall deposit in the Payment Account, promptly upon receipt, all payments of principal or interest on, and any other payments or proceeds with respect to, the Junior Subordinated Notes. Amounts held in the Payment Account shall not be invested by the Property Trustee pending distribution thereof.

ARTICLE IV

Distributions; Redemption

Section 4.01 Distributions.

(a) Distributions on the Trust Securities shall be cumulative and accrue from the Issue Date and, except in the event that the Depositor exercises its right to extend the interest payment period for the Junior Subordinated Notes pursuant to Section 104 of the Supplemental Indenture, shall be payable quarterly in arrears on March 31, June 30, September 30 and December 31 of each year, commencing on March 31, 2002. If any date on which Distributions are otherwise payable on the Trust Securities is not a Business Day, then the payment of such Distribution shall be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay) except that, if such Business Day is in the next succeeding calendar year, payment of such Distribution shall be made on the immediately preceding Business Day, in each case, with the same force and effect as if made on such date (each such date, a "Distribution Date").

(b) Distributions payable on the Trust Securities shall be fixed at a rate of 7.375% per annum of the Liquidation Amount of the Trust Securities. The amount of Distributions payable for any full quarterly period shall be computed on the basis of twelve 30-day months and a 360-day year. If the interest payment period for the Junior Subordinated Notes is extended pursuant to Section 104 of the Supplemental Indenture (an "Extension Period"), then the rate per annum at which Distributions on the Trust Securities accumulate shall be increased by an amount such that the aggregate amount of Distributions that accumulate on all Trust Securities during any such

Extension Period is equal to the aggregate amount of interest (including interest payable on unpaid interest at the percentage rate per annum set forth above, compounded quarterly, to the extent permitted by applicable law) that accrues during any such Extension Period on the Junior Subordinated Notes. The payment of such deferred interest, together with interest thereon, will be distributed to the Holders of the Trust Securities as received at the end of any Extension Period. The amount of Distributions payable for any period shall include the Additional Amounts, if any.

(c) Distributions on the Trust Securities shall be made and shall be deemed payable on each Distribution Date only to the extent that the Trust has legally and immediately available funds in the Payment Account for the payment of such Distributions.

(d) Distributions, including Additional Amounts, if any, on the Trust Securities on each Distribution Date shall be payable to the Holders thereof as they appear on the Securities Register for the Trust Securities on the relevant record date, which shall be the close of business on (i) the Business Day prior to the relevant Distribution Date if the Preferred Securities are represented by Book-Entry Preferred Securities Certificates or (ii) the fifteenth calendar day prior to the relevant Distribution Date if the Preferred Securities are represented by Definitive Preferred Securities Certificates.

Each Trust Security upon registration of transfer of or in exchange for or in lieu of any other Trust Security shall carry the rights of Distributions accrued (including Additional Amounts, if any) and unpaid, and to accrue (including Additional Amounts, if any), which were carried by such other Trust Security.

Section 4.02 Redemption.

(a) On each Redemption Date with respect to the Junior Subordinated Notes, the Trust will be required to redeem a Like Amount of Trust Securities at the Redemption Price.

(b) Notice of redemption shall be given by the Property Trustee by first-class mail, postage prepaid, mailed not less than 30 nor more than 60 days prior to the Redemption Date to each Holder of Trust Securities to be redeemed, at such Holder's address appearing in the Securities Register. All notices of redemption shall state:

(i) the Redemption Date;

(ii) the Redemption Price;

(iii) the CUSIP number;

(iv) if less than all the Outstanding Trust Securities are to be redeemed, the total Liquidation Amount of the Trust Securities to be redeemed; and

(v) that on the Redemption Date the Redemption Price will become due and payable upon each such Trust Security to be redeemed and that Distributions thereon will cease to accrue on and after such date.

(c) The Trust Securities redeemed on each Redemption Date shall be redeemed at the Redemption Price with the proceeds from the contemporaneous redemption of Junior Subordinated Notes. Redemptions of the Trust Securities shall be made and the Redemption Price shall be deemed payable on each Redemption Date only to the extent that the Trust has funds legally and immediately available in the Payment Account for the payment of such Redemption Price.

(d) If the Property Trustee gives a notice of redemption in respect of any Preferred Securities, then, by 2:00 p.m. New York time, on the Redemption Date, subject to Section 4.02(c), the Property Trustee will, so long as the Preferred Securities are in book-entry only form, irrevocably deposit with the Clearing Agency for the Preferred Securities funds sufficient to pay the applicable Redemption Price. If the Preferred Securities are no longer in book-entry only form, the Property Trustee, subject to Section 4.02(c), shall irrevocably deposit with the Paying Agent funds sufficient to pay the applicable Redemption Price and will give the Paying Agent irrevocable instructions to pay the Redemption Price to the Holders thereof upon surrender of their Preferred Securities Certificates. Notwithstanding the foregoing, Distributions payable on or prior to the Redemption Date for any Trust Securities called for redemption shall be payable to the Holders of such Trust Securities as they appear on the Securities Register for the Trust Securities on the relevant record dates for the related Distribution Dates. If notice of redemption shall have been given and funds deposited as required, then upon the date of such deposit, all rights of Securityholders holding Trust Securities so called for redemption will cease, except the right of such Securityholders to receive the Redemption Price, but without interest, and such Securities will cease to be outstanding. In the event that any date on which any Redemption Price is payable is not a Business Day, then payment of the Redemption Price payable on such date shall be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay) except that, if such Business Day is in the next succeeding calendar year, payment of such Redemption Price shall be made on the immediately preceding Business Day, in each case, with the same force and effect as if made on such date. In the event that payment of the Redemption Price in respect of Trust Securities is improperly withheld or refused and not paid either by the Trust or by the Depositor pursuant to the Guarantee, Distributions on such Trust Securities will continue to accrue at the then applicable rate, from such Redemption Date originally established by the Trust for such Preferred Securities to the date such Redemption Price is actually paid.

(e) If less than all the Outstanding Trust Securities are to be redeemed on a Redemption Date, then the aggregate Liquidation Amount of Trust Securities to be redeemed shall be allocated 3% to the Common Securities and 97% to the Preferred Securities, with such adjustments that each amount so allocated shall be divisible by $25. The particular Preferred Securities to be redeemed shall be selected not more than 60 days prior to the Redemption Date by the Property Trustee from the Outstanding Preferred Securities not previously called for redemption, by such method as the Property Trustee shall deem fair and appropriate and which may provide for the selection for a redemption of portions (equal to $25 or integral multiple thereof) of the Liquidation Amount of

Preferred Securities of a denomination larger than $25; provided, however, that before undertaking redemption of the Preferred Securities on other than a pro rata basis, the Property Trustee shall have received an Opinion of Counsel that the status of the Trust as a grantor trust for federal income tax purposes would not be adversely affected. The Property Trustee shall promptly notify the Securities Registrar in writing of the Preferred Securities selected for redemption and, in the case of any Preferred Securities selected for partial redemption, the Liquidation Amount thereof to be redeemed. For all purposes of this Trust Agreement, unless the context otherwise requires, all provisions relating to the redemption of Preferred Securities shall relate, in the case of any Preferred Securities redeemed or to be redeemed only in part, to the portion of the Liquidation Amount of Preferred Securities which has been or is to be redeemed.

(f) Subject to the foregoing provisions of Section 4.02 and to applicable law (including, without limitation, United States federal securities laws), the Company or its Affiliates may, at any time and from time to time, purchase outstanding Preferred Securities by tender, in the open market or by private agreement.

Section 4.03 Subordination of Common Securities.

(a) Payment of Distributions (including Additional Amounts, if applicable) on, and the Redemption Price of, the Trust Securities, as applicable, shall be made pro rata based on the Liquidation Amount of the Trust Securities; provided, however, that if on any Distribution Date or Redemption Date an Indenture Event of Default shall have occurred and be continuing, no payment of any Distribution (including Additional Amounts, if applicable) on, or Redemption Price of, any Common Security, and no other payment on account of the redemption, liquidation or other acquisition of Common Securities, shall be made unless payment in full in cash of all accumulated and unpaid Distributions (including Additional Amounts, if applicable) on all Outstanding Preferred Securities for all distribution periods terminating on or prior thereto, or in the case of payment of the Redemption Price the full amount of such Redemption Price on all Outstanding Preferred Securities, shall have been made or provided for, and all funds immediately available to the Property Trustee shall first be applied to the payment in full in cash of all Distributions (including Additional Amounts, if applicable) on, or Redemption Price of, Preferred Securities then due and payable.

(b) In the case of the occurrence of any Indenture Event of Default, the Holder of Common Securities will be deemed to have waived any such Event of Default under this Trust Agreement until the effect of all such Events of Default with respect to the Preferred Securities have been cured, waived or otherwise eliminated. Until any such Events of Default under this Trust Agreement with respect to the Preferred Securities have been so cured, waived or otherwise eliminated, the Property Trustee shall act solely on behalf of the Holders of the Preferred Securities and not the Holder of the Common Securities, and only the Holders of the Preferred Securities will have the right to direct the Property Trustee to act on their behalf.

Section 4.04 Payment Procedures. Payments in respect of the Preferred Securities shall be made by check mailed to the address of the Person entitled thereto as such address shall appear on the Securities Register or, if the Preferred Securities are held by a Clearing Agency, such Distributions shall be made to the Clearing Agency, which shall credit the relevant Persons'

accounts at such Clearing Agency on the applicable distribution dates. Payments in respect of the Common Securities shall be made in such manner as shall be mutually agreed between the Property Trustee and the Holder of the Common Securities.

Section 4.05 Tax Returns and Reports. The Administrative Trustee(s) shall prepare (or cause to be prepared), at the Depositor's expense, and file all United States federal, state and local tax and information returns and reports required to be filed by or in respect of the Trust. The Administrative Trustee(s) shall provide or cause to be provided on a timely basis to each Holder any Internal Revenue Service form required to be so provided in respect of the Trust Securities.

ARTICLE V

Trust Securities Certificates

Section 5.01 Initial Ownership. Upon the creation of the Trust by the contribution by the Depositor pursuant to Section 2.03 and until the issuance of the Trust Securities, and at any time during which no Trust Securities are outstanding, the Depositor shall be the sole beneficial owner of the Trust.

Section 5.02 The Trust Securities Certificates. Each of the Preferred and Common Securities Certificates shall be issued in minimum denominations of $25 and integral multiples in excess thereof. The Trust Securities Certificates shall be executed on behalf of the Trust by manual or facsimile signature of at least one Administrative Trustee. Trust Securities Certificates bearing the manual or facsimile signatures of individuals who were, at the time when such signatures shall have been affixed, authorized to sign on behalf of the Trust, shall be validly issued and entitled to the benefits of this Trust Agreement, notwithstanding that such individuals or any of them shall have ceased to be so authorized prior to the authentication and delivery of such Trust Securities Certificates or did not hold such offices at the date of authentication and delivery of such Trust Securities Certificates. A transferee of a Trust Securities Certificate shall become a Securityholder, and shall be entitled to the rights and subject to the obligations of a Securityholder hereunder, upon due registration of such Trust Securities Certificate in such transferee's name pursuant to Section 5.04.

Section 5.03 Authentication of Trust Securities Certificates. On the Issue Date, the Administrative Trustees shall cause Trust Securities Certificates, in an aggregate Liquidation Amount as provided in Sections 2.04 and 2.05, to be executed on behalf of the Trust, authenticated and delivered to or upon the written order of the Depositor signed by its Chairman of the Board, its President or any Vice President, without further corporate action by the Depositor, in authorized denominations. No Trust Securities Certificate shall entitle its holder to any benefit under this Trust Agreement, or shall be valid for any purpose, unless there shall appear on such Trust Securities Certificate a certificate of authentication substantially in the form set forth in Exhibit C or Exhibit A, as applicable, executed by at least one Administrative Trustee by manual signature; such authentication shall constitute conclusive evidence that such Trust Securities Certificate shall have

been duly authenticated and delivered hereunder. All Trust Securities Certificates shall be dated the date of their authentication.

Section 5.04 Registration of Transfer and Exchange of Preferred Securities Certificates. The Securities Registrar shall keep or cause to be kept, at the office or agency maintained pursuant to Section 5.08, a Securities Register in which, subject to such reasonable regulations as it may prescribe, the Securities Registrar shall provide for the registration of Preferred Securities Certificates and the Common Securities Certificates (subject to Section 5.10 in the case of the Common Securities Certificates) and registration of transfers and exchanges of Preferred Securities Certificates as herein provided. The Property Trustee shall be the initial Securities Registrar.

Upon surrender for registration of transfer of any Preferred Securities Certificate at the office or agency maintained pursuant to Section 5.08, the Administrative Trustees shall execute, authenticate and deliver in the name of the designated transferee or transferees one or more new Preferred Securities Certificates in authorized denominations of a like aggregate Liquidation Amount dated the date of authentication by the Administrative Trustee or Trustees. The Securities Registrar shall not be required to register the transfer of any Preferred Securities that have been called for redemption. At the option of a Holder, Preferred Securities Certificates may be exchanged for other Preferred Securities Certificates in authorized denominations of the same class and of a like aggregate Liquidation Amount upon surrender of the Preferred Securities Certificates to be exchanged at the office or agency maintained pursuant to Section 5.08.

Every Preferred Securities Certificate presented or surrendered for registration of transfer or exchange shall be accompanied by a written instrument of transfer in form satisfactory to the Trustees and the Securities Registrar duly executed by the Holder or his attorney duly authorized in writing. Each Preferred Securities Certificate surrendered for registration of transfer or exchange shall be canceled and subsequently disposed of by the Securities Registrar in accordance with its customary practice.

No service charge shall be made for any registration of transfer or exchange of Preferred Securities Certificates, but the Securities Registrar or the Administrative Trustees may require payment of a sum sufficient to cover any tax or governmental charge that may be imposed in connection with any transfer or exchange of Preferred Securities Certificates.

Section 5.05 Mutilated, Destroyed, Lost or Stolen Trust Securities Certificates. If (a) any mutilated Trust Securities Certificate shall be surrendered to the Securities Registrar, or if the Securities Registrar shall receive evidence to its satisfaction of the destruction, loss or theft of any Trust Securities Certificate and (b) there shall be delivered to the Securities Registrar and the Administrative Trustees such security or indemnity as may be required by them to save each of them harmless, then in the absence of notice that such Trust Securities Certificate shall have been acquired by a bona fide purchaser, the Administrative Trustees or any one of them on behalf of the Trust shall execute and authenticate and make available for delivery, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Trust Securities Certificate, a new Trust Securities Certificate of like class, tenor and denomination. In connection with the issuance of any new Trust Securities Certificate under this Section, the Administrative Trustees or the Securities Registrar may

require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith. Any duplicate Trust Securities Certificate issued pursuant to this Section shall constitute conclusive evidence of an ownership interest in the Trust, as if originally issued, whether or not the lost, stolen or destroyed Trust Securities Certificate shall be found at any time.

Section 5.06 Persons Deemed Securityholders. Prior to due presentation of a Trust Securities Certificate for registration of transfer, the Trustees or the Securities Registrar shall treat the Person in whose name any Trust Securities Certificate shall be registered in the Securities Register as the owner of such Trust Securities Certificate for the purpose of receiving Distributions (subject to Section 4.01(d)) and for all other purposes whatsoever, and neither the Trustees nor the Securities Registrar shall be bound by any notice to the contrary.

Section 5.07 Access to List of Securityholders' Names and Addresses. The Administrative Trustees shall furnish or cause to be furnished to (i) the Depositor and the Property Trustee semi-annually, not later than June 1 and December 1 in each year, and (ii) the Depositor or the Property Trustee, as the case may be, within 15 days after receipt by any Administrative Trustee of a request therefor from the Depositor or the Property Trustee, as the case may be, in writing, a list, in such form as the Depositor or the Property Trustee, as the case may be, may reasonably require, of the names and addresses of the Securityholders as of a date not more than 15 days prior to the time such list is furnished. If three or more Securityholders or one or more Holders of Trust Securities Certificates evidencing not less than 25% of the outstanding Liquidation Amount apply in writing to the Administrative Trustees, and such application states that the applicants desire to communicate with other Securityholders with respect to their rights under this Trust Agreement or under the Trust Securities Certificates and such application is accompanied by a copy of the communication that such applicants propose to transmit, then the Administrative Trustees shall, within five Business Days after the receipt of such application, afford such applicants access during normal business hours to the current list of Securityholders. Each Holder, by receiving and holding a Trust Securities Certificate, shall be deemed to have agreed not to hold either the Depositor or the Administrative Trustees accountable by reason of the disclosure of its name and address, regardless of the source from which such information was derived.

Section 5.08 Maintenance of Office or Agency. The Administrative Trustees shall maintain in the Borough of Manhattan, New York, an office or offices or agency or agencies where Preferred Securities Certificates may be surrendered for registration of transfer or exchange and where notices and demands to or upon the Trustees in respect of the Trust Securities Certificates may be served. The Administrative Trustees initially designate JPMorgan Chase Bank, 450 West 33rd Street, New York, New York 10001, as its principal agency for such purposes. The Administrative Trustees shall give prompt written notice to the Depositor and to the Securityholders of any change in the location of the Securities Register or any such office or agency.

Section 5.09 Appointment of Paying Agent. The Paying Agent shall make Distributions and other payments provided hereby to Securityholders from the Payment Account and shall report the amounts of such Distributions and payments to the Property Trustee and the Administrative Trustees. Any Paying Agent shall have the revocable power to withdraw funds from the Payment

Account for the purpose of making the Distributions and payments provided hereby. The Administrative Trustees may revoke such power and remove the Paying Agent if such Trustees determine in their sole discretion that the Paying Agent shall have failed to perform its obligations under this Agreement in any material respect. The Paying Agent shall initially be the Property Trustee, and it may choose any co-paying agent that is acceptable to the Administrative Trustees and the Depositor. Any Person acting as Paying Agent shall be permitted to resign as Paying Agent upon 30 days' written notice to the Administrative Trustees and the Depositor. In the event that a Paying Agent shall resign or be removed, the Administrative Trustees shall appoint a successor that is acceptable to the Depositor to act as Paying Agent (which shall be a bank or trust company). The Administrative Trustees shall cause such successor Paying Agent or any additional Paying Agent appointed by the Administrative Trustees to execute and deliver to the Trustees an instrument in which such successor Paying Agent or additional Paying Agent shall agree with the Trustees that as Paying Agent, such successor Paying Agent or additional Paying Agent will hold all sums, if any, held by it for payment to the Securityholders in trust for the benefit of the Securityholders entitled thereto until such sums shall be paid to such Securityholders. The Paying Agent shall return all unclaimed funds to the Property Trustee and upon removal of a Paying Agent such Paying Agent shall also return all funds in its possession to the Property Trustee. The provisions of Sections 8.01, 8.03 and 8.06 shall apply to the Property Trustee also in its role as Paying Agent, for so long as the Property Trustee shall act as Paying Agent and, to the extent applicable, to any other paying agent appointed hereunder. Any reference in this Agreement to the Paying Agent shall include any co-paying agent unless the context requires otherwise.

Section 5.10 Ownership of Common Securities by Depositor. On the Issue Date, the Depositor shall acquire, and thereafter retain, beneficial and record ownership of the Common Securities. Any attempted transfer of the Common Securities, except for transfers by operation of law, shall be void. The Administrative Trustees shall cause each Common Securities Certificate issued to the Depositor to contain a legend stating "THIS CERTIFICATE IS NOT TRANSFERABLE".

Section 5.11 Book-Entry Preferred Securities Certificates; Common Securities Certificate.

(a) The Preferred Securities Certificates, upon original issuance, will be issued in the form of a typewritten Preferred Securities Certificate or Certificates representing Book-Entry Preferred Securities Certificates, to be delivered to The Depository Trust Company, the initial Clearing Agency, by, or on behalf of, the Trust. Such Preferred Securities Certificate or Certificates shall initially be registered on the Securities Register in the name of Cede & Co., the nominee of the initial Clearing Agency, and no Owner will receive a definitive Preferred Securities Certificate representing such beneficial owner's interest in such Preferred Securities, except as provided in Section 5.13. Unless and until Definitive Preferred Securities Certificates have been issued to Owners pursuant to Section 5.13:

(i) the provisions of this Section 5.11(a) shall be in full force and effect;

(ii) the Securities Registrar and the Trustees shall be entitled to deal with the Clearing Agency for all purposes of this Trust Agreement relating to the Book-Entry

Preferred Securities Certificates (including the payment of principal of and interest on the Book-Entry Preferred Securities and the giving of instructions or directions to Owners of Book-Entry Preferred Securities) as the sole Holder of Book-Entry Preferred Securities and shall have no obligations to the Owners thereof;

(iii) to the extent that the provisions of this Section conflict with any other provisions of this Trust Agreement, the provisions of this Section shall control; and

(iv) the rights of the Owners of the Book-Entry Preferred Securities Certificates shall be exercised only through the Clearing Agency and shall be limited to those established by law and agreements between such Owners and the Clearing Agency and/or the Clearing Agency Participants. Pursuant to the Certificate Depository Agreement, unless and until Definitive Preferred Securities Certificates are issued pursuant to Section 5.13, the Clearing Agency will make book-entry transfers among the Clearing Agency Participants and receive and transmit payments on the Preferred Securities to such Clearing Agency Participants.

(b) A single Common Securities Certificate representing the Common Securities shall be issued to the Depositor in the form of a definitive Common Securities Certificate.

Section 5.12 Notices to Clearing Agency. To the extent a notice or other communication to the Owners is required under this Trust Agreement, unless and until Definitive Preferred Securities Certificates shall have been issued to Owners pursuant to Section 5.13, the Trustees shall give all such notices and communications specified herein to be given to Owners to the Clearing Agency, and shall have no obligations to the Owners.

Section 5.13 Definitive Preferred Securities Certificates. If (i) the Depositor advises the Trustees in writing that the Clearing Agency is no longer willing or able to properly discharge its responsibilities with respect to the Preferred Securities Certificates, and the Depositor is unable to locate a qualified successor, or (ii) the Depositor at its option advises the Trustees in writing that it elects to terminate the book-entry system through the Clearing Agency, then the Administrative Trustees shall notify the Clearing Agency and Holders of the Preferred Securities. Upon surrender to the Administrative Trustees of the typewritten Preferred Securities Certificate or Certificates representing the Book-Entry Preferred Securities Certificates by the Clearing Agency, accompanied by registration instructions, the Administrative Trustees or any one of them shall execute and authenticate the Definitive Preferred Securities Certificates in accordance with the instructions of the Clearing Agency. Neither the Securities Registrar nor the Trustees 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 Preferred Securities Certificates, the Trustees shall recognize the Holders of the Definitive Preferred Securities Certificates as Securityholders. The Definitive Preferred Securities Certificates shall be printed, lithographed or engraved or may be produced in any other manner as is reasonably acceptable to the Administrative Trustees, as evidenced by the execution thereof by the Administrative Trustees or any one of them.

Section 5.14 Rights of Securityholders. The legal title to the Trust Property is vested exclusively in the Property Trustee (in its capacity as such) in accordance with Section 2.09, and the Securityholders shall not have any right or title therein other than the beneficial ownership interest in the assets of the Trust conferred by their Trust Securities, and they shall have no right to call for any partition or division of property, profits or rights of the Trust except as described below. The Trust Securities shall be personal property giving only the rights specifically set forth therein and in this Trust Agreement. The Trust Securities shall have no preemptive or other similar rights and when issued and delivered to Securityholders against payment of the purchase price therefor, except as otherwise provided in the Expense Agreement and Section 10.01 hereof, will be fully paid and nonassessable by the Trust. Except as otherwise provided in the Expense Agreement and Section 10.01 hereof, the Holders of the Trust Securities shall be entitled to the same limitation of personal liability extended to stockholders of private corporations for profit organized under the General Corporation Law of the State of Delaware.

ARTICLE VI

Acts of Securityholders; Meetings; Voting

Section 6.01 Limitations on Voting Rights.

(a) Except as provided in this Section, in Section 8.10 or Section 10.03 of this Trust Agreement, in the Subordinated Indenture, and as otherwise required by law, no Holder of Preferred Securities shall have any right to vote or in any manner otherwise control the administration, operation and management of the Trust or the obligations of the parties hereto, nor shall anything herein set forth, or contained in the terms of the Trust Securities Certificates, be construed so as to constitute the Securityholders from time to time as partners or members of an association.

(b) So long as any Junior Subordinated Notes are held by the Property Trustee, the Trustees shall not (i) direct the time, method and place of conducting any proceeding for any remedy available to the Indenture Trustee, or executing any trust or power conferred on the Indenture Trustee with respect to such Junior Subordinated Notes, (ii) waive any past default which is waivable under Section 513 of the Subordinated Indenture, (iii) exercise any right to rescind or annul a declaration that the principal of all the Junior Subordinated Notes shall be due and payable or (iv) consent to any amendment, modification or termination of the Subordinated Indenture or the Junior Subordinated Notes, where such consent shall be required, or to any other action, as holder of the Junior Subordinated Notes, under the Subordinated Indenture, without, in each case, obtaining the prior approval of the Holders of at least 66-2/3% in Liquidation Amount of the Preferred Securities; provided, however, that where a consent under the Subordinated Indenture would require the consent of each holder of Junior Subordinated Notes affected thereby, no such consent shall be given by the Trustees without the prior written consent of each Holder of Preferred Securities. The Trustees shall not revoke any action previously authorized or approved by a vote of the Holders of Preferred Securities, except pursuant to a subsequent vote of the Holders of Preferred Securities. The Property Trustee shall notify all Holders of the Preferred Securities of any notice of default received from the Indenture Trustee with respect to the Junior Subordinated Notes. In addition to

obtaining the foregoing approvals of the Holders of the Preferred Securities, prior to taking any of the foregoing actions, the Trustees shall, at the expense of the Depositor, obtain an Opinion of Counsel experienced in such matters to the effect that the Trust will not be classified as other than a grantor trust for United States federal income tax purposes on account of such action.

(c) If any proposed amendment to this Trust Agreement provides for, or the Trustees otherwise propose to effect, (i) any action that would adversely affect the powers, preferences or special rights of the Preferred Securities, whether by way of amendment to this Trust Agreement or otherwise, or (ii) the dissolution, winding-up or termination of the Trust, other than pursuant to the terms of this Trust Agreement, then the Holders of Outstanding Preferred Securities as a class will be entitled to vote on such amendment or proposal and such amendment or proposal shall not be effective except with the approval of the Holders of at least 66-2/3% in Liquidation Amount of the Outstanding Preferred Securities. In addition to obtaining the foregoing approvals of the Holders of the Preferred Securities, prior to taking any of the foregoing actions, the Trustees shall, at the expense of the Depositor, obtain an Opinion of Counsel experienced in such matters to the effect that the Trust will not be classified as other than a grantor trust for United States federal income tax purposes on account of such action.

Section 6.02 Notice of Meetings. Notice of all meetings of the Preferred Securityholders, stating the time, place and purpose of the meeting, shall be given by the Administrative Trustees pursuant to Section 10.08 to each Preferred Securityholder of record, at his registered address, at least 15 days and not more than 90 days before the meeting. At any such meeting, any business properly before the meeting may be so considered whether or not stated in the notice of the meeting. Any adjourned meeting may be held as adjourned without further notice.

Section 6.03 Meetings of Preferred Securityholders. No annual meeting of Securityholders is required to be held. The Administrative Trustees, however, shall call a meeting of Securityholders to vote on any matter upon the written request of the Preferred Securityholders of record of 25% of the Preferred Securities (based upon their Liquidation Amount) and the Administrative Trustees or the Property Trustee may, at any time in their discretion, call a meeting of Preferred Securityholders to vote on any matters as to which Preferred Securityholders are entitled to vote.

Preferred Securityholders of record of 50% of the Preferred Securities (based upon their Liquidation Amount), present in person or by proxy, shall constitute a quorum at any meeting of Securityholders.

If a quorum is present at a meeting, an affirmative vote by the Preferred Securityholders of record present, in person or by proxy, holding more than 66-2/3% of the Preferred Securities (based upon their Liquidation Amount) held by the Preferred Securityholders of record present, either in person or by proxy, at such meeting shall constitute the action of the Securityholders, unless this Trust Agreement requires a greater number of affirmative votes.

Section 6.04 Voting Rights. Securityholders shall be entitled to one vote for each $25 of Liquidation Amount represented by their Trust Securities in respect of any matter as to which such Securityholders are entitled to vote.

Section 6.05 Proxies, etc. At any meeting of Securityholders, any Securityholder entitled to vote may vote by proxy, provided that no proxy shall be voted at any meeting unless it shall have been placed on file with the Administrative Trustees, or with such other officer or agent of the Trust as the Administrative Trustees may direct, for verification prior to the time at which such vote shall be taken. Pursuant to a resolution of the Property Trustee, proxies may be solicited in the name of the Property Trustee or one or more officers of the Property Trustee. Only Securityholders of record shall be entitled to vote. When Trust Securities are held jointly by several Persons, any one of them may vote at any meeting in person or by proxy in respect of such Trust Securities, but if more than one of them shall be present at such meeting in person or by proxy, and such joint owners or their proxies so present disagree as to any vote to be cast, such vote shall not be received in respect of such Trust Securities. A proxy purporting to be executed by or on behalf of a Securityholder shall be deemed valid unless challenged at or prior to its exercise, and the burden of proving invalidity shall rest on the challenger. No proxy shall be valid more than three years after its date of execution.

Section 6.06 Securityholder Action by Written Consent. Any action which may be taken by Securityholders at a meeting may be taken without a meeting if Securityholders holding at least 66-2/3% of all outstanding Trust Securities entitled to vote in respect of such action (or such other proportion thereof as shall be required by any express provision of this Trust Agreement) shall consent to the action in writing (based upon their Liquidation Amount).

Section 6.07 Record Date for Voting and Other Purposes. For the purposes of determining the Securityholders who are entitled to notice of and to vote at any meeting or by written consent, or to participate in any Distribution on the Trust Securities in respect of which a record date is not otherwise provided for in this Trust Agreement, or for the purpose of any other action, the Administrative Trustees may from time to time fix a date, not more than 90 days prior to the date of any meeting of Securityholders or the payment of Distribution or other action, as the case may be, as a record date for the determination of the identity of the Securityholders of record for such purposes.

Section 6.08 Acts of Securityholders. Any request, demand, authorization, direction, notice, consent, waiver or other action provided or permitted by this Trust Agreement to be given, made or taken by Securityholders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Securityholders in person or by an agent appointed in writing; and, except as otherwise expressly provided herein, such action shall become effective when such instrument or instruments are delivered to the Administrative Trustees. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Securityholders 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 Trust Agreement and (subject to Section 8.01) conclusive in favor of the Trustees, if made in the manner provided in this Section.

The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by a certificate of a notary public or other officer authorized by law to take acknowledgements of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Where such execution is by a signer acting in a capacity other than his individual capacity, such certificate or affidavit shall also constitute sufficient proof of his authority. The fact and date of the execution of any such instrument or writing, or the authority of the Person executing the same, may also be proved in any other manner which the Trustees deem sufficient.

The ownership of Preferred Securities shall be proved by the Securities Register.

Any request, demand, authorization, direction, notice, consent, waiver or other Act of the Securityholder of any Trust Security shall bind every future Securityholder of the same Trust Security and the Securityholder of every Trust Security issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, omitted or suffered to be done by the Trustees or the Trust in reliance thereon, whether or not notation of such action is made upon such Trust Security.

Without limiting the foregoing, a Securityholder entitled hereunder to take any action hereunder with regard to any particular Trust Security may do so with regard to all or any part of the Liquidation Amount of such Trust Security or by one or more duly appointed agents each of which may do so pursuant to such appointment with regard to all or any part of such Liquidation Amount.

If any dispute shall arise between the Securityholders of Trust Securities and the Administrative Trustees or among such Securityholders or Trustees with respect to the authenticity, validity or binding nature of any request, demand, authorization, direction, consent, waiver or other Act of such Securityholder or Trustee under this Article VI, then the determination of such matter by the Property Trustee shall be conclusive with respect to such matter.

Section 6.09 Inspection of Records. Upon reasonable notice to the Trustees, the records of the Trust shall be open to inspection by Securityholders during normal business hours for any purpose reasonably related to such Securityholder's interest as a Securityholder.

ARTICLE VII

Representations and Warranties of the Trustees

Section 7.01 Representations and Warranties of the Trustees. The Bank, the Delaware Bank, the Property Trustee and the Delaware Trustee, each on behalf of and as to itself, hereby represents and warrants for the benefit of the Depositor and the Securityholders that:

(a) the Bank is a banking corporation or trust company duly organized, validly existing and in good standing under the laws of the State of New York, and the Delaware Trustee is a

national banking association duly organized, validly existing and in good standing under the laws of the United States of America;

(b) each of the Bank and the Delaware Bank has full corporate power, authority and legal right to execute, deliver and perform their obligations under this Trust Agreement and has taken all necessary action to authorize the execution, delivery and performance by it of this Trust Agreement;

(c) this Trust Agreement has been duly authorized, executed and delivered by each of the Bank and the Delaware Bank and constitutes the valid and legally binding agreement of each of the Bank and the Delaware Bank, enforceable against it in accordance with its terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles;

(d) the execution, delivery and performance by each of the Bank and the Delaware Bank of this Trust Agreement have been duly authorized by all necessary corporate action on the part of the Bank, the Property Trustee, the Delaware Bank and the Delaware Trustee and do not require any approval of stockholders of the Bank or the Delaware Bank and such execution, delivery and performance will not (i) violate the Bank's or the Delaware Bank's Charter or By-laws, or (ii) violate any law, governmental rule or regulation of the United States or the State of New York or Delaware, as the case may be, governing the banking or trust powers of the Bank and the Property Trustee or the Delaware Bank and the Delaware Trustee, or any order, judgment or decree applicable to the Bank, the Property Trustee, the Delaware Bank or the Delaware Trustee; and

(e) neither the authorization, execution or delivery by the Bank or the Delaware Bank of this Trust Agreement, nor the consummation of any of the transactions by the Bank, the Property Trustee, the Delaware Bank or the Delaware Trustee (as appropriate in context) contemplated herein or therein, nor the issuance of the Trust Securities Certificates pursuant to this Trust Agreement require the consent or approval of, the giving of notice to, the registration with or the taking of any other action with respect to any governmental authority or agency under any existing federal, New York or Delaware law governing the banking or trust powers of the Bank or the Delaware Bank.

ARTICLE VIII

The Trustees

Section 8.01 Certain Duties and Responsibilities.

(a) The rights, duties and responsibilities of the Trustees shall be as provided by this Trust Agreement and, in the case of the Property Trustee, the Trust Indenture Act. Notwithstanding the foregoing, no provision of this Trust Agreement shall require the Trustees to expend or risk their own funds or otherwise incur any financial liability in the performance of any of their duties hereunder, or in the exercise of any of their rights or powers, if they shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not

reasonably assured to them. Whether or not therein expressly so provided, every provision of this Trust Agreement relating to the conduct or affecting the liability of or affording protection to the Trustees shall be subject to the provisions of this Section.

(b) All payments made by the Property Trustee in respect of the Trust Securities shall be made only from the income and proceeds from the Trust Property and only to the extent that there shall be sufficient income or proceeds from the Trust Property to enable the Property Trustee to make payments in accordance with the terms hereof. Each Securityholder, by its acceptance of a Trust Security, agrees that it will look solely to the income and proceeds from the Trust Property to the extent available for distribution to it as herein provided and that the Trustees are not personally liable to it for any amount distributable in respect of any Trust Security or for any other liability in respect of any Trust Security. This Section 8.01(b) does not limit the liability of the Trustees expressly set forth elsewhere in this Trust Agreement or, in the case of the Property Trustee, in the Trust Indenture Act.

Section 8.02 Notice of Defaults. Within 90 days after the occurrence of any default, the Property Trustee shall transmit, in the manner and to the extent provided in Section 10.08, notice of any default known to the Property Trustee to the Securityholders, the Administrative Trustees and the Depositor, unless such default shall have been cured or waived. For the purpose of this Section, the term "default" means any event which is, or after notice or lapse of time or both would become, an Event of Default.

Section 8.03 Certain Rights of Property Trustee. Subject to the provisions of Section 8.01 and except as provided by law:

(i) the Property Trustee may rely and shall be protected in acting or refraining from acting in good faith upon any resolution, Opinion of Counsel, certificate, written representation of a Holder or transferee, certificate of auditors or any other certificate, statement, instrument, opinion, report, notice, request, consent, order, appraisal, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(ii) if (A) in performing its duties under this Trust Agreement the Property Trustee is required to decide between alternative courses of action, or (B) in construing any of the provisions in this Trust Agreement the Property Trustee finds the same ambiguous or inconsistent with any other provisions contained herein, or (C) the Property Trustee is unsure of the application of any provision of this Trust Agreement, then, except as to any matter as to which the Preferred Securityholders are entitled to vote under the terms of this Trust Agreement, the Property Trustee shall deliver a notice to the Depositor requesting written instructions of the Depositor as to the course of action to be taken. The Property Trustee shall take such action, or refrain from taking such action, as the Property Trustee shall be instructed in writing to take, or to refrain from taking, by the Depositor; provided, however, that if the Property Trustee does not receive such instructions of the Depositor within ten Business Days after it has delivered such notice, or such

reasonably shorter period of time set forth in such notice (which to the extent practicable shall not be less than two Business Days), it may, but shall be under no duty to, take or refrain from taking such action not inconsistent with this Trust Agreement as it shall deem advisable and in the best interests of the Securityholders, in which event the Property Trustee shall have no liability except for its own bad faith, negligence or willful misconduct;

(iii) the Property Trustee may consult with counsel of its selection and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

(iv) the Property Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Trust Agreement at the request or direction of any of the Securityholders pursuant to this Trust Agreement, unless such Securityholders shall have offered to the Property Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

(v) the Property Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval, bond or other document, unless requested in writing to do so by one or more Securityholders; and

(vi) the Property Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through its agents or attorneys, provided that the Property Trustee shall be responsible for its own negligence or recklessness with respect to selection of any agent or attorney appointed by it hereunder.

Section 8.04 Not Responsible for Recitals or Issuance of Securities. The recitals contained herein and in the Trust Securities Certificates shall be taken as the statements of the Trust, and the Trustees do not assume any responsibility for their correctness. The Trustees shall not be accountable for the use or application by the Trust of the proceeds of the Trust Securities in accordance with Section 2.05.

The Property Trustee may conclusively assume that any funds held by it hereunder are legally available unless an officer of the Property Trustee assigned to its Corporate Trustee Administrative Department shall have received written notice from the Company, any Holder or any other Trustee that such funds are not legally available.

Section 8.05 May Hold Securities. Except as provided in the definition of the term "Outstanding" in Article I, any Trustee or any other agent of the Trustees or the Trust, in its individual or any other capacity, may become the owner or pledgee of Trust Securities and may

otherwise deal with the Trust with the same rights it would have if it were not a Trustee or such other agent.

Section 8.06 Compensation; Fees; Indemnity.

The Depositor agrees:

(1) to pay to the Trustees from time to time reasonable compensation for all services rendered by the Trustees hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(2) except as otherwise expressly provided herein, to reimburse the Trustees upon request for all reasonable expenses, disbursements and advances incurred or made by the Trustees in accordance with any provision of this Trust Agreement (including the reasonable compensation and the expenses and disbursements of their agents and counsel), except any such expense, disbursement or advance as may be attributable to their willful misconduct, negligence or bad faith; and

(3) to indemnify the Trustees for, and to hold the Trustees harmless against, any and all loss, damage, claims, liability or expense incurred without willful misconduct, negligence or bad faith on their part, arising out of or in connection with the acceptance or administration of this Trust Agreement, including the costs and expenses of defending themselves against any claim or liability in connection with the exercise or performance of any of their powers or duties hereunder.

The provisions of this Section 8.06 shall survive the termination of this Trust Agreement.

Section 8.07 Trustees Required; Eligibility.

(a) There shall at all times be a Property Trustee hereunder with respect to the Trust Securities. The Property Trustee shall be a Person that has a combined capital and surplus of at least $50,000,000. If any such Person publishes reports of condition at least annually, pursuant to law or to the requirements of its supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such Person shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Property Trustee with respect to the Trust Securities shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

(b) There shall at all times be one or more Administrative Trustees hereunder with respect to the Trust Securities. Each Administrative Trustee shall be either a natural person who is at least 21 years of age or a legal entity that shall act through one or more persons authorized to bind such entity.

(c) There shall at all times be a Delaware Trustee with respect to the Trust Securities. The Delaware Trustee shall either be (i) a natural person who is at least 21 years of age and a

resident of the State of Delaware or (ii) a legal entity authorized to conduct a trust business and with its principal place of business in the State of Delaware that shall act through one or more persons authorized to bind such entity.

Section 8.08 Conflicting Interests.

If the Property Trustee has or shall acquire a conflicting interest within the meaning of the Trust Indenture Act, the Property Trustee shall either eliminate such interest or resign, to the extent and in the manner provided by, and subject to the provisions of, the Trust Indenture Act and this Trust Agreement. To the extent permitted by the Trust Indenture Act, the Property Trustee shall not be deemed to have a conflicting interest by virtue of being trustee under (i) the Guarantee, (ii) the amended and restated trust agreement dated as of January 1, 1997, among the Company, as Depositor, the Delaware Bank, as Delaware Trustee, the Administrative Trustees named therein and the Bank, as Property Trustee, relating to Gulf Power Capital Trust I, (iii) the guarantee agreement dated as of January 1, 1997, between the Company, as guarantor, and the Bank, as trustee, relating to Gulf Power Capital Trust I, (iv) the amended and restated trust agreement dated as of January 1, 1998, among the Company, as Depositor, the Delaware Bank, as Delaware Trustee, the Administrative Trustees named therein and the Bank, as Property Trustee, relating to Gulf Power Capital Trust II, and (v) the guarantee agreement dated as of January 1, 1998, between the Company, as guarantor, and the Bank, as trustee, relating to Gulf Power Capital Trust II.

Section 8.09 Co-Trustees and Separate Trustee.

At any time or times, for the purpose of meeting the legal requirements of the Trust Indenture Act or of any jurisdiction in which any part of the Trust Property may at the time be located, the Holder of the Common Securities and the Property Trustee shall have power to appoint, and upon the written request of the Property Trustee, the Depositor shall for such purpose join with the Property Trustee in the execution, delivery and performance of all instruments and agreements necessary or proper to appoint, one or more Persons approved by the Property Trustee either to act as co-trustee, jointly with the Property Trustee, of all or any part of such Trust Property, or to act as separate trustee of any such Trust Property, in either case with such powers as may be provided in the instrument of appointment, and to vest in such Person or Persons in the capacity aforesaid, any property, title, right or power deemed necessary or desirable, subject to the other provisions of this Section. If the Depositor does not join in such appointment within 15 days after the receipt by it of a request so to do, or in case an Indenture Event of Default has occurred and is continuing, the Property Trustee alone shall have power to make such appointment. Any co-trustee or separate trustee appointed pursuant to this Section shall satisfy the requirements of Section 8.07.

Should any written instrument from the Depositor be required by any co-trustee or separate trustee so appointed for more fully confirming to such co-trustee or separate trustee such property, title, right, or power, any and all such instruments shall, on request, be executed, acknowledged, and delivered by the Depositor.

Every co-trustee or separate trustee shall, to the extent permitted by law, but to such extent only, be appointed subject to the following terms, namely:

(i) The Trust Securities shall be executed, authenticated and delivered and all rights, powers, duties, and obligations hereunder in respect of the custody of securities, cash and other personal property held by, or required to be deposited or pledged with, the Trustees hereunder, shall be exercised, solely by the Trustees.

(ii) The rights, powers, duties, and obligations hereby conferred or imposed upon the Property Trustee in respect of any property covered by such appointment shall be conferred or imposed upon and exercised or performed by the Property Trustee or by the Property Trustee and such co-trustee or separate trustee jointly, as shall be provided in the instrument appointing such co-trustee or separate trustee, except to the extent that under any law of any jurisdiction in which any particular act is to be performed, the Property Trustee shall be incompetent or unqualified to perform such act, in which event such rights, powers, duties, and obligations shall be exercised and performed by such co-trustee or separate trustee.

(iii) The Property Trustee at any time, by an instrument in writing executed by it, with the written concurrence of the Depositor, may accept the resignation of or remove any co-trustee or separate trustee appointed under this Section, and, in case an Indenture Event of Default has occurred and is continuing, the Property Trustee shall have power to accept the resignation of, or remove, any such co-trustee or separate trustee without the concurrence of the Depositor. Upon the written request of the Property Trustee, the Depositor shall join with the Property Trustee in the execution, delivery, and performance of all instruments and agreements necessary or proper to effectuate such resignation or removal. A successor to any co-trustee or separate trustee so resigned or removed may be appointed in the manner provided in this Section.

(iv) No co-trustee or separate trustee hereunder shall be personally liable by reason of any act or omission of the Property Trustee, or any other such trustee hereunder.

(v) The Trustees shall not be liable by reason of any act of a co-trustee or separate trustee.

(vi) Any Act of Holders delivered to the Property Trustee shall be deemed to have been delivered to each such co-trustee and separate trustee.

Section 8.10 Resignation and Removal; Appointment of Successor. No resignation or removal of any Trustee (the "Relevant Trustee") and no appointment of a successor Relevant Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Relevant Trustee in accordance with the applicable requirements of Section 8.11.

The Relevant Trustee may resign at any time by giving written notice thereof to the Securityholders. If the instrument of acceptance by a successor Relevant Trustee required by Section 8.11 shall not have been delivered to the Relevant Trustee within 30 days after the giving of

such notice of resignation, the resigning Relevant Trustee may petition any court of competent jurisdiction for the appointment of a successor Relevant Trustee.

Unless an Indenture Event of Default shall have occurred and be continuing, the Relevant Trustee may be removed at any time by Act of the Holder of the Common Securities. If an Indenture Event of Default shall have occurred and be continuing, the Relevant Trustee may be removed at such time by Act of the Securityholders of a majority in Liquidation Amount of the Preferred Securities Certificates, delivered to the Relevant Trustee (in its individual capacity and on behalf of the Trust).

If the Relevant Trustee shall resign, be removed or become incapable of continuing to act as Trustee at a time when no Indenture Event of Default shall have occurred and be continuing, the Holder of the Common Securities, by Act of the Holder of the Common Securities delivered to the retiring Relevant Trustee, shall promptly appoint a successor Relevant Trustee or Trustees, and the retiring Relevant Trustee shall comply with the applicable requirements of Section 8.11. If the Relevant Trustee shall resign, be removed or become incapable of continuing to act as the Relevant Trustee at a time when an Indenture Event of Default shall have occurred and be continuing, the Holders of Preferred Securities, by Act of the Securityholders of a majority in Liquidation Amount of the Preferred Securities then outstanding delivered to the retiring Relevant Trustee, shall promptly appoint a successor Relevant Trustee or Trustees, and the Relevant Trustee shall comply with the applicable requirements of Section 8.11. If no successor Relevant Trustee shall have been so appointed in accordance with this Section 8.10 and accepted appointment in the manner required by Section 8.11, any Securityholder who has been a Securityholder of Trust Securities for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Relevant Trustee.

The retiring Relevant Trustee shall give notice of each resignation and each removal of the Relevant Trustee, and each appointment of a successor Trustee to all Securityholders in the manner provided in Section 10.08 and shall give notice to the Depositor. Each notice shall include the name of the successor Relevant Trustee and the address of its Corporate Trust Office if it is the Property Trustee.

Notwithstanding the foregoing or any other provision of this Trust Agreement, in the event any Administrative Trustee or a Delaware Trustee who is a natural person dies or becomes incompetent or incapacitated, the vacancy created by such death, incompetence or incapacity may be filled by (i) the act of the remaining Administrative Trustee or (ii) otherwise by the Depositor (with the successor in each case being an individual who satisfies the eligibility requirement for Administrative Trustees set forth in Section 8.07). Additionally, notwithstanding the foregoing or any other provision of this Trust Agreement, in the event the Depositor believes that any Administrative Trustee has become incompetent or incapacitated, the Depositor, by notice to the remaining Trustees, may terminate the status of such Person as an Administrative Trustee (in which case the vacancy so created will be filled in accordance with the preceding sentence).

Section 8.11 Acceptance of Appointment by Successor. In case of the appointment hereunder of a successor Relevant Trustee, every such successor Relevant Trustee so appointed

shall execute, acknowledge and deliver to the Trust and to the retiring Relevant Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Relevant Trustee shall become effective and such successor Relevant Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Relevant Trustee; but, on the request of the Depositor or the successor Relevant Trustee, such retiring Relevant Trustee shall, upon payment of its charges, execute and deliver an instrument transferring to such successor Relevant Trustee all the rights, powers and trusts of the retiring Relevant Trustee and shall duly assign, transfer and deliver to such successor Relevant Trustee all property and money held by such retiring Relevant Trustee hereunder.

Upon request of any such successor Relevant Trustee, the Trust shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Relevant Trustee all such rights, powers and trusts referred to in the preceding paragraph.

No successor Relevant Trustee shall accept its appointment unless at the time of such acceptance such successor Relevant Trustee shall be qualified and eligible under this Article.

Section 8.12 Merger, Conversion, Consolidation or Succession to Business. Any Person into which the Property Trustee, Delaware Trustee or any Administrative Trustee which is not a natural person may be merged or converted or with which it may be consolidated, or any Person resulting from any merger, conversion or consolidation to which such Relevant Trustee shall be a party, or any Person succeeding to all or substantially all the corporate trust business of such Relevant Trustee, shall be the successor of such Relevant Trustee hereunder, provided such Person shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto.

Section 8.13 Preferential Collection of Claims Against Depositor or Trust. If and when the Property Trustee shall be or become a creditor of the Depositor or the Trust (or any other obligor upon the Junior Subordinated Notes or the Trust Securities), the Property Trustee shall be subject to the provisions of the Trust Indenture Act regarding the collection of claims against the Depositor or Trust (or any such other obligor). For purposes of Section 311(b)(4) and (6) of the Trust Indenture Act:

(a) "cash transaction" means any transaction in which full payment for goods or securities sold is made within seven days after delivery of the goods or securities in currency or in checks or other orders drawn upon banks or bankers and payable upon demand; and

(b) "self-liquidating paper" means any draft, bill of exchange, acceptance or obligation which is made, drawn, negotiated or incurred by the Depositor or the Trust (or any such obligor) for the purpose of financing the purchase, processing, manufacturing, shipment, storage or sale of goods, wares or merchandise and which is secured by documents evidencing title to, possession of, or a lien upon, the goods, wares or merchandise or the receivables or proceeds arising from the sale of the goods, wares or merchandise previously constituting the security, provided the security is received by the Property Trustee simultaneously with the creation of the creditor relationship with

the Depositor or the Trust (or any such obligor) arising from the making, drawing, negotiating or incurring of the draft, bill of exchange, acceptance or obligation.

Section 8.14 Reports by Property Trustee.

(a) Within 60 days after May 15 of each year commencing with May 15, 2002, if required by Section 313(a) of the Trust Indenture Act, the Property Trustee shall transmit a brief report dated as of such May 15 with respect to any of the events specified in such Section 313(a) that may have occurred since the later of the date of this Trust Agreement or the preceding May 15.

(b) The Property Trustee shall transmit to Securityholders the reports required by Section 313(b) of the Trust Indenture Act at the times specified therein.

(c) Reports pursuant to this Section shall be transmitted in the manner and to the Persons required by Sections 313(c) and (d) of the Trust Indenture Act.

Section 8.15 Reports to the Property Trustee. The Depositor and the Administrative Trustees on behalf of the Trust shall provide to the Property Trustee such documents, reports and information as required by Section 314 of the Trust Indenture Act (if any) and, within 120 days after the end of each fiscal year of the Depositor, the compliance certificate required by Section 314(a)(4) of the Trust Indenture Act in the form and in the manner required by Section 314 of the Trust Indenture Act.

Section 8.16 Evidence of Compliance with Conditions Precedent. Each of the Depositor and the Administrative Trustees on behalf of the Trust shall provide to the Property Trustee such evidence of compliance with any conditions precedent, if any, provided for in this Trust Agreement that relate to any of the matters set forth in Section 314(c) of the Trust Indenture Act. Any certificate or opinion required to be given pursuant to Section 314(c)(1) of the Trust Indenture Act shall comply with Section 314(e) of the Trust Indenture Act.

Section 8.17 Number of Trustees.

(a) The number of Trustees shall initially be four, provided that the Depositor by written instrument may increase or decrease the number of Administrative Trustees.

(b) If a Trustee ceases to hold office for any reason and the number of Administrative Trustees is not reduced pursuant to Section 8.17(a), or if the number of Trustees is increased pursuant to Section 8.17(a), a vacancy shall occur. The vacancy shall be filled with a Trustee appointed in accordance with Section 8.10.

(c) The death, resignation, retirement, removal, bankruptcy, incompetence or incapacity to perform the duties of a Trustee shall not operate to annul the Trust. Whenever a vacancy in the number of Administrative Trustees shall occur, until such vacancy is filled by the appointment of an Administrative Trustee in accordance with Section 8.10, the Administrative Trustees in office, regardless of their number (and notwithstanding any other provision of this Trust Agreement), shall

have all powers granted to the Administrative Trustees and shall discharge the duties imposed upon the Administrative Trustees by this Trust Agreement.

Section 8.18 Delegation of Power.

(a) Any Administrative Trustee may, by power of attorney consistent with applicable law, delegate to any other natural person over the age of 21 his or her power for the purpose of executing any documents contemplated in Section 2.07(A), including any registration statement or amendment thereto filed with the Commission, or making any other governmental filing; and

(b) The Administrative Trustees shall have power to delegate from time to time to such of their number the doing of such things and the execution of such instruments either in the name of the Trust or the names of the Administrative Trustees or otherwise as the Administrative Trustees may deem expedient, to the extent such delegation is not prohibited by applicable law or contrary to the provisions of the Trust, as set forth herein.

Section 8.19 Enforcement of Rights of Property Trustee by Securityholders. If (i) the Trust fails to pay Distributions in full on the Preferred Securities for more than 20 consecutive quarterly distribution periods, or (ii) an Event of Default occurs and is continuing, then the Holders of Preferred Securities will rely on the enforcement by the Property Trustee of its rights against the Company as the holder of the Junior Subordinated Notes. In addition, the Holders of a majority in aggregate Liquidation Amount of the Preferred Securities will have the right to direct the time, method, and place of conducting any proceeding for any remedy available to the Property Trustee or to direct the exercise of any trust or power conferred upon the Property Trustee under this Trust Agreement, including the right to direct the Property Trustee to exercise the remedies available to it as a holder of the Junior Subordinated Notes, provided that such direction shall not be in conflict with any rule of law or with this Trust Agreement, and could not involve the Property Trustee in personal liability in circumstances where reasonable indemnity would not be adequate. If the Property Trustee fails to enforce its rights under the Junior Subordinated Notes, a Holder of Preferred Securities may, to the fullest extent permitted by applicable law, institute a legal proceeding against the Company to enforce its rights under this Trust Agreement without first instituting any legal proceeding against the Property Trustee or any other Person, including the Trust; it being understood and intended that no one or more of such Holders shall have any right in any manner whatsoever by virtue of, or by availing of, any provision of this Trust Agreement to affect, disturb or prejudice the rights of any other of such Holders or to obtain or to seek to obtain priority or preference over any other of such Holders or to enforce any right under this Trust Agreement, except in the manner herein provided and for the equal and ratable benefit of all such Holders. Notwithstanding the foregoing, a Holder of Preferred Securities may institute a legal proceeding directly against the Company, without first instituting a legal proceeding against or requesting or directing that action be taken by the Property Trustee or any other Person, for enforcement of payment to such Holder of principal of or interest on the Junior Subordinated Notes having a principal amount equal to the aggregate stated liquidation amount of the Preferred Securities of such Holder on or after the due dates therefor specified or provided for in the Junior Subordinated Notes. The Company shall be subrogated to all rights of the Holders of Preferred Securities in respect of any amounts paid to such Holders by the Company pursuant to this Section.

Section 8.20 Delaware Trustee. It is expressly understood and agreed by the parties hereto that in fulfilling its obligations as Delaware Trustee hereunder on behalf of the Trust (i) any agreements or instruments executed and delivered by Chase Manhattan Bank USA, National Association are executed and delivered not in its individual capacity but solely as Delaware Trustee under this Trust Agreement in the exercise of the powers and authority conferred and vested in it, (ii) each of the representations, undertakings and agreements herein made on the part of the Trust is made and intended not as representations, warranties, covenants, undertakings and agreements by Chase Manhattan Bank USA, National Association in its individual capacity but is made and intended for the purpose of binding only the Trust and (iii) under no circumstance shall Chase Manhattan Bank USA, National Association in its individual capacity be personally liable for the payment of any indebtedness or expenses of the Trust or be liable for the breach or failure of any obligation, representation, warranty or covenant made or undertaken by the Trust under this Trust Agreement, except if such breach or failure is due to any gross negligence or willful misconduct of the Delaware Trustee.

ARTICLE IX

Termination and Liquidation

Section 9.01 Termination Upon Expiration Date. The Trust shall automatically terminate on December 31, 2042 (the "Expiration Date") or earlier pursuant to Section 9.02.

Section 9.02 Early Termination. Upon the first to occur of any of the following events (such first occurrence, an "Early Termination Event"), the Trust shall be dissolved and terminated in accordance with the terms hereof:

(i) the occurrence of a Bankruptcy Event in respect of the Depositor, dissolution or liquidation of the Depositor, or the dissolution of the Trust pursuant to judicial decree;

(ii) the delivery of written direction to the Property Trustee by the Depositor at any time (which direction is optional and wholly within the discretion of the Depositor) to terminate the Trust and distribute the Junior Subordinated Notes to Securityholders as provided in Section 9.04; and

(iii) the payment at maturity or redemption of all of the Junior Subordinated Notes, and the consequent payment of the Preferred Securities.

Section 9.03 Termination. The respective obligations and responsibilities of the Trust and the Trustees created hereby shall terminate upon the latest to occur of the following: (a) the distribution by the Property Trustee to Securityholders upon the liquidation of the Trust pursuant to Section 9.04, or upon the redemption of all of the Trust Securities pursuant to Section 4.02, of all amounts or instruments required to be distributed hereunder upon the final payment of the Trust Securities; (b) the payment of any expenses owed by the Trust; and (c) the discharge of all

administrative duties of the Administrative Trustees, including the performance of any tax reporting obligations with respect to the Trust or the Securityholders.

Section 9.04 Liquidation.

(a) If any Early Termination Event specified in clause (ii) of Section 9.02 occurs, the Trust shall be liquidated and the Property Trustee shall distribute the Junior Subordinated Notes to the Securityholders as provided in this Section 9.04.

(b) In connection with a distribution of the Junior Subordinated Notes, each Holder of Trust Securities shall be entitled to receive, after the satisfaction of liabilities to creditors of the Trust (as evidenced by a certificate of the Administrative Trustees), a Like Amount of Junior Subordinated Notes. Notice of liquidation shall be given by the Trustees by first-class mail, postage prepaid, mailed not later than 30 nor more than 60 days prior to the Liquidation Date to each Holder of Trust Securities at such Holder's address appearing in the Securities Register. All notices of liquidation shall:

(i) state the Liquidation Date;

(ii) state that from and after the Liquidation Date, the Trust Securities will no longer be deemed to be Outstanding and any Trust Securities Certificates not surrendered for exchange will be deemed to represent a Like Amount of Junior Subordinated Notes; and

(iii) provide such information with respect to the mechanics by which Holders may exchange Trust Securities Certificates for Junior Subordinated Notes as the Administrative Trustees or the Property Trustee shall deem appropriate.

(c) In order to effect the liquidation of the Trust and distribution of the Junior Subordinated Notes to Securityholders, the Property Trustee shall establish a record date for such distribution (which shall be not more than 45 days prior to the Liquidation Date) and, either itself acting as exchange agent or through the appointment of a separate exchange agent, shall establish such procedures as it shall deem appropriate to effect the distribution of Junior Subordinated Notes in exchange for the Outstanding Trust Securities Certificates.

(d) After the Liquidation Date, (i) the Trust Securities will no longer be deemed to be Outstanding, (ii) certificates representing a Like Amount of Junior Subordinated Notes will be issued to Holders of Trust Securities Certificates, upon surrender of such certificates to the Administrative Trustees or their agent for exchange, (iii) any Trust Securities Certificates not so surrendered for exchange will be deemed to represent a Like Amount of Junior Subordinated Notes, accruing interest at the rate provided for in the Junior Subordinated Notes from the last Distribution Date on which a Distribution was made on such Trust Certificates until such certificates are so surrendered (and until such certificates are so surrendered, no payments of interest or principal will be made to Holders of Trust Securities Certificates with respect to such Junior Subordinated Notes) and (iv) all rights of Securityholders holding Trust Securities will cease, except the right of such

Securityholders to receive Junior Subordinated Notes upon surrender of Trust Securities Certificates.

(e) The Depositor will use its best efforts to have the Junior Subordinated Notes that are distributed in exchange for the Preferred Securities to be listed on such securities exchange as the Preferred Securities are then listed. The Depositor may elect to have the Junior Subordinated Notes issued in book-entry form to the Clearing Agency or its nominee.

Section 9.05 Bankruptcy. If an Early Termination Event specified in clause (i) of Section 9.02 has occurred, the Trust shall be liquidated. The Property Trustee shall distribute the Junior Subordinated Notes to the Securityholders as provided in Section 9.04, unless such distribution is determined by the Administrative Trustees not to be practical, in which event the Holders will be entitled to receive out of the assets of the Trust available for distribution to Securityholders, after satisfaction of liabilities to creditors, an amount equal to the Liquidation Amount per Trust Security plus accrued and unpaid Distributions thereon to the date of payment (such amount being the "Liquidation Distribution"). If such Liquidation Distribution can be paid only in part because the Trust has insufficient assets available to pay in full the aggregate Liquidation Distribution, then, subject to the next succeeding sentence, the amounts payable by the Trust on the Trust Securities shall be paid on a pro rata basis (based upon Liquidation Amounts). The Holder of the Common Securities will be entitled to receive Liquidation Distributions upon any such dissolution, winding-up or termination pro rata (determined as aforesaid) with Holders of Preferred Securities, except that, if an Indenture Event of Default has occurred and is continuing, the Preferred Securities shall have a priority over the Common Securities.

ARTICLE X

Miscellaneous Provisions

Section 10.01 Guarantee by the Depositor. Subject to the terms and conditions hereof, the Depositor irrevocably and unconditionally guarantees to each Person to whom the Trust is now or hereafter becomes indebted or liable (the "Beneficiaries") the full payment, when and as due, of any and all Obligations (as hereinafter defined) to such Beneficiaries. As used herein, "Obligations" means any indebtedness, expenses or liabilities of the Trust, other than obligations of the Trust to pay to Holders of any Preferred Securities or other similar interests in the Trust the amounts due such Holders pursuant to the terms of the Preferred Securities or such other similar interests, as the case may be. This guarantee is intended to be for the benefit of, and to be enforceable by, all such Beneficiaries, whether or not such Beneficiaries have received notice hereof.

Section 10.02 Limitation of Rights of Securityholders. The death or incapacity of any Person having an interest, beneficial or otherwise, in a Trust Security shall not operate to terminate this Trust Agreement, nor entitle the legal representatives or heirs of such Person or any Securityholder for such Person, to claim an accounting, take any action or bring any proceeding in and for a partition or winding up of the arrangements contemplated hereby, nor otherwise affect the rights, obligations and liabilities of the parties hereto or any of them.

Section 10.03 Amendment.

(a) This Trust Agreement may be amended from time to time by the Trustees and the Depositor, without the consent of any Securityholders, (i) to cure any ambiguity, correct or supplement any provision herein which may be inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising under this Trust Agreement, which shall not be inconsistent with the other provisions of this Trust Agreement, provided, however, that any such amendment shall not adversely affect in any material respect the interests of any Securityholder or (ii) to modify, eliminate or add to any provisions of this Trust Agreement to such extent as shall be necessary to ensure that the Trust will not be classified as other than a grantor trust for United States federal income tax purposes at any time that any Trust Securities are outstanding; provided, however, that, except in the case of clause (ii), such action shall not adversely affect in any material respect the interests of any Securityholder and, in the case of clause (i), any amendments of this Trust Agreement shall become effective when notice thereof is given to the Securityholders.

(b) Except as provided in Section 10.03(c) hereof, any provision in this Trust Agreement may be amended by the Trust or the Trustees with (i) the consent of Trust Securityholders representing not less than 66-2/3% (based upon Liquidation Amounts) of the Trust Securities then Outstanding and (ii) receipt by the Trustees of an Opinion of Counsel to the effect that such amendment or the exercise of any power granted to the Trustees in accordance with such amendment will not affect the Trust's status as a grantor trust for United States federal income tax purposes or the Trust's exemption from status of an "investment company" under the Investment Company Act of 1940, as amended.

(c) In addition to and notwithstanding any other provision in this Trust Agreement, without the consent of each affected Securityholder (such consent being obtained in accordance with Section 6.03 or 6.06 hereof), this Trust Agreement may not be amended to (i) change the amount or timing of any Distribution on the Trust Securities or otherwise adversely affect the amount of any Distribution required to be made in respect of the Trust Securities as of a specified date, (ii) restrict the right of a Securityholder to institute suit for the enforcement of any such payment on or after such date, or (iii) change the consent required pursuant to Section 10.03.

(d) Notwithstanding any other provisions of this Trust Agreement, the Trustees shall not enter into or consent to any amendment to this Trust Agreement which would cause the Trust to fail or cease to qualify for the exemption from status of an "investment company" under the Investment Company Act of 1940, as amended, afforded by Rule 3a-5 thereunder.

(e) Without the consent of the Depositor, this Trust Agreement may not be amended in a manner which imposes any additional obligation on the Depositor. In executing any amendment permitted by this Trust Agreement, the Trustees shall be entitled to receive, and (subject to Section 8.01) shall be fully protected in relying upon an Opinion of Counsel stating that the execution of such amendment is authorized or permitted by this Trust Agreement. Any Trustee may, but shall

not be obligated to, enter into any such amendment which affects such Trustee's own rights, duties, immunities or liabilities under this Trust Agreement or otherwise.

(f) In the event that any amendment to this Trust Agreement is made, the Administrative Trustees shall promptly provide to the Depositor a copy of such amendment.

Section 10.04 Separability. In case any provision in this Trust Agreement or in the Trust Securities Certificates 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 10.05 Governing Law. THIS TRUST AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF EACH OF THE SECURITYHOLDERS, THE TRUST AND THE TRUSTEES WITH RESPECT TO THIS TRUST AGREEMENT AND THE TRUST SECURITIES SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF DELAWARE; PROVIDED THAT THE IMMUNITIES AND STANDARD OF CARE OF THE PROPERTY TRUSTEE SHALL BE GOVERNED BY NEW YORK LAW.

Section 10.06 Successors. This Trust Agreement shall be binding upon and shall inure to the benefit of any successor to both the Trust and the Trustees, including any successor by operation of law.

Section 10.07 Headings. The Article and Section headings are for convenience only and shall not affect the construction of this Trust Agreement.

Section 10.08 Notice and Demand. Any notice, demand or other communication which by any provision of this Trust Agreement is required or permitted to be given or served to or upon any Securityholder or the Depositor may be given or served in writing by deposit thereof, first-class postage prepaid, in the United States mail, hand delivery or facsimile transmission, in each case, addressed, (i) in the case of a Preferred Securityholder, to such Preferred Securityholder as such Securityholder's name and address appear on the Securities Register, (ii) in the case of communications via United States mail or facsimile transmission to the Common Securityholder or the Depositor, to Gulf Power Company, One Energy Place, Pensacola, Florida 32520-0102, Attention: Treasurer, Facsimile No. (850) 444-6026, with a copy to Southern Company Services, Inc., 270 Peachtree Street, N.W., Atlanta, Georgia 30303-0102, Attention: Corporate Finance Department, Facsimile No. (404) 506-0674 and (iii) in the case of communications via hand delivery to the Common Securityholder or the Depositor, to Gulf Power Company, 500 Bayfront Parkway, Pensacola, Florida 32501, Attention: Treasurer, with a copy to Southern Company Services, Inc., 270 Peachtree Street, N.W., Atlanta, Georgia 30303-0102, Attention: Corporate Finance Department, Facsimile No. (404) 506-0674. Such notice, demand or other communication to or upon a Securityholder shall be deemed to have been sufficiently given or made, for all purposes, upon hand delivery, mailing or transmission.

Any notice, demand or other communication which by any provision of this Trust Agreement is required or permitted to be given or served to or upon the Trust or the Trustees shall

be given in writing addressed (until another address is published by the Trust) as follows: (i) with respect to the Property Trustee and the Delaware Trustee, JPMorgan Chase Bank, 450 West 33rd Street, New York, New York 10001, Attention: Institutional Trust Services; Chase Manhattan Bank USA, National Association, c/o JPMorgan Chase Bank, 500 Stanton Christiana Road, Building 4, 3rd Floor, Newark, Delaware 19713, Attention: Institutional Trust Services, as the case may be; and (ii) with respect to the Administrative Trustees, to them at the address above for notices to the Depositor, marked Attention: Administrative Trustees of Gulf Power Capital Trust III c/o Treasurer. Such notice, demand or other communication to or upon the Trust or the Trustees shall be deemed to have been sufficiently given or made only upon actual receipt of the writing by the applicable Trustee.

Section 10.09 Agreement Not to Petition. Each of the Trustees and the Depositor agrees for the benefit of the Securityholders that, until at least one year and one day after the Trust has been terminated in accordance with Article IX, it shall not file, or join in the filing of, a petition against the Trust under any bankruptcy, reorganization, arrangement, insolvency, liquidation or other similar law (including, without limitation, the United States Bankruptcy Code) (collectively, "Bankruptcy Laws") or otherwise join in the commencement of any proceeding against the Trust under any Bankruptcy Law. In the event the Depositor takes action in violation of this Section 10.09, the Property Trustee agrees, for the benefit of Securityholders, that it shall file an answer with the bankruptcy court or otherwise properly contest the filing of such petition by the Depositor against the Trust or the commencement of such action and raise the defense that the Depositor has agreed in writing not to take such action and should be stopped and precluded therefrom and such other defenses, if any, as counsel for the Trustees or the Trust may assert. The provisions of this Section 10.09 shall survive the termination of this Trust Agreement.

Section 10.10 Conflict with Trust Indenture Act.

(a) This Trust Agreement is subject to the provisions of the Trust Indenture Act that are required to be part of this Trustee Agreement and shall, to the extent applicable, be governed by such provisions.

(b) The Property Trustee shall be the only Trustee which is a Trustee for the purposes of the Trust Indenture Act.

(c) If any provision hereof limits, qualifies or conflicts with another provision hereof which is required to be included in this Trust Agreement by any of the provisions of the Trust Indenture Act, such required provision shall control.

(d) The application of the Trust Indenture Act to this Trust Agreement shall not affect the nature of the Trust Securities as equity securities representing undivided beneficial interests in the assets of the Trust.

THE RECEIPT AND ACCEPTANCE OF A TRUST SECURITY OR ANY INTEREST THEREIN BY OR ON BEHALF OF A SECURITYHOLDER OR ANY BENEFICIAL OWNER, WITHOUT ANY SIGNATURE OR FURTHER MANIFESTATION OF ASSENT, SHALL

CONSTITUTE THE UNCONDITIONAL ACCEPTANCE BY THE SECURITYHOLDER AND ALL OTHERS HAVING A BENEFICIAL INTEREST IN SUCH TRUST SECURITY OF ALL THE TERMS AND PROVISIONS OF THIS TRUST AGREEMENT AND AGREEMENT TO THE SUBORDINATION PROVISIONS AND OTHER TERMS OF THE GUARANTEE AND THE SUBORDINATED INDENTURE AND THE AGREEMENT OF THE TRUST, SUCH SECURITYHOLDER AND SUCH OTHERS THAT THOSE TERMS AND PROVISIONS SHALL BE BINDING, OPERATIVE AND EFFECTIVE AS BETWEEN THE TRUST AND SUCH SECURITYHOLDER AND SUCH OTHERS.

IN WITNESS WHEREOF, the parties hereto have executed this Trust Agreement or have caused this Trust Agreement to be executed on their behalf, all as of the day and year first above written.

GULF POWER COMPANY,
as Depositor

By: _____
Ronnie R. Labrato
Vice President, Chief Financial Officer and
Comptroller

JPMORGAN CHASE BANK,
as Property Trustee

By: _____
R. Lorenzen
Assistant Vice President

CHASE MANHATTAN BANK USA, NATIONAL ASSOCIATION,
as Delaware Trustee

By: _____
John Cashin
Vice President

_____
Linda Malone,
as Administrative Trustee

_____
Wayne Boston,
as Administrative Trustee

IN WITNESS WHEREOF, the parties hereto have executed this Trust Agreement or have caused this Trust Agreement to be executed on their behalf, all as of the day and year first above written.

GULF POWER COMPANY,
as Depositor

By: _____
Ronnie R. Labrato
Vice President, Chief Financial Officer and
Comptroller

JPMORGAN CHASE BANK,
as Property Trustee

By: _____
R. Lorenzen
Assistant Vice President

CHASE MANHATTAN BANK USA,
NATIONAL ASSOCIATION,
as Delaware Trustee

By: _____
John Cashin
Vice President

_____
Linda Malone,
as Administrative Trustee

_____
Wayne Boston,
as Administrative Trustee

IN WITNESS WHEREOF, the parties hereto have executed this Trust Agreement or have caused this Trust Agreement to be executed on their behalf, all as of the day and year first above written.

GULF POWER COMPANY,
as Depositor

By: _____
Ronnie R. Labrato
Vice President, Chief Financial Officer and
Comptroller

JPMORGAN CHASE BANK,
as Property Trustee

By: _____
R. Lorenzen
Assistant Vice President

CHASE MANHATTAN BANK USA,
NATIONAL ASSOCIATION,
as Delaware Trustee

By: _____
JOHN J. CASHIN
VICE PRESIDENT

_____
Linda Malone,
as Administrative Trustee

_____
Wayne Boston,
as Administrative Trustee

EXHIBIT A

THIS CERTIFICATE IS NOT TRANSFERABLE

Certificate Number
C-1

Number of Common Securities
_____

Certificate Evidencing Common Securities
of
Gulf Power Capital Trust III

Common Securities
(liquidation amount $25 per Common Security)

Gulf Power Capital Trust III, a statutory business trust created under the laws of the State of Delaware (the "Trust"), hereby certifies that Gulf Power Company (the "Holder") is the registered owner of _____ (_____) common securities of the Trust representing undivided beneficial interests in the assets of the Trust and designated the Common Securities (liquidation amount $25 per Common Security) (the "Common Securities"). In accordance with Section 5.10 of the Trust Agreement (as defined below) the Common Securities are not transferable, except by operation of law, and any attempted transfer hereof shall be void. The designations, rights, privileges, restrictions, preferences and other terms and provisions of the Common Securities are set forth in, and this certificate and the Common Securities represented hereby are issued and shall in all respects be subject to the terms and provisions of, the Amended and Restated Trust Agreement of the Trust dated as of November 1, 2001, as the same may be amended from time to time (the "Trust Agreement"), including the designation of the terms of the Common Securities as set forth therein. The Trust will furnish a copy of the Trust Agreement to the Holder without charge upon written request to the Trust at its principal place of business or registered office.

Upon receipt of this certificate, the Holder is bound by the Trust Agreement and is entitled to the benefits thereunder.

IN WITNESS WHEREOF, the Administrative Trustees of the Trust have executed this certificate this ____ day of _____, ____.

Gulf Power Capital Trust III

By: _____
Linda Malone,
as Administrative Trustee

By: _____
Wayne Boston,
as Administrative Trustee

CERTIFICATE OF AUTHENTICATION

This is one of the Common Securities referred to in the within-mentioned Trust Agreement.

_____
as Administrative Trustee

EXHIBIT B

AGREEMENT AS TO EXPENSES AND LIABILITIES

THIS AGREEMENT AS TO EXPENSES AND LIABILITIES (this "Agreement") is made as of November 1, 2001, between Gulf Power Company, a Maine corporation (the "Company"), and Gulf Power Capital Trust III, a Delaware business trust (the "Trust").

WHEREAS, the Trust intends to issue its Common Securities (the "Common Securities") to and receive Junior Subordinated Notes from the Company and to issue and sell Gulf Power Capital Trust III 7.375% Trust Preferred Securities (the "Preferred Securities") with such powers, preferences and special rights and restrictions as are set forth in the Amended and Restated Trust Agreement of the Trust dated as of November 1, 2001, as the same may be amended from time to time (the "Trust Agreement"); and

WHEREAS, the Company is the issuer of the Junior Subordinated Notes.

NOW, THEREFORE, in consideration of the purchase by each holder of the Preferred Securities, which purchase the Company hereby agrees shall benefit the Company and which purchase the Company acknowledges will be made in reliance upon the execution and delivery of this Agreement, the Company and the Trust hereby agree as follows:

ARTICLE I

Section 1.01. Guarantee by the Company. Subject to the terms and conditions hereof, the Company hereby irrevocably and unconditionally guarantees to each person or entity to whom the Trust is now or hereafter becomes indebted or liable (the "Beneficiaries") the full payment, when and as due, of any and all Obligations (as hereinafter defined) to such Beneficiaries. As used herein, "Obligations" means any indebtedness, expenses or liabilities of the Trust, other than obligations of the Trust to pay to holders of any Preferred Securities or other similar interests in the Trust the amounts due such holders pursuant to the terms of the Preferred Securities or such other similar interests, as the case may be. This Agreement is intended to be for the benefit of, and to be enforceable by, all such Beneficiaries, whether or not such Beneficiaries have received notice hereof.

Section 1.02. Term of Agreement. This Agreement shall terminate and be of no further force and effect upon the date on which there are no Beneficiaries remaining; provided, however, that this Agreement shall continue to be effective or shall be reinstated, as the case may be, if at any time any holder of Preferred Securities or any Beneficiary must restore payment of any sums paid under the Preferred Securities, under any Obligation, under the Guarantee Agreement dated the date hereof by the Company and JPMorgan Chase Bank, as guarantee trustee, or under this Agreement for any reason whatsoever. This Agreement is continuing, irrevocable, unconditional and absolute.

Section 1.03. Waiver of Notice. The Company hereby waives notice of acceptance of this Agreement and of any Obligation to which it applies or may apply, and the Company hereby waives presentment, demand for payment, protest, notice of nonpayment, notice of dishonor, notice of redemption and all other notices and demands.

Section 1.04. No Impairment. The obligations, covenants, agreements and duties of the Company under this Agreement shall in no way be affected or impaired by reason of the happening from time to time of any of the following:

(a) the extension of time for the payment by the Trust of all or any portion of the Obligations or for the performance of any other obligation under, arising out of, or in connection with, the Obligations;

(b) any failure, omission, delay or lack of diligence on the part of the Beneficiaries to enforce, assert or exercise any right, privilege, power or remedy conferred on the Beneficiaries with respect to the Obligations or any action on the part of the Trust granting indulgence or extension of any kind; or

(c) the voluntary or involuntary liquidation, dissolution, sale of any collateral, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition or readjustment of debt of, or other similar proceedings affecting, the Trust or any of the assets of the Trust.

There shall be no obligation of the Beneficiaries to give notice to, or obtain the consent of, the Company with respect to the happening of any of the foregoing.

Section 1.05. Enforcement. A Beneficiary may enforce this Agreement directly against the Company and the Company waives any right or remedy to require that any action be brought against the Trust or any other person or entity before proceeding against the Company.

ARTICLE II

Section 2.01. Binding Effect. All guarantees and agreements contained in this Agreement shall bind the successors, assigns, receivers, trustees and representatives of the Company and shall inure to the benefit of the Beneficiaries.

Section 2.02. Amendment. So long as there remains any Beneficiary or any Preferred Securities of any series are outstanding, this Agreement shall not be modified or amended in any manner adverse to such Beneficiary or to the holders of the Preferred Securities.

Section 2.03. Notices. Any notice, request or other communication required or permitted to be given hereunder shall be given in writing by delivering the same against receipt therefor by facsimile transmission (confirmed by mail), telex or by registered or certified mail, addressed as

follows (and if so given, shall be deemed given when mailed or upon receipt of an answer-back, if sent by telex), to-wit:

Gulf Power Capital Trust III
c/o JPMorgan Chase Bank
450 West 33rd Street
New York, New York 10001
Facsimile No.: (212) 946-8159
Attention: Institutional Trust Services

Gulf Power Company
One Energy Place
Pensacola, Florida 32520-0102
Facsimile No.: (850) 444-6026
Attention: Treasurer

Section 2.04. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF FLORIDA.

THIS AGREEMENT is executed as of the date and year first above written.

GULF POWER COMPANY

By: _____

Ronnie R. Labrato
Vice President, Chief Financial Officer and
Comptroller

GULF POWER CAPITAL TRUST III

By: _____

Linda Malone, as
Administrative Trustee

EXHIBIT C

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to Gulf Power Capital Trust III or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), any transfer, pledge, or other use hereof for value or otherwise by or to any person is wrongful inasmuch as the registered owner thereof, Cede & Co., has an interest herein.

Certificate Number	Number of Preferred Securities
P-1	CUSIP NO. 402478200

Certificate Evidencing Preferred Securities

of

Gulf Power Capital Trust III

7.375% Trust Preferred Securities
(Liquidation amount $25 per Preferred Security)

Gulf Power Capital Trust III, a statutory business trust created under the laws of the State of Delaware (the "Trust"), hereby certifies that Cede & Co. (the "Holder") is the registered owner of _____ MILLION (_____) preferred securities of the Trust representing undivided beneficial interests in the assets of the Trust and designated the Gulf Power Capital Trust III 7.375% Trust Preferred Securities (liquidation amount $25 per Preferred Security) (the "Preferred Securities"). The Preferred Securities are transferable on the books and records of the Trust, in person or by a duly authorized attorney, upon surrender of this certificate duly endorsed and in proper form for transfer as provided in Section 5.04 of the Trust Agreement (as defined below). The designations, rights, privileges, restrictions, preferences and other terms and provisions of the Preferred Securities are set forth in, and this certificate and the Preferred Securities represented hereby are issued and shall in all respects be subject to the terms and provisions of, the Amended and Restated Trust Agreement of the Trust, dated as of November 1, 2001, as the same may be amended from time to time (the "Trust Agreement"), including the designation of the terms of Preferred Securities as set forth therein. The holder of this certificate is entitled to the benefits of a guarantee by Gulf Power Company, a Maine corporation (the "Company"), pursuant to a Guarantee Agreement between the Company and JPMorgan Chase Bank, as guarantee trustee, dated as of November 1, 2001, as the same may be amended from time to time (the "Guarantee"), to the extent provided therein. The Trust will furnish a copy of the Trust Agreement and the Guarantee to the holder of this certificate without charge upon written request to the Trust at its principal place of business or registered office.

Upon receipt of this certificate, the holder of this certificate is bound by the Trust Agreement and is entitled to the benefits thereunder.

IN WITNESS WHEREOF, the Administrative Trustees of the Trust have executed this certificate this ____ day of _____, ____.

GULF POWER CAPITAL TRUST III

By: _____
Linda Malone,
as Administrative Trustee

By: _____
Wayne Boston,
as Administrative Trustee

CERTIFICATE OF AUTHENTICATION

This is one of the Preferred Securities referred to in the within-mentioned Trust Agreement.

_____
as Administrative Trustee

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned assigns and transfers this Preferred Security to:

_____

_____

_____

_____

(Insert assignee's social security or tax identification number)

_____

_____

_____

(Insert address and zip code of assignee)
and irrevocably appoints

_____

_____

_____

agent to transfer this Preferred Securities Certificate on the books of the Trust. The agent may substitute another to act for him or her.

Date: _____

Signature: _____

(Sign exactly as your name appears on the other side of this Preferred Securities Certificate)

GUARANTEE AGREEMENT

Between

Gulf Power Company

(as Guarantor)

and

JPMorgan Chase Bank

(as Trustee)

dated as of

November 1, 2001

CROSS-REFERENCE TABLE[1]

Section of Trust Indenture Act of 1939, as amended	Section of Guarantee Agreement
310(a)	4.01(a)
310(b)	4.01(c), 2.08
310(c)	Inapplicable
311(a)	2.02(b)
311(b)	2.02(b)
311(c)	Inapplicable
312(a)	2.02(a)
312(b)	2.02(b)
313	2.03
314(a)	2.04
314(b)	Inapplicable
314(c)	2.05
314(d)	Inapplicable
314(e)	1.01, 2.05, 3.02
314(f)	2.01, 3.02
315(a)	3.01(d)
315(b)	2.07
315(c)	3.01
315(d)	3.01(d)
315(e)	Inapplicable
316(a)	5.04(i), 2.06
316(b)	5.03
316(c)	2.02
317(a)	Inapplicable
317(b)	Inapplicable
318(a)	2.01(b)
318(b)	2.01
318(c)	2.01(a)

[1]This Cross-Reference Table does not constitute part of the Guarantee Agreement and shall not affect the interpretation of any of its terms or provisions.

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GUARANTEE AGREEMENT

This GUARANTEE AGREEMENT ("Guarantee Agreement"), dated as of November 1, 2001, between GULF POWER COMPANY, a Maine corporation (the "Guarantor"), and JPMORGAN CHASE BANK, a New York banking corporation, as trustee (the "Trustee"), for the benefit of the Holders (as defined herein) from time to time of the Preferred Securities (as defined herein) of GULF POWER CAPITAL TRUST III, a Delaware statutory business trust (the "Trust").

WHEREAS, pursuant to an Amended and Restated Trust Agreement (the "Trust Agreement"), dated as of November 1, 2001, among the Trustee, the other Trustees named therein, Gulf Power Company, as Depositor, and the holders of undivided beneficial interests in the assets of the Trust, the Trust is issuing as of November 16, 2001 $30,000,000 aggregate liquidation amount of its 7.375% Trust Preferred Securities (the "Preferred Securities") representing preferred undivided beneficial interests in the assets of the Trust and having the terms set forth in the Trust Agreement;

WHEREAS, the Preferred Securities will be issued by the Trust and the proceeds thereof will be used to purchase the Junior Subordinated Notes (as defined in the Trust Agreement) of the Guarantor, which will be held by the Trust as trust assets; and

WHEREAS, as incentive for the Holders to purchase the Preferred Securities, the Guarantor desires to irrevocably and unconditionally agree, to the extent set forth herein, to pay to the Holders the Guarantee Payments (as defined herein) and to make certain other payments on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the payment for Preferred Securities by each Holder (as defined herein) thereof, which payment the Guarantor hereby agrees shall benefit the Guarantor, the Guarantor executes and delivers this Guarantee Agreement for the benefit of the Holders from time to time of the Preferred Securities.

ARTICLE I

DEFINITIONS

SECTION 1.01. Definitions. As used in this Guarantee Agreement, the terms set forth below shall, unless the context otherwise requires, have the following meanings. Capitalized or otherwise defined terms used but not otherwise defined herein shall have the meanings assigned to such terms in the Trust Agreement as in effect on the date hereof.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect 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.

"Chase Manhattan Bank USA" means Chase Manhattan Bank USA, National Association (formerly known as Chase Manhattan Bank Delaware), a national banking association.

"Common Securities" means the securities representing common undivided beneficial interests in the assets of the Trust.

"Event of Default" means a failure by the Guarantor to perform any of its payment obligations under this Guarantee Agreement.

"Guarantee Payments" shall mean the following payments or distributions, without duplication, with respect to the Preferred Securities, to the extent not paid or made by or on behalf of the Trust: (i) any accrued and unpaid distributions that are required to be paid on such Preferred Securities but if and only if and to the extent the Trust has funds legally and immediately available therefor to make such payment; (ii) the redemption price, including all accrued and unpaid distributions to the date of redemption (the "Redemption Price"), with respect to the Preferred Securities called for redemption by the Trust but if and only if and to the extent that the Trust has funds legally and immediately available therefor sufficient to make such payment; and (iii) upon a voluntary or involuntary dissolution, winding-up or termination of the Trust (other than in connection with the distribution of Junior Subordinated Notes to the holders of Trust Securities or the redemption of all of the Preferred Securities), the lesser of (a) the aggregate of the liquidation amount and all accrued and unpaid distributions on the Preferred Securities to the date of payment, to the extent the Trust has funds legally and immediately available therefor, and (b) the amount of assets of the Trust remaining available for distribution to Holders in liquidation of the Trust (in either case, the "Liquidation Distribution").

"Holder" shall mean any holder, as registered on the books and records of the Trust, of any Preferred Securities; provided, however, that in determining whether the holders of the requisite percentage of Preferred Securities have given any request, notice, consent or waiver hereunder, "Holder" shall not include the Guarantor or any Affiliate of the Guarantor.

"Indenture" means the Subordinated Note Indenture dated as of January 1, 1997, between the Guarantor, as Subordinated Note Issuer, and JPMorgan Chase Bank, as trustee, as heretofore supplemented and as further supplemented by the Fourth Supplemental Indenture dated as of November 16, 2001, by and between the Guarantor and JPMorgan Chase Bank, as Trustee.

"JPMorgan Chase Bank" means JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank), a New York banking corporation.

"Majority in liquidation amount of Preferred Securities" means a vote by Holder(s) of Preferred Securities, voting separately as a class, of more than 50% of the liquidation amount of all Preferred Securities outstanding at the time of determination.

"Officers' Certificate" means a certificate signed by the Chairman of the Board, the President or a Vice President, and by the Treasurer, an Assistant Treasurer, the Secretary or an Assistant Secretary, of the Guarantor, and delivered to the Trustee. Any Officers' Certificate delivered with respect to compliance with a condition or covenant provided for in this Guarantee Agreement shall include:

(a) a statement that each officer signing the Officers' Certificate has read the covenant or condition and the definitions relating thereto;

(b) a brief statement of the nature and scope of the examination or investigation undertaken by each officer in rendering the Officers' Certificate;

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

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

"Person" means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Responsible Officer" means, with respect to the Trustee, any vice president, any assistant vice president, the secretary, any assistant secretary, the treasurer, any assistant treasurer, any senior trust officer, trust officer or assistant trust officer or any other officer of the Corporate Trust Department of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of that officer's knowledge of and familiarity with the particular subject.

"Successor Trustee" means a successor Trustee possessing the qualifications to act as Trustee under Section 4.01.

"Trust Indenture Act" means the Trust Indenture Act of 1939, as amended.

"Trustee" means JPMorgan Chase Bank until a Successor Trustee has been appointed and has accepted such appointment pursuant to the terms of this Guarantee Agreement and thereafter means each such Successor Trustee.

ARTICLE II

TRUST INDENTURE ACT

SECTION 2.01. Trust Indenture Act; Application.

(a) This Guarantee Agreement is subject to the provisions of the Trust Indenture Act that are required to be part of this Guarantee Agreement and shall, to the extent applicable, be governed by such provisions; and

(b) If and to the extent that any provision of this Guarantee Agreement limits, qualifies or conflicts with the duties imposed by Sections 310 to 317, inclusive, of the Trust Indenture Act, such imposed duties shall control.

SECTION 2.02. Lists of Holders of Securities.

(a) The Guarantor shall furnish or cause to be furnished to the Trustee (a) semiannually, not later than June 1 and December 1 in each year, a list, in such form as the Trustee may reasonably require, of the names and addresses of the Holders ("List of Holders") as of a date not more than 15 days prior to the time such list is furnished, and (b) at such other times as the Trustee may request in writing, within 30 days after the receipt by the Guarantor of any such request, a List of Holders as of a date not more than 15 days prior to the time such list is furnished; provided that, the Guarantor shall not be obligated to provide such List of Holders at any time the List of Holders does not differ from the most recent List of Holders given to the Trustee by the Guarantor or at any time the Trustee is the Securities Registrar under the Trust Agreement. The Trustee may destroy any List of Holders previously given to it on receipt of a new List of Holders.

(b) The Trustee shall comply with its obligations under Sections 311(a), 311(b) and 312(b) of the Trust Indenture Act.

SECTION 2.03. Reports by the Trustee. Within 60 days after May 15 of each year commencing May 15, 2002, the Trustee shall provide to the Holders of the Preferred Securities such reports as are required by Section 313(a) of the Trust Indenture Act, if any, in the form and in the manner provided by Section 313 of the Trust Indenture Act. The Trustee shall also comply with the other requirements of Section 313 of the Trust Indenture Act.

SECTION 2.04. Periodic Reports to Trustee. The Guarantor shall provide to the Trustee such documents, reports and information as required by Section 314 of the Trust Indenture Act (if any) in the form, in the manner and at the times required by Section 314 of the Trust Indenture Act, and shall provide, within 120 days after the end of each of its fiscal years, the compliance certificate required by Section 314(a)(4) of the Trust Indenture Act in the form and in the manner required by such Section.

SECTION 2.05. Evidence of Compliance with Conditions Precedent. The Guarantor shall provide to the Trustee such evidence of compliance with any conditions precedent, if any, provided for in this Guarantee Agreement that relate to any of the matters set forth in Section 314(c) of the Trust Indenture Act. Any certificate or opinion required to be given by an officer pursuant to Section 314(c)(1) may be given in the form of an Officers' Certificate.

SECTION 2.06. Events of Default; Waiver. The Holders of a Majority in liquidation amount of Preferred Securities may, by vote, on behalf of all of the Holders, waive any past Event of Default and its consequences. Upon such waiver, any such Event of Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Guarantee Agreement, but no such waiver shall extend to any subsequent or other default or Event of Default or impair any right consequent thereon.

SECTION 2.07. Event of Default; Notice.

(a) The Trustee shall, within 90 days after the occurrence of an Event of Default, transmit by mail, first class postage prepaid, to the Holders, notices of all Events of Default known to the Trustee, unless such defaults have been cured before the giving of such notice, provided that the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee, or a trust committee of directors and/or Responsible Officers of the Trustee in good faith determines that the withholding of such notice is in the interests of the Holders.

(b) The Trustee shall not be deemed to have knowledge of any Event of Default unless the Trustee shall have received written notice, or a Responsible Officer charged with the administration of the Trust Agreement shall have obtained written notice, of such Event of Default.

SECTION 2.08. Conflicting Interests. The Trust Agreement, the amended and restated trust agreement dated as of January 1, 1997, among the Guarantor, as Depositor, Chase Manhattan Bank USA, as Delaware Trustee, the Administrative Trustees named therein and JPMorgan Chase Bank, as Property Trustee, relating to Gulf Power Capital Trust I, the guarantee agreement dated as of January 1, 1997, between the Guarantor, as guarantor, and JPMorgan Chase Bank, as trustee, relating to Gulf Power Capital Trust I, the amended and restated trust agreement dated as of January 1, 1998, among the Guarantor, as Depositor, Chase Manhattan Bank USA, as Delaware Trustee, the Administrative Trustees named therein and JPMorgan Chase Bank, as Property Trustee, relating to Gulf Power Capital Trust II and the guarantee agreement dated as of January 1, 1998, between the Guarantor, as guarantor, and JPMorgan Chase Bank, as trustee, relating to Gulf Power Capital Trust II shall be deemed to be specifically described in this Guarantee Agreement for the purposes of clause (i) of the first proviso contained in Section 310(b) of the Trust Indenture Act.

ARTICLE III

POWERS, DUTIES AND RIGHTS OF TRUSTEE

SECTION 3.01. Powers and Duties of the Trustee.

(a) This Guarantee Agreement shall be held by the Trustee for the benefit of the Holders, and the Trustee shall not transfer this Guarantee Agreement to any Person except the Trustee shall assign rights hereunder to a Holder to the extent such assignment is necessary to exercise such Holder's rights pursuant to Section 5.04 or to a Successor Trustee upon acceptance by such Successor Trustee of its appointment to act as Successor Trustee. The right, title and interest of the Trustee shall automatically vest in any Successor Trustee, and such vesting and cessation of title shall be effective whether or not conveyancing documents have been executed and delivered pursuant to the appointment of such Successor Trustee.

(b) If an Event of Default has occurred and is continuing, the Trustee shall enforce this Guarantee Agreement for the benefit of the Holders.

(c) The Trustee, before the occurrence of any Event of Default and after the curing or waiving of all Events of Default that may have occurred, shall undertake to perform only such duties as are specifically set forth in this Guarantee Agreement, and no implied covenants shall be read into this Guarantee Agreement against the Trustee. In case an Event of Default has occurred (that has not been cured or waived pursuant to Section 2.06), the Trustee shall exercise such of the rights and powers vested in it by this Guarantee Agreement, and use the same degree of care and skill in its exercise thereof, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

(d) No provision of this Guarantee Agreement shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(i) prior to the occurrence of any Event of Default and after the curing or waiving of all such Events of Default that may have occurred:

(A) the duties and obligations of the Trustee shall be determined solely by the express provisions of this Guarantee Agreement, and the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Guarantee Agreement; and

(B) in the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to the Trustee and conforming to the requirements of this Guarantee Agreement; but in the case of any such certificates or opinions that by any provision hereof are specifically required to

be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Guarantee Agreement;

(ii) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer of the Trustee, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts upon which such judgment was made;

(iii) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of a Majority in liquidation amount of the Preferred Securities relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Guarantee Agreement; and

(iv) no provision of this Guarantee Agreement shall require the Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if the Trustee shall have reasonable grounds for believing that the repayment of such funds or liability is not reasonably assured to it under the terms of this Guarantee Agreement or adequate indemnity against such risk or liability is not reasonably assured to it.

SECTION 3.02. Certain Rights of Trustee.

(a) Subject to the provisions of Section 3.01:

(i) the Trustee may rely and shall be fully protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed, sent or presented by the proper party or parties;

(ii) any direction or act of the Guarantor contemplated by this Guarantee Agreement shall be sufficiently evidenced by an Officers' Certificate;

(iii) whenever, in the administration of this Guarantee Agreement, the Trustee shall deem it desirable that a matter be proved or established before taking, suffering or omitting any action hereunder, the Trustee (unless other evidence is herein specifically prescribed) may, in the absence of bad faith on its part, request and rely upon an Officers' Certificate which, upon receipt of such request, shall be promptly delivered by the Guarantor;

(iv) the Trustee may consult with counsel of its choice, and the written advice or opinion of such counsel with respect to legal matters shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good

faith and in accordance with such advice or opinion; such counsel may be counsel to the Guarantor or any of its Affiliates and may include any of its employees; the Trustee shall have the right at any time to seek instructions concerning the administration of this Guarantee Agreement from any court of competent jurisdiction;

(v) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Guarantee Agreement at the request or direction of any Holder, unless such Holder shall have provided to the Trustee such adequate security and indemnity as would satisfy a reasonable person in the position of the Trustee, against the costs, expenses (including attorneys' fees and expenses) and liabilities that might be incurred by it in complying with such request or direction, including such reasonable advances as may be requested by the Trustee; provided that nothing contained in this Section 3.02(a)(v) shall be taken to relieve the Trustee, upon the occurrence of an Event of Default, of its obligation to exercise the rights and powers vested in it by this Guarantee Agreement;

(vi) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit;

(vii) 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, and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder; and

(viii) whenever in the administration of this Guarantee Agreement the Trustee shall deem it desirable to receive instructions with respect to enforcing any remedy or right or taking any other action hereunder, the Trustee (i) may request instructions from the Holders, (ii) may refrain from enforcing such remedy or right or taking such other action until such instructions are received, and (iii) shall be protected in acting in accordance with such instructions.

(b) No provision of this Guarantee Agreement shall be deemed to impose any duty or obligation on the Trustee to perform any act or acts or exercise any right, power, duty or obligation conferred or imposed on it in any jurisdiction in which it shall be illegal, or in which the Trustee shall be unqualified or incompetent in accordance with applicable law, to perform any such act or acts or to exercise any such right, power, duty or obligation. No permissive power or authority available to the Trustee shall be construed to be a duty.

SECTION 3.03. Compensation; Fees; Indemnity.

The Guarantor agrees:

(a) to pay to the Trustee from time to time reasonable compensation for all services rendered by the Trustee hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(b) except as otherwise expressly provided herein, to reimburse the Trustee upon request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Guarantee Agreement (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense, disbursement or advance as may be attributable to its negligence or bad faith; and

(c) to indemnify the Trustee for, and to hold the Trustee harmless against, any and all loss, damage, claims, liability or expense incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of this Guarantee Agreement, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder.

The provisions of this Section 3.03 shall survive the termination of this Guarantee Agreement.

ARTICLE IV

TRUSTEE

SECTION 4.01. Trustee; Eligibility.

(a) There shall at all times be a Trustee which shall:

(i) not be an Affiliate of the Guarantor; and

(ii) be a corporation organized and doing business under the laws of the United States of America or any State or Territory thereof or of the District of Columbia, or a corporation or Person permitted by the Securities and Exchange Commission to act as an institutional trustee under the Trust Indenture Act, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least 50 million U.S. dollars ($50,000,000), and subject to supervision or examination by Federal, State, Territorial or District of Columbia authority. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of the supervising or examining authority referred to above, then, for the purposes of this Section 4.01(a)(ii), the

combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

(b) If at any time the Trustee shall cease to be eligible to so act under Section 4.01(a), the Trustee shall immediately resign in the manner and with the effect set out in Section 4.02(c).

(c) If the Trustee has or shall acquire any "conflicting interest" within the meaning of Section 310(b) of the Trust Indenture Act, the Trustee and Guarantor shall in all respects comply with the provisions of Section 310(b) of the Trust Indenture Act, subject to the rights of the Trustee under the penultimate paragraph thereof.

SECTION 4.02. Appointment, Removal and Resignation of Trustee.

(a) Subject to Section 4.02(b), the Trustee may be appointed or removed without cause at any time by the Guarantor.

(b) The Trustee shall not be removed until a Successor Trustee has been appointed and has accepted such appointment by written instrument executed by such Successor Trustee and delivered to the Guarantor.

(c) The Trustee appointed to office shall hold office until a Successor Trustee shall have been appointed or until its removal or resignation. The Trustee may resign from office (without need for prior or subsequent accounting) by an instrument in writing executed by the Trustee and delivered to the Guarantor, which resignation shall not take effect until a Successor Trustee has been appointed and has accepted such appointment by instrument in writing executed by such Successor Trustee and delivered to the Guarantor and the resigning Trustee.

(d) If no Successor Trustee shall have been appointed and accepted appointment as provided in this Section 4.02 within 60 days after delivery to the Guarantor of an instrument of resignation, the resigning Trustee may petition any court of competent jurisdiction for appointment of a Successor Trustee. Such court may thereupon, after prescribing such notice, if any, as it may deem proper, appoint a Successor Trustee.

ARTICLE V

GUARANTEE

SECTION 5.01. Guarantee. The Guarantor irrevocably and unconditionally agrees to pay in full to the Holders the Guarantee Payments (without duplication of amounts theretofore paid by or on behalf of the Trust), as and when due, regardless of any defense, right of set-off or counterclaim which the Guarantor may have or assert against any Person. The Guarantor's obligation to make a Guarantee Payment may be satisfied by direct payment of the required

amounts by the Guarantor to the Holders or by causing the Trust to pay such amounts to the Holders.

SECTION 5.02. Waiver of Notice and Demand. The Guarantor hereby waives notice of acceptance of this Guarantee Agreement and of any liability to which it applies or may apply, presentment, demand for payment, any right to require a proceeding first against the Trust or any other Person before proceeding against the Guarantor, protest, notice of nonpayment, notice of dishonor, notice of redemption and all other notices and demands.

SECTION 5.03. Obligations Not Affected. The obligation of the Guarantor to make the Guarantee Payments under this Guarantee Agreement shall in no way be affected or impaired by reason of the happening from time to time of any of the following:

(a) the release or waiver, by operation of law or otherwise, of the performance or observance by the Trust of any express or implied agreement, covenant, term or condition relating to the Preferred Securities to be performed or observed by the Trust;

(b) the extension of time for the payment by the Trust of all or any portion of the Distributions, Redemption Price, Liquidation Distribution or any other sums payable under the terms of the Preferred Securities or the extension of time for the performance of any other obligation under, arising out of, or in connection with, the Preferred Securities (other than an extension of time for payment of Distributions, Redemption Price, Liquidation Distribution or other sum payable that results from the extension of any interest payment period on the Junior Subordinated Notes permitted by the Indenture);

(c) any failure, omission, delay or lack of diligence on the part of the Holders to enforce, assert or exercise any right, privilege, power or remedy conferred on the Holders pursuant to the terms of the Preferred Securities, or any action on the part of the Trust granting indulgence or extension of any kind;

(d) the voluntary or involuntary liquidation, dissolution, sale of any collateral, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition or readjustment of debt of, or other similar proceedings affecting, the Trust or any of the assets of the Trust;

(e) any invalidity of, or defect or deficiency in, the Preferred Securities;

(f) the settlement or compromise of any obligation guaranteed hereby or hereby incurred; or

(g) any other circumstance whatsoever that might otherwise constitute a legal or equitable discharge or defense of a guarantor, it being the intent of this Section 5.03 that the obligations of the Guarantor hereunder shall be absolute and unconditional under any and all circumstances.

There shall be no obligation of the Holders to give notice to, or obtain consent of, the Guarantor with respect to the happening of any of the foregoing.

SECTION 5.04. Rights of Holders. The Guarantor expressly acknowledges that: (i) this Guarantee Agreement will be deposited with the Trustee to be held for the benefit of the Holders; (ii) the Trustee has the right to enforce this Guarantee Agreement on behalf of the Holders; (iii) the Holders of a Majority in liquidation amount of the Preferred Securities have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee in respect of this Guarantee Agreement or exercising any trust or power conferred upon the Trustee under this Guarantee Agreement, provided that such direction shall not be in conflict with any rule of law or with this Guarantee Agreement, and could not involve the Trustee in personal liability in circumstances where reasonable indemnity would not be adequate; and (iv) any Holder may institute a legal proceeding directly against the Guarantor to enforce its rights under this Guarantee Agreement, without first instituting a legal proceeding against or requesting or directing that action be taken by the Trustee or any other Person; it being understood and intended that no one or more of such Holders shall have any right in any manner whatsoever by virtue of, or by availing of, any provision of this Guarantee Agreement to affect, disturb or prejudice the rights of any other of such Holders or to obtain or to seek to obtain priority or preference over any other of such Holders or to enforce any right under this Guarantee Agreement, except in the manner herein provided and for the equal and ratable benefit of all of such Holders.

SECTION 5.05. Guarantee of Payment. This Guarantee Agreement creates a guarantee of payment and not of collection. This Guarantee Agreement will not be discharged except by payment of the Guarantee Payments in full (without duplication) or upon the distribution of Junior Subordinated Notes to the Holders in exchange for all of the Preferred Securities.

SECTION 5.06. Subrogation. The Guarantor shall be subrogated to all (if any) rights of the Holders against the Trust in respect of any amounts paid to the Holders by the Guarantor under this Guarantee Agreement; provided, however, that the Guarantor shall not (except to the extent required by mandatory provisions of law) be entitled to enforce or exercise any rights which it may acquire by way of subrogation or any indemnity, reimbursement or other agreement, in all cases as a result of payment under this Guarantee Agreement, if, at the time of any such payment, any amounts of Guarantee Payments are due and unpaid under this Guarantee Agreement. If any amount shall be paid to the Guarantor in violation of the preceding sentence, the Guarantor agrees to hold such amount in trust for the Holders and to pay over such amount to the Holders.

SECTION 5.07. Independent Obligations. The Guarantor acknowledges that its obligations hereunder are independent of the obligations of the Trust with respect to the Preferred Securities and that the Guarantor shall be liable as principal and as debtor hereunder to make Guarantee Payments pursuant to the terms of this Guarantee Agreement notwithstanding the occurrence of any event referred to in subsections (a) through (g), inclusive, of Section 5.03 hereof.

ARTICLE VI

SUBORDINATION

SECTION 6.01. Subordination. This Guarantee Agreement will constitute an unsecured obligation of the Guarantor and will rank (i) subordinate and junior in right of payment to all other liabilities of the Guarantor, including the Junior Subordinated Notes, except those obligations or liabilities made pari passu or subordinate by their terms, (ii) pari passu with the most senior preferred or preference stock now or hereafter issued by the Guarantor and with any guarantee now or hereafter entered into by the Guarantor in respect of any preferred or preference securities of any Affiliate of the Guarantor, and (iii) senior to all common stock of the Guarantor.

ARTICLE VII

TERMINATION

SECTION 7.01. Termination. This Guarantee Agreement shall terminate and be of no further force and effect upon: (i) full payment of the Redemption Price of all Preferred Securities, (ii) the distribution of Junior Subordinated Notes to the Holders in exchange for all of the Preferred Securities, or (iii) full payment of the amounts payable in accordance with the Trust Agreement upon liquidation of the Trust. Notwithstanding the foregoing, this Guarantee Agreement will continue to be effective or will be reinstated, as the case may be, if at any time any Holder must restore payment of any sums paid with respect to Preferred Securities or under this Guarantee Agreement.

ARTICLE VIII

MISCELLANEOUS

SECTION 8.01. Successors and Assigns. All guarantees and agreements contained in this Guarantee Agreement shall bind the successors, assigns, receivers, trustees and representatives of the Guarantor and shall inure to the benefit of the Holders of the Preferred Securities then outstanding. Except in connection with a consolidation, merger, conveyance, transfer, or lease involving the Guarantor that is permitted under Article Eight of the Indenture, the Guarantor shall not assign its obligations hereunder.

SECTION 8.02. Amendments. Except with respect to any changes which do not materially and adversely affect the rights of Holders (in which case no consent of Holders will be required), this Guarantee Agreement may only be amended with the prior approval of the Holders of not less than 66-2/3% in liquidation amount of all the outstanding Preferred Securities. The provisions of Article Six of the Trust Agreement concerning meetings of Holders shall apply to the giving of such approval.

SECTION 8.03. Notices. Any notice, request or other communication required or permitted to be given hereunder shall be in writing, duly signed by the party giving such notice, and delivered, telecopied or mailed by first class mail as follows:

(a) if given to the Guarantor by first class mail or by facsimile, to the address set forth below or such other address as the Guarantor may give notice of to the Trustee and the Holders:

Gulf Power Company
One Energy Place
Pensacola, Florida 32520-0102
Facsimile No.: (850) 444-6026
Attention: Treasurer

with copy to:

Southern Company Services, Inc.
270 Peachtree Street, N.W.
Atlanta, Georgia 30303
Facsimile No.: (404) 506-0674
Attention: Corporate Finance Department

(b) if given to the Guarantor by hand delivery, to the address set forth below or such other address as the Guarantor may give notice of to the Trustee and the Holders:

Gulf Power Company
500 Bayfront Parkway
Pensacola, Florida 32501
Attention: Treasurer

with copy to:

Southern Company Services, Inc.
270 Peachtree Street, N.W.
Atlanta, Georgia 30303
Facsimile No.: (404) 506-0674
Attention: Corporate Finance Department

(c) if given to the Trust, in care of the Trustee, or to the Trustee at the Trust's (and the Trustee's) address set forth below or such other address as the Trustee on behalf of the Trust may give notice to the Holders:

Gulf Power Capital Trust III
c/o JPMorgan Chase Bank
450 W. 33rd Street
New York, New York 10001
Attn: Institutional Trust Services

(d) if given to any Holder, at the address set forth on the books and records of the Trust.

All notices hereunder shall be deemed to have been given when received in person, telecopied with receipt confirmed, or mailed by first class mail, postage prepaid except that if a notice or other document is refused delivery or cannot be delivered because of a changed address of which no notice was given, such notice or other document shall be deemed to have been delivered on the date of such refusal or inability to deliver.

SECTION 8.04. Benefit. This Guarantee Agreement is solely for the benefit of the Holders and, subject to Section 3.01(a), is not separately transferable from the Preferred Securities.

SECTION 8.05. Interpretation. In this Guarantee Agreement, unless the context otherwise requires:

(a) capitalized terms used in this Guarantee Agreement but not defined in the preamble hereto have the respective meanings assigned to them in Section 1.01;

(b) a term defined anywhere in this Guarantee Agreement has the same meaning throughout;

(c) all references to "the Guarantee Agreement" or "this Guarantee Agreement" are to this Guarantee Agreement as modified, supplemented or amended from time to time;

(d) all references in this Guarantee Agreement to Articles and Sections are to Articles and Sections of this Guarantee Agreement unless otherwise specified;

(e) a term defined in the Trust Indenture Act has the same meaning when used in this Guarantee Agreement unless otherwise defined in this Guarantee Agreement or unless the context otherwise requires;

(f) a reference to the singular includes the plural and vice versa; and

(g) the masculine, feminine or neuter genders used herein shall include the masculine, feminine and neuter genders.

SECTION 8.06. Governing Law. THIS GUARANTEE AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEW YORK. THE GUARANTOR HEREBY

IRREVOCABLY SUBMITS TO THE JURISDICTION OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK AND ANY COURT IN THE STATE OF NEW YORK LOCATED IN THE CITY AND COUNTY OF NEW YORK IN ANY ACTION, SUIT OR PROCEEDING BROUGHT AGAINST IT AND RELATED TO OR IN CONNECTION WITH THIS GUARANTEE AGREEMENT OR THE TRANSACTIONS CONTEMPLATED THEREBY, AND TO THE EXTENT PERMITTED BY APPLICABLE LAW, THE GUARANTOR HEREBY WAIVES AND AGREES NOT TO ASSERT BY WAY OF MOTION, AS A DEFENSE OR OTHERWISE IN ANY SUCH SUIT, ACTION OR PROCEEDING, ANY CLAIM THAT IT IS NOT PERSONALLY SUBJECT TO THE JURISDICTION OF SUCH COURTS, THAT THE SUIT, ACTION OR PROCEEDING IS BROUGHT IN AN INCONVENIENT FORUM, THAT THE VENUE OF THE SUIT, ACTION OR PROCEEDING IS IMPROPER, OR THAT THIS GUARANTEE AGREEMENT OR ANY DOCUMENT OR ANY INSTRUMENT REFERRED TO HEREIN OR THE SUBJECT MATTER HEREOF MAY NOT BE LITIGATED IN OR BY SUCH COURTS. THE GUARANTOR AGREES THAT SERVICE OF PROCESS MAY BE MADE UPON IT BY CERTIFIED OR REGISTERED MAIL TO THE ADDRESS FOR NOTICES SET FORTH IN THIS GUARANTEE AGREEMENT OR ANY METHOD AUTHORIZED BY THE LAWS OF NEW YORK.

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

THIS GUARANTEE AGREEMENT is executed as of the day and year first above written.

GULF POWER COMPANY

By: _____

Ronnie R. Labrato
Vice President, Chief Financial Officer
and Comptroller

JPMORGAN CHASE BANK

By: _____

R. Lorenzen
Assistant Vice President

THIS GUARANTEE AGREEMENT is executed as of the day and year first above written.

GULF POWER COMPANY

By: _____

Ronnie R. Labrato
Vice President, Chief Financial Officer
and Comptroller

JPMORGAN CHASE BANK

By: _____

R. Lorenzen
Assistant Vice President

GULF POWER COMPANY

TO

JPMORGAN CHASE BANK,
TRUSTEE.

FOURTH SUPPLEMENTAL INDENTURE

DATED AS OF NOVEMBER 16, 2001

$30,927,850

SERIES D 7.375% JUNIOR SUBORDINATED NOTES

DUE SEPTEMBER 30, 2041

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[1]This Table of Contents does not constitute part of the Indenture or have any bearing upon the interpretation of any of its terms and provisions.

THIS FOURTH SUPPLEMENTAL INDENTURE is made as of the 16th day of November, 2001, by and between GULF POWER COMPANY, a Maine corporation, One Energy Place, Pensacola, Florida 32520-0100 (the "Company"), and JPMORGAN CHASE BANK, a New York banking corporation, 450 West 33rd Street, New York, New York 10001 (the "Trustee").

WITNESSETH:

WHEREAS, the Company has heretofore entered into a Subordinated Note Indenture, dated as of January 1, 1997 (the "Original Indenture"), with JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank), as heretofore supplemented;

WHEREAS, the Original Indenture is incorporated herein by this reference and the Original Indenture, as heretofore supplemented and as further supplemented by this Fourth Supplemental Indenture, is herein called the "Indenture";

WHEREAS, under the Original Indenture, a new series of Junior Subordinated Notes may at any time be established pursuant to a supplemental indenture executed by the Company and the Trustee;

WHEREAS, the Company proposes to create under the Indenture a new series of Junior Subordinated Notes;

WHEREAS, additional Junior Subordinated Notes of other series hereafter established, except as may be limited in the Original Indenture as at the time supplemented and modified, may be issued from time to time pursuant to the Indenture as at the time supplemented and modified; and

WHEREAS, all conditions necessary to authorize the execution and delivery of this Fourth Supplemental Indenture and to make it a valid and binding obligation of the Company have been done or performed.

NOW, THEREFORE, in consideration of the agreements and obligations set forth herein and for other good and valuable consideration, the sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

ARTICLE 1
Series D Junior Subordinated Notes

SECTION 101 Establishment. There is hereby established a new series of Junior Subordinated Notes to be issued under the Indenture, to be designated as the Company's Series D 7.375% Junior Subordinated Notes due September 30, 2041 (the "Series D Notes").

There are to be authenticated and delivered $30,927,850 principal amount of Series D Notes, and no further Series D Notes shall be authenticated and delivered except as provided by

Sections 203, 303, 304, 907 or 1107 of the Original Indenture. The Series D Notes shall be issued in definitive fully registered form.

The Series D Notes shall be in substantially the form set out in Exhibit A hereto. The entire principal amount of the Series D Notes shall initially be evidenced by one certificate issued to the Property Trustee of Gulf Power Capital Trust III.

The form of the Trustee's Certificate of Authentication for the Series D Notes shall be in substantially the form set forth in Exhibit B hereto.

Each Series D Note shall be dated the date of authentication thereof and shall bear interest from the date of original issuance thereof or from the most recent Interest Payment Date to which interest has been paid or duly provided for.

SECTION 102. Definitions. The following defined terms used herein shall, unless the context otherwise requires, have the meanings specified below. Capitalized terms used herein for which no definition is provided herein shall have the meanings set forth in the Original Indenture.

"Deferred Interest" means each installment of interest not paid during any Extension Period, and interest thereon. Deferred installments of interest shall bear interest at the rate of 7.375% per annum from the applicable Interest Payment Date to the date of payment, compounded quarterly.

"Extension Period" means any period during which the Company has elected to defer payments of interest, which deferral may be for a period of up to twenty (20) consecutive quarters.

"Interest Payment Dates" means March 31, June 30, September 30 and December 31 of each year, commencing March 31, 2002.

"Investment Company Act Event" means that the Company shall have received an Opinion of Counsel to the effect that, as a result of the occurrence of a change in law or regulation or a written change in interpretation or application of law or regulation by any legislative body, court, governmental agency or regulatory authority, there is more than an insubstantial risk that the Securities Trust is or will be considered an "investment company" that is required to be registered under the Investment Company Act of 1940, as amended, which change becomes effective on or after the Original Issue Date.

"Original Issue Date" means November 16, 2001.

"Regular Record Date" means, with respect to each Interest Payment Date, the close of business (i) on the Business Day immediately preceding such Interest Payment Date if (A) the Preferred Securities issued by the Securities Trust are in book-entry only form or (B) the Series D Notes have been distributed to holders of the Trust Securities of the Securities Trust and such Series D Notes are in book-entry only form or (ii) on the 15th calendar day preceding such Interest Payment Date if neither such Preferred Securities nor the Series D Notes are in book-entry only form.

"Securities Trust" means Gulf Power Capital Trust III, a statutory business trust formed by the Company under Delaware law to issue Trust Securities, the proceeds of which will be used to purchase Series D Notes.

"Special Event" means an Investment Company Act Event or Tax Event.

"Stated Maturity" means September 30, 2041.

"Tax Event" means that the Company shall have received an Opinion of Counsel experienced in such matters to the effect that, as a result of (a) any amendment to, or change (including any announced prospective change) in, laws (or any regulations thereunder) of the United States or any political subdivision or taxing authority thereof or therein or (b) any amendment to, or change in, an interpretation or application of such laws or regulations, there is more than an insubstantial risk that (i) the Securities Trust would be subject to United States federal income tax with respect to income accrued or received on the Series D Notes, (ii) interest payable on the Series D Notes would not be deductible by the Company for United States federal income tax purposes, or (iii) the Securities Trust would be subject to more than a *de minimis* amount of other taxes, duties or other governmental charges, which change or amendment becomes effective on or after the Original Issue Date.

SECTION 103. Payment of Principal and Interest. Principal shall be paid at the Stated Maturity (or upon earlier redemption). The unpaid principal amount of the Series D Notes shall bear interest at the rate of 7.375% per annum until paid or duly provided for. Interest shall be paid quarterly in arrears on each Interest Payment Date to the Person in whose name the Series D Notes are registered on the Regular Record Date for such Interest Payment Date, *provided* that interest payable at the Stated Maturity of principal or on a Redemption Date as provided herein will be paid to the Person to whom principal is payable. So long as an Extension Period is not occurring, any such interest that is not so punctually paid or duly provided for will forthwith cease to be payable to the Holders on such Regular Record Date and may either be paid to the Person or Persons in whose name the Series D Notes are registered at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Trustee ("Special Record Date"), notice whereof shall be given to Holders of the Series D Notes not less than ten (10) days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange, if any, on which the Series D Notes shall be listed, and upon such notice as may be required by any such exchange, all as more fully provided in the Original Indenture.

Payments of interest on the Series D Notes will include interest accrued to but excluding the respective Interest Payment Dates. Interest payments for the Series D Notes shall be computed and paid on the basis of a 360-day year of twelve 30-day months. In the event that any date on which interest is payable on the Series D Notes is not a Business Day, then a payment of the interest payable on such date will be made on the next succeeding day that is a Business Day, except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on the date the payment was originally payable.

Payment of the principal and interest (including Additional Interest, if any) due at the Stated Maturity or earlier redemption of the Series D Notes shall be made upon surrender of the Series D Notes at the Corporate Trust Office of the Trustee, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. Payments of interest (including interest on any Interest Payment Date) will be made, subject to such surrender where applicable, at the option of the Company, (i) by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register or (ii) by wire transfer at such place and to such account at a banking institution in the United States as may be designated in writing to the Trustee at least sixteen (16) days prior to the date for payment by the Person entitled thereto.

The Company shall pay, as additional interest on the Series D Notes, when due to the United States or any other taxing authority, the amounts set forth in clause (i) of the definition of Additional Interest.

SECTION 104. Deferral of Interest Payments. The Company has the right at any time and from time to time to extend the interest payment period of the Series D Notes for up to twenty (20) consecutive quarters (each, an "Extension Period"), but not beyond the Stated Maturity. Notwithstanding the foregoing, the Company has no right to extend its obligation to pay such amounts as are defined in clause (i) of the definition of Additional Interest. Prior to the termination of any such Extension Period, the Company may further extend the interest payment period, provided that such Extension Period, together with all such previous and further extensions of that Extension Period, shall not exceed twenty (20) consecutive quarters. Upon the termination of any such Extension Period and upon the payment of all accrued and unpaid interest and any Additional Interest then due, the Company may select a new Extension Period, subject to the above limitations and requirements.

Upon the termination of any Extension Period, which termination shall be on an Interest Payment Date, the Company shall pay all Deferred Interest on the next succeeding Interest Payment Date to the Person in whose name the Series D Notes are registered on the Regular Record Date for such Interest Payment Date, *provided* that Deferred Interest payable at Stated Maturity or on any Redemption Date will be paid to the Person to whom principal is payable.

The Company shall give the Holder or Holders of the Series D Notes and the Trustee notice, as provided in Sections 105 and 106, respectively, of the Original Indenture, of its selection or extension of an Extension Period at least one Business Day prior to the earlier of (i) the Regular Record Date relating to the Interest Payment Date on which the Extension Period is to commence or relating to the Interest Payment Date on which an Extension Period that is being extended would otherwise terminate, or (ii) the date the Company or Securities Trust is required to give notice to the New York Stock Exchange or other applicable self-regulatory organization of the record date or the date such distributions are payable. The Company shall cause the Securities Trust to give notice of the Company's selection of such Extension Period to Holders of the Trust Securities. The month in which any notice is given pursuant to the immediately preceding sentence of this Section shall constitute the first month of the first quarter of the twenty (20) quarters, which comprise the Maximum Extension Period.

At any time any of the foregoing notices are given to the Trustee, the Company shall give to the Paying Agent for the Series D Notes such information as said Paying Agent shall reasonably require in order to fulfill its tax reporting obligations with respect to such Series D Notes.

SECTION 105. Denominations. The Series D Notes may be issued in the denominations of $25, or any integral multiple thereof.

SECTION 106. Global Securities. If the Series D Notes are distributed to Holders of the Trust Securities of the Securities Trust in liquidation of such Holders' interests therein, the Series D Notes will be issued in the form of one or more Global Securities registered in the name of the Depositary (which shall be The Depository Trust Company) or its nominee. Except under the limited circumstances described below, Series D Notes represented by the Global Security will not be exchangeable for, and will not otherwise be issuable as, Series D Notes in definitive form. The Global Securities described above may not be transferred except by the Depositary to a nominee of the Depositary or by a nominee of the Depositary to the Depositary or another nominee of the Depositary or to a successor Depositary or its nominee.

Owners of beneficial interests in such a Global Security will not be considered the Holders thereof for any purpose under the Indenture, and no Global Security representing a Series D Note shall be exchangeable, except for another Global Security of like denomination and tenor to be registered in the name of the Depositary or its nominee or to a successor Depositary or its nominee. The rights of Holders of such Global Security shall be exercised only through the Depositary.

A Global Security shall be exchangeable for Series D Notes registered in the names of persons other than the Depositary or its nominee only if (i) the Depositary notifies the Company that it is unwilling or unable to continue as a Depositary for such Global Security and no successor Depositary shall have been appointed, or if at any time the Depositary ceases to be a clearing agency registered under the Securities Exchange Act of 1934, as amended, at a time when the Depositary is required to be so registered to act as such Depositary and no successor Depositary shall have been appointed, (ii) the Company in its sole discretion determines that such Global Security shall be so exchangeable, or (iii) there shall have occurred an Event of Default with respect to the Series D Notes. Any Global Security that is exchangeable pursuant to the preceding sentence shall be exchangeable for Series D Notes registered in such names as the Depositary shall direct.

SECTION 107. Transfer. No service charge will be made for any transfer or exchange of Series D Notes, but payment will be required of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith.

The Company shall not be required (a) to issue, transfer or exchange any Series D Notes during a period beginning at the opening of business fifteen (15) days before the day of the mailing of a notice identifying the serial numbers of the Series D Notes to be called for redemption, and ending at the close of business on the day of the mailing, or (b) to transfer or exchange any Series D Notes theretofore selected for redemption in whole or in part, except the unredeemed portion of any Series D Note redeemed in part.

SECTION 108. Redemption. The Series D Notes shall be subject to redemption at the option of the Company, in whole or in part, without premium or penalty, at any time or from time to time on or after November 16, 2006, at a Redemption Price equal to 100% of the principal amount to be redeemed plus accrued but unpaid interest, including Additional Interest, if any, to the Redemption Date; *provided, however,* that if a redemption in part shall result in the delisting of the Preferred Securities issued by the Securities Trust, the Company may only redeem the Series D Notes in whole. In addition, upon the occurrence of a Special Event at any time, the Company may, within ninety (90) days following the occurrence thereof and subject to the terms and conditions of the Indenture, elect to redeem the Series D Notes, in whole, at a price equal to 100% of the principal amount to be redeemed plus any accrued but unpaid interest (including Additional Interest) to the Redemption Date.

In the event of redemption of the Series D Notes in part only, a new Series D Note or Notes for the unredeemed portion will be issued in the name or names of the Holders thereof upon the surrender thereof.

The Series D Notes will not have a sinking fund.

Notice of redemption shall be given as provided in Section 1104 of the Original Indenture.

Any redemption of less than all of the Series D Notes shall, with respect to the principal thereof, be divisible by $25.

ARTICLE 2
Miscellaneous Provisions

SECTION 201. Recitals by Company. The recitals in this Fourth Supplemental Indenture are made by the Company only and not by the Trustee, and all of the provisions contained in the Original Indenture in respect of the rights, privileges, immunities, powers and duties of the Trustee shall be applicable in respect of Series D Notes and of this Fourth Supplemental Indenture as fully and with like effect as if set forth herein in full.

SECTION 202. Ratification and Incorporation of Original Indenture. As heretofore supplemented and as supplemented hereby, the Original Indenture is in all respects ratified and confirmed, and the Original Indenture, as heretofore supplemented and as further supplemented by this Fourth Supplemental Indenture shall be read, taken and construed as one and the same instrument.

SECTION 203. Executed in Counterparts. This Fourth Supplemental Indenture may be simultaneously executed in several counterparts, each of which shall be deemed to be an original, and such counterparts shall together constitute but one and the same instrument.

SECTION 204. Listing of Notes. If the Series D Notes are to be issued as a Global Security in connection with the distribution of the Series D Notes to the Holders of the Preferred Securities issued by the Securities Trust, the Company will use its best efforts to list such Series D Notes on

the New York Stock Exchange or any such other exchange on which such Preferred Securities are then listed and traded.

IN WITNESS WHEREOF, each party hereto has caused this instrument to be signed in its name and behalf by its duly authorized officers, all as of the day and year first above written.

ATTEST:

GULF POWER COMPANY

By: Linda G. Malone
Linda Malone
Assistant Secretary

By: Ronnie R Labrato
Ronnie R. Labrato
Vice President, Chief Financial Officer and Comptroller

ATTEST:

JPMORGAN CHASE BANK

By:_____
Virginia Dominguez
Trust Officer

By:_____
R. Lorenzen
Assistant Vice President

IN WITNESS WHEREOF, each party hereto has caused this instrument to be signed in its name and behalf by its duly authorized officers, all as of the day and year first above written.

ATTEST:

GULF POWER COMPANY

By:_____
Linda Malone
Assistant Secretary

By:_____
Ronnie R. Labrato
Vice President, Chief Financial Officer and Comptroller

ATTEST:

JPMORGAN CHASE BANK

By:_____
Virginia Dominguez
Trust Officer

By:_____
R. Lorenzen
Assistant Vice President

EXHIBIT A

FORM OF SERIES D NOTE

NO. 1 CUSIP NO. 402479BN8

THE INDEBTEDNESS EVIDENCED BY THIS SECURITY IS, TO THE EXTENT PROVIDED IN THE INDENTURE, SUBORDINATE AND SUBJECT IN RIGHT OF PAYMENT TO THE PRIOR PAYMENT IN FULL OF ALL SENIOR INDEBTEDNESS AND THIS SECURITY IS ISSUED SUBJECT TO THE PROVISIONS OF THE INDENTURE WITH RESPECT THERETO.

GULF POWER COMPANY
SERIES D 7.375% JUNIOR SUBORDINATED NOTE
DUE SEPTEMBER 30, 2041

Principal Amount:	$_____
Regular Record Date:	One Business Day prior to Interest Payment Date (if the Preferred Securities issued by the Securities Trust are in book-entry only form or if the Securities Trust is dissolved and the Series D Notes are in book-entry only form) or 15th calendar day prior to Interest Payment Date (if neither such Preferred Securities or the Series D Notes are in book-entry only form)
Original Issue Date:	November 16, 2001
Stated Maturity:	September 30, 2041
Interest Payment Dates:	March 31, June 30, September 30 and December 31
Interest Rate:	7.375% per annum
Authorized Denomination:	$25
Initial Redemption Date:	November 16, 2006

Gulf Power Company, a Maine corporation (the "Company", which term includes any successor corporation under the Indenture referred to on the reverse hereof), for value received, hereby promises to pay to _____, or registered assigns, the principal sum of _____ DOLLARS ($_____) on the Stated Maturity shown above (or upon earlier redemption), and to pay interest thereon from the Original Issue Date shown above, or from the most recent Interest Payment Date to which interest has been paid or duly provided for, quarterly in arrears on each Interest Payment Date as specified above, commencing on March 31, 2002 and on the Stated Maturity (or upon earlier redemption) at the rate per annum shown above until the principal hereof is paid or made available for payment and on any overdue principal and on any overdue installment of interest. The interest so payable, and punctually paid or duly provided

for, on any Interest Payment Date (other than an Interest Payment Date that is the Stated Maturity or on a Redemption Date) will, as provided in such Indenture, be paid to the Person in whose name this Note (the "Note") is registered at the close of business on the Regular Record Date as specified above next preceding such Interest Payment Date, provided that any interest payable at Stated Maturity or on any Redemption Date will be paid to the Person to whom principal is payable. Except as otherwise provided in the Indenture, any such interest not so punctually paid or duly provided for will forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Note is registered at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Trustee, notice whereof shall be given to Holders of Notes of this series not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange, if any, on which the Notes of this series shall be listed, and upon such notice as may be required by any such exchange, all as more fully provided in the Indenture.

Payments of interest on this Note will include interest accrued to but excluding the respective Interest Payment Dates. Interest payments for this Note shall be computed and paid on the basis of a 360-day year of twelve 30-day months. In the event that any date on which interest is payable on this Note is not a Business Day, then payment of the interest payable on such date will be made on the next succeeding day that is a Business Day, except that, if such Business Day is in the next succeeding calendar year, payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on the date the payment was originally payable. A "Business Day" shall mean any day other than a Saturday or a Sunday or a day on which banking institutions in New York City are authorized or required by law or executive order to remain closed or a day on which the Corporate Trust Office of the Trustee or the principal corporate trust office of the Property Trustee of the Securities Trust are closed for business.

The Company shall have the right at any time and from time to time during the term of this Note to extend the interest payment period of such Note for up to 20 consecutive quarters but not beyond the Stated Maturity of this Note (each, an "Extension Period"), during which periods unpaid interest (together with interest thereon) will compound quarterly at the Interest Rate ("Deferred Interest"). Upon the termination of each Extension Period, which shall be an Interest Payment Date, the Company shall pay all Deferred Interest on the next succeeding Interest Payment Date to the Person in whose name this Note is registered at the close of business on the Regular Record Date for such Interest Payment Date, provided that any Deferred Interest payable at Stated Maturity or on any Redemption Date will be paid to the Person to whom principal is payable. Prior to the termination of any such Extension Period, the Company may extend the interest payment period, provided that such Extension Period together with all such previous and further extensions thereof shall not exceed 20 consecutive quarters. Upon the termination of any such Extension Period, and the payment of all accrued and unpaid interest and any Additional Interest then due, the Company may select a new Extension Period, subject to the above requirements. If the Company shall have given notice of its election to select any Extension Period, the Company shall not, subject to certain exceptions provided in the Indenture, (i) declare or pay any dividend or distribution on, or redeem, purchase, acquire or make a liquidation payment with respect to, any of its capital stock, or make any guarantee payments with respect to the foregoing and (ii) make any payment of interest,

principal or premium, if any, on or repay, repurchase or redeem any debt securities (including guarantees other than its guarantee of the Preferred Securities issued by Gulf Power Capital Trust III) issued by the Company that rank pari passu with or junior to this Note. The Company shall give the Holder of this Note and the Trustee notice of its selection or extension of an Extension Period at least one Business Day prior to the earlier of (i) the Regular Record Date relating to the Interest Payment Date on which the Extension Period is to commence or relating to the Interest Payment Date on which an Extension Period that is being extended would otherwise terminate or (ii) the date the Company or Securities Trust is required to give notice to the New York Stock Exchange or other applicable self-regulatory organization of the record date or the date distributions are payable.

The Company also shall be obligated to pay when due and without extension all additional amounts as may be required so that the net amount received and retained by the Holder of this Note (if the Holder is a Securities Trust) after paying taxes, duties, assessments or governmental charges of whatever nature (other than withholding taxes) imposed by the United States or any other taxing authority will not be less than the amounts such Holder would have received had no such taxes, duties, assessments, or other governmental charges been imposed.

Payment of the principal of and interest (including Additional Interest, if any) due at the Stated Maturity or earlier redemption of the Series D Notes shall be made upon surrender of the Series D Notes at the Corporate Trust Office of the Trustee, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. Payment of interest (including interest on an Interest Payment Date) will be made, subject to such surrender where applicable, at the option of the Company, (i) by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register or (ii) by wire transfer at such place and to such account at a banking institution in the United States as may be designated in writing to the Trustee at least 16 days prior to the date for payment by the Person entitled thereto.

The indebtedness evidenced by this Note is, to the extent provided in the Indenture, subordinate and subject in right of payment to the prior payment in full of all Senior Indebtedness (as defined in the Indenture), and this Note is issued subject to the provisions of the Indenture with respect thereto. Each Holder of this Note, by accepting the same, (a) agrees to and shall be bound by such provisions, (b) authorizes and directs the Trustee on his behalf to take such action as may be necessary or appropriate to effectuate the subordination so provided, and (c) appoints the Trustee his attorney-in-fact for any and all such purposes. Each Holder hereof, by his acceptance hereof, waives all notice of the acceptance of the subordination provisions contained herein and in the Indenture by each holder of Senior Indebtedness, whether now outstanding or hereafter incurred, and waives reliance by each such holder upon said provisions.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS NOTE SET FORTH ON THE REVERSE HEREOF, WHICH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH AT THIS PLACE.

Unless the certificate of authentication hereon has been executed by the Trustee by manual signature, this Note shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed under its corporate seal.

Dated:

GULF POWER COMPANY

By: _____
Vice President

Attest:

_____
Assistant Secretary

{Seal of GULF POWER COMPANY appears here}

CERTIFICATE OF AUTHENTICATION

This is one of the Notes referred to in the within-mentioned Indenture.

JPMORGAN CHASE BANK,
as Trustee

By:_____
Authorized Officer

(Reverse Side of Note)

This Note is one of a duly authorized issue of Junior Subordinated Notes of the Company (the "Notes"), issued and issuable in one or more series under a Subordinated Note Indenture, dated as of January 1, 1997, as supplemented (the "Indenture"), between the Company and JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank), Trustee (the "Trustee," which term includes any successor trustee under the Indenture), to which Indenture and all indentures incidental thereto reference is hereby made for a statement of the respective rights, limitation of rights, duties and immunities thereunder of the Company, the Trustee and the Holders of the Notes issued thereunder and of the terms upon which said Notes are, and are to be, authenticated and delivered. This Note is one of the series designated on the face hereof as Series D 7.375% Junior Subordinated Notes due September 30, 2041 (the "Series D Notes") in the aggregate principal amount of up to $30,927,850. Capitalized terms used herein for which no definition is provided herein shall have the meanings set forth in the Indenture.

The Company shall have the right, subject to the terms and conditions of the Indenture, to redeem this Note at any time on or after November 16, 2006 at the option of the Company, without premium or penalty, in whole or in part, at a Redemption Price equal to 100% of the principal amount to be redeemed plus accrued but unpaid interest, including any Additional Interest, if any, to the Redemption Date. Upon the occurrence of a Special Event (as defined below) at any time, the Company may, within 90 days following the occurrence thereof and subject to the terms and conditions of the Indenture, redeem this Note without premium or penalty, in whole, at a Redemption Price equal to 100% of the principal amount thereof plus accrued but unpaid interest, including any Additional Interest, if any, to the Redemption Date. A Special Event may be a Tax Event or an Investment Company Act Event. "Tax Event" means that the Company shall have received an Opinion of Counsel experienced in such matters to the effect that, as a result of (a) any amendment to, or change (including any announced prospective change) in, laws (or any regulations thereunder) of the United States or any political subdivision or taxing authority thereof or therein or (b) any amendment to, or change in, an interpretation or application of such laws or regulations, there is more than an insubstantial risk that (i) the related Securities Trust would be subject to United States federal income tax with respect to income accrued or received on the Series D Notes, (ii) interest payable on the Notes of this series would not be deductible by the Company for United States federal income tax purposes, or (iii) the related Securities Trust would be subject to more than a de minimis amount of other taxes, duties or other governmental charges, which change or amendment becomes effective on or after the Original Issue Date. "Investment Company Act Event" means that the Company shall have received an Opinion of Counsel to the effect that, as a result of the occurrence of a change in law or regulation or a written change in interpretation or application of law or regulation by any legislative body, court, governmental agency or regulatory authority, there is more than an insubstantial risk that the related Securities Trust is or will be considered an "investment company" which is required to be registered under the Investment Company Act of 1940, as amended, which change becomes effective on or after the Original Issue Date.

In the event of redemption of this Note in part only, a new Note or Notes of this series for the unredeemed portion hereof will be issued in the name of the Holder hereof upon the surrender hereof. The Notes will not have a sinking fund.

If an Event of Default with respect to the Notes of this series shall occur and be continuing, the principal of the Notes of this series may be declared due and payable in the manner, with the effect and subject to the conditions provided in the Indenture.

The Indenture permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Holders of the Notes of each series to be affected under the Indenture at any time by the Company and the Trustee with the consent of the Holders of not less than a majority in principal amount of the Notes at the time Outstanding of each series to be affected. The Indenture also contains provisions permitting the Holders of specified percentages in principal amount of the Notes of each series at the time Outstanding, on behalf of the Holders of all Notes of such series, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Note shall be conclusive and binding upon such Holder and upon all future Holders of this Note and of any Note issued upon the registration of transfer hereof or in exchange hereof or in lieu hereof, whether or not notation of such consent or waiver is made upon this Note.

No reference herein to the Indenture and no provision of this Note or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of and interest on this Note at the times, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Note is registrable in the Security Register, upon surrender of this Note for registration of transfer at the office or agency of the Company for such purpose, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Security Registrar and duly executed by, the Holder hereof or his attorney duly authorized in writing, and thereupon one or more new Notes of this series, of authorized denominations and of like tenor and for the same aggregate principal amount, will be issued to the designated transferee or transferees. No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Note for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Note is registered as the owner hereof for all purposes, whether or not this Note be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

The Notes of this series are issuable only in registered form without coupons in denominations of $25 and any integral multiple thereof. As provided in the Indenture and subject to certain limitations therein set forth, Notes of this series are exchangeable for a like aggregate

principal amount of Notes of this series of a different authorized denomination, as requested by the Holder surrendering the same upon surrender of the Note or Notes to be exchanged at the office or agency of the Company.

This Note shall be governed by, and construed in accordance with, the internal laws of the State of New York.

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of this instrument, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM-	as tenants in common	UNIF GIFT MIN ACT-	_____ Custodian _____ (Cust) (Minor)
TEN ENT-	as tenants by the entireties		under Uniform Gifts to Minors Act
JT TEN-	as joint tenants with right of survivorship and not as tenants in common		_____ (State)

Additional abbreviations may also be used though not on the above list.

FOR VALUE RECEIVED, the undersigned hereby sell(s) and transfer(s) unto

_____

(please insert Social Security or other identifying number of assignee)

_____

PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING POSTAL ZIP CODE OF ASSIGNEE

_____

_____

the within Note and all rights thereunder, hereby irrevocably constituting and appointing

_____

_____

agent to transfer said Note on the books of the Company, with full power of substitution in the premises.

Dated: _____ _____

_____

NOTICE: The signature to this assignment must correspond with the name as written upon the face of the within instrument in every particular without alteration or enlargement, or any change whatever.

EXHIBIT B

CERTIFICATE OF AUTHENTICATION

This is one of the Notes referred to in the within-mentioned Indenture.

JPMORGAN CHASE BANK,
as Trustee

By:_____
Authorized Officer

IN WITNESS WHEREOF, each party hereto has caused this instrument to be signed in its name and behalf by its duly authorized officers, all as of the day and year first above written.

ATTEST:

GULF POWER COMPANY

By:_____
Linda Malone
Assistant Secretary

By:_____
Ronnie R. Labrato
Vice President, Chief Financial Officer and Comptroller

ATTEST:

JPMORGAN CHASE BANK

By:_____
Virginia Dominguez
Trust Officer

By:_____
R. Lorenzen
Assistant Vice President

1,200,000 Trust Preferred Securities

Gulf Power Capital Trust III
(a Delaware Statutory Business Trust)

7.375% Trust Preferred Securities
(Liquidation Amount $25 Per Trust Preferred Security)

UNDERWRITING AGREEMENT

November 8, 2001

Salomon Smith Barney Inc.
388 Greenwich Street
New York, New York 10013

Ladies and Gentlemen:

Gulf Power Capital Trust III (the "Trust"), a statutory business trust organized under the Business Trust Act (the "Delaware Act") of the State of Delaware (Chapter 38, Title 12, of the Delaware Code, 12 Del. C. § 3801 et seq.), and Gulf Power Company, a Maine corporation (the "Company" and, together with the Trust, the "Offerors"), confirm their agreement (the "Agreement") with you and each of the other Underwriters named in Schedule I hereto (collectively, the "Underwriters", which term shall also include any underwriter substituted as hereinafter provided in Section 10 hereof), for whom you are acting as representative (in such capacity, you shall hereinafter be referred to as the "Representative"), with respect to the sale by the Trust and the purchase by the Underwriters, acting severally and not jointly, of the respective numbers of 7.375% Trust Preferred Securities (liquidation amount $25 per preferred security) of the Trust ("Preferred Securities") set forth in Schedule I. The Preferred Securities will be guaranteed by the Company with respect to distributions and payments upon liquidation, redemption and otherwise (the "Guarantee") pursuant to the Guarantee Agreement (the "Guarantee Agreement"), dated as of November 1, 2001, between the Company and The Chase Manhattan Bank, as trustee (the "Guarantee Trustee"). The Preferred Securities and the related Guarantee are referred to herein as the "Securities."

The Offerors understand that the Underwriters propose to make a public offering of the Preferred Securities as soon as the Representative deems advisable after this Agreement has been executed and delivered. The entire proceeds from the sale of the Preferred Securities will be combined with the entire proceeds from the sale by the Trust to the Company of its common securities (the "Common Securities") and will be used by the Trust to purchase the $30,927,850 principal amount of Series D 7.375% Junior Subordinated Notes due September 30, 2041 (the "Junior Subordinated Notes") to be issued by the Company. The Preferred Securities and the Common Securities will be issued pursuant to the Amended and Restated Trust Agreement, dated as of November 1, 2001 (the "Trust Agreement"), among the Company, as Depositor, Linda Malone and Wayne Boston (the "Administrative Trustees"), Chase Manhattan Bank USA, National Association (formerly Chase Manhattan Bank Delaware), (the "Delaware

Trustee"), and The Chase Manhattan Bank, a New York banking corporation (the "Property Trustee" and, together with the Delaware Trustee and the Administrative Trustees, the "Trustees"), as trustees, and the holders from time to time of undivided beneficial interests in the assets of the Trust. The Junior Subordinated Notes will be issued pursuant to an indenture, dated as of January 1, 1997, as heretofore supplemented (the "Base Indenture"), between the Company and The Chase Manhattan Bank, as trustee (the "Debt Trustee"), and further supplemented by a fourth supplemental indenture to the Base Indenture, dated as of November 16, 2001(the "Supplemental Indenture" and, together with the Base Indenture and any other amendments or supplements thereto, the "Indenture"), between the Company and the Debt Trustee.

SECTION 1. REPRESENTATIONS AND WARRANTIES. The Offerors jointly and severally represent and warrant to each Underwriter as follows:

(a) A registration statement on Form S-3 (File Nos. 333-59942, 333-59942-01 and 333-59942-02) in respect of the Preferred Securities, the Guarantee and the Junior Subordinated Notes has been prepared and filed in accordance with the provisions of the Securities Act of 1933, as amended (the "1933 Act"), with the Securities and Exchange Commission (the "Commission"); such registration statement, and any post-effective amendment thereto, each in the form heretofore delivered or to be delivered to you, and to you for each of the other Underwriters, has been declared effective by the Commission in such form (except that copies of the registration statement and any post-effective amendment delivered to you for each of the other Underwriters need not include exhibits but shall include all documents incorporated by reference therein); and no stop order suspending the effectiveness of such registration statement has been issued and no proceeding for that purpose has been initiated or, to the best knowledge of the Company, threatened by the Commission (any preliminary prospectus, as supplemented by a preliminary prospectus supplement, included in such registration statement or filed with the Commission pursuant to Rule 424(a) of the rules and regulations of the Commission under the 1933 Act, being hereinafter called a "Preliminary Prospectus"); such registration statement, as it became effective, including the exhibits thereto and all documents incorporated by reference therein pursuant to Item 12 of Form S-3 at the time such registration statement became effective, being hereinafter called the "Registration Statement"; the prospectus relating to the Preferred Securities, the Guarantee and the Junior Subordinated Notes, in the form in which it was included in the Registration Statement at the time it became effective, being hereinafter called the "Prospectus"; any reference herein to any Preliminary Prospectus or the Prospectus shall be deemed to refer to and include the documents incorporated by reference therein pursuant to Item 12 of Form S-3 under the 1933 Act, as of the date of such Preliminary Prospectus or Prospectus, as the case may be; any reference to any amendment or supplement to any Preliminary Prospectus or the Prospectus shall be deemed to refer to and include any documents filed after the date of such Preliminary Prospectus or Prospectus, as the case may be, under the Securities Exchange Act of 1934, as amended (the "1934 Act"), and incorporated by reference in such Preliminary Prospectus or Prospectus, as the case may be; any reference to any amendment to the Registration Statement shall be deemed to refer to and include any annual report of the Company filed pursuant to Section 13(a) or 15(d) of the 1934 Act after the effective date of the Registration Statement that is incorporated by reference in the Registration Statement; the Prospectus as supplemented

by a preliminary prospectus supplement dated November 7, 2001 relating to the Preferred Securities, the Guarantee and the Junior Subordinated Notes, including any documents incorporated by reference therein as of such date, being hereinafter called the "Preliminary Supplemented Prospectus"; and the Prospectus as amended or supplemented in final form by a prospectus supplement relating to the Preferred Securities in the form in which it is filed with the Commission, pursuant to Rule 424(b) under the 1933 Act in accordance with Section 3(g) hereof, including any documents incorporated by reference therein as of the date of such filing, being hereinafter called the "Final Supplemented Prospectus".

(b) The documents incorporated by reference in the Registration Statement or Prospectus, when they were filed with the Commission, complied in all material respects with the applicable provisions of the 1934 Act and the rules and regulations of the Commission thereunder, and as of such time of filing, when read together with the Prospectus, none of such documents contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and any further documents so filed and incorporated by reference in the Prospectus or any further amendment or supplement thereto, when such documents are filed with the Commission, will comply in all material respects with the applicable provisions of the 1934 Act and the rules and regulations of the Commission thereunder and, when read together with the Prospectus as it otherwise may be amended or supplemented, will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that neither the Trust nor the Company makes any warranty or representation to any Underwriter with respect to: (A) any statements or omissions made in reliance upon and in conformity with information furnished in writing to the Trust or the Company by an Underwriter through you expressly for use in the Preliminary Supplemented Prospectus or the Final Supplemented Prospectus; or (B) any information set forth in the Preliminary Supplemented Prospectus or the Final Supplemented Prospectus under the caption "Description of the Preferred Securities — Book-Entry-Only Issuance — The Depository Trust Company".

(c) The Preliminary Prospectus, at the time of filing thereof, complied in all material respects with the applicable provisions of the 1933 Act and the rules and regulations of the Commission thereunder and did not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(d) The Registration Statement, the Prospectus and, to the extent not used to confirm sales of the Preferred Securities, the Preliminary Supplemented Prospectus, comply, and the Final Supplemented Prospectus and any further amendments or supplements to the Registration Statement or the Prospectus, when any such post-effective amendments are declared effective or supplements are filed with the Commission, as the case may be, will comply, in all material respects with the applicable

provisions of the 1933 Act, the 1934 Act, the 1939 Act (hereinafter defined) and the General Rules and Regulations of the Commission thereunder and do not and will not, (i) as of the applicable effective date as to the Registration Statement and any amendment thereto, (ii) as of the filing date thereof as to the Preliminary Supplemented Prospectus and (iii) as of the applicable filing date as to the Final Supplemented Prospectus and any Prospectus as further amended or supplemented, contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; except that neither the Company nor the Trust makes any warranties or representations with respect to (A) that part of the Registration Statement which shall constitute the Statements of Eligibility (Form T-1) (collectively, the "Form T-1") under the Trust Indenture Act of 1939, as amended (the "1939 Act"), (B) statements or omissions made in the Registration Statement, the Preliminary Supplemented Prospectus or the Final Supplemented Prospectus in reliance upon and in conformity with information furnished in writing to the Trust or the Company by an Underwriter expressly for use therein or (C) any information set forth in the Preliminary Supplemented Prospectus or the Final Supplemented Prospectus under the caption "Description of the Preferred Securities — Book-Entry Only Issuance — The Depository Trust Company".

(e) With respect to the Registration Statement, the conditions for use of Form S-3, as set forth in the General Instructions thereof, have been satisfied.

(f) Since the respective dates as of which information is given in the Registration Statement and the Final Supplemented Prospectus, except as otherwise stated therein, there has been no material adverse change in the business, properties or financial condition of the Company.

(g) Since the respective dates as of which information is given in the Registration Statement and the Final Supplemented Prospectus, except as otherwise stated therein, there has not been any material adverse change or, to the best of the Company's knowledge, any development involving a prospective material adverse change in or affecting the business, properties or financial condition of the Trust.

(h) The Company is a corporation duly organized and existing under the laws of the State of Maine, is duly qualified to carry on its business as a foreign corporation under the laws of the States of Florida, Georgia and Mississippi, and has due corporate authority to carry on the public utility business in which it is engaged and to own and operate the properties used by it in such business, to enter into and perform its obligations under this Agreement, the Trust Agreement, the Indenture and the Guarantee Agreement and to purchase, own and hold the Common Securities issued by the Trust and to issue and deliver the Junior Subordinated Notes and the Guarantee.

(i) The Trust has been duly created and is validly existing and in good standing as a business trust under the Delaware Act with the power and authority to own property and to conduct its business as described in the Registration Statement and the Final Supplemented Prospectus and to enter into and perform its obligations under this Agreement and the Trust Agreement; the Trust is duly qualified to transact business as a

foreign company and is in good standing in any other jurisdiction in which such qualification is necessary, except to the extent that the failure to so qualify or be in good standing would not have a material adverse effect on the Trust; the Trust is not a party to or otherwise bound by any agreement other than those described in the Final Supplemented Prospectus; the Trust is and will be classified for United States federal income tax purposes as a grantor trust and not as an association taxable as a corporation; and the Trust is and will be treated as a consolidated subsidiary of the Company pursuant to generally accepted accounting principles.

(j) The Common Securities have been duly authorized by the Trust Agreement and, when issued and delivered by the Trust to the Company against payment therefor as described in the Registration Statement and the Final Supplemented Prospectus, will be validly issued and (subject to the terms of the Trust Agreement) fully paid and non-assessable undivided beneficial interests in the assets of the Trust and will conform in all material respects to all statements relating thereto contained in the Final Supplemented Prospectus; the issuance of the Common Securities is not subject to preemptive or other similar rights; and, on the Closing Date (as defined herein), all of the issued and outstanding Common Securities of the Trust will be directly owned by the Company, free and clear of any security interest, mortgage, pledge, lien, encumbrance, claim or equitable right.

(k) This Agreement has been duly authorized, executed and delivered by each of the Offerors.

(l) The Trust Agreement has been duly authorized by the Company and, on the Closing Date, will have been duly executed and delivered by the Company and the Administrative Trustees, and assuming due authorization, execution and delivery of the Trust Agreement by the Delaware Trustee and the Property Trustee, the Trust Agreement will, on the Closing Date, be a valid and binding obligation of the Company and the Administrative Trustees, enforceable against the Company and the Administrative Trustees in accordance with its terms, except to the extent that enforcement thereof may be limited by (1) bankruptcy, insolvency, reorganization, receivership, liquidation, fraudulent conveyance, moratorium or other similar laws affecting creditors' rights generally or (2) general principles of equity (regardless of whether enforcement is considered in a proceeding at law or in equity) (the "Enforceability Exceptions") and will conform in all material respects to all statements relating thereto in the Final Supplemented Prospectus; and, on the Closing Date, the Trust Agreement will have been duly qualified under the 1939 Act.

(m) The Guarantee Agreement has been duly authorized by the Company and, on the Closing Date, will have been duly executed and delivered by the Company, and, assuming due authorization, execution and delivery of the Guarantee Agreement by the Guarantee Trustee, the Guarantee Agreement will, on the Closing Date, constitute a valid and binding obligation of the Company, enforceable against the Company in accordance with its terms except to the extent that enforcement thereof may be limited by the Enforceability Exceptions, and each of the Guarantee and the Guarantee Agreement will conform in all material respects to all statements relating thereto contained in the Final

Supplemented Prospectus; and, on the Closing Date, the Guarantee Agreement will have been duly qualified under the 1939 Act.

(n) The Preferred Securities have been duly authorized by the Trust Agreement and, when issued and delivered by the Trust pursuant to this Agreement against payment of the consideration set forth herein, will be validly issued and (subject to the terms of the Trust Agreement) fully paid and non-assessable undivided beneficial interests in the assets of the Trust, will be entitled to the benefits of the Trust Agreement and will conform in all material respects to all statements relating thereto contained in the Final Supplemented Prospectus; the issuance of the Preferred Securities is not subject to preemptive or other similar rights; (subject to the terms of the Trust Agreement) holders of Preferred Securities will be entitled to the same limitation of personal liability under Delaware law as extended to stockholders of private corporations for profit.

(o) The Indenture has been duly authorized by the Company and, on the Closing Date, will have been duly executed and delivered by the Company, and, assuming due authorization, execution and delivery of the Indenture by the Debt Trustee, the Indenture will, on the Closing Date, constitute a valid and binding obligation of the Company, enforceable against the Company in accordance with its terms except to the extent that enforcement thereof may be limited by the Enforceability Exceptions; the Indenture will conform in all material respects to all statements relating thereto contained in the Final Supplemented Prospectus; and, on the Closing Date, the Indenture will have been duly qualified under the 1939 Act.

(p) The issuance and delivery of the Junior Subordinated Notes have been duly authorized by the Company and, on the Closing Date, the Junior Subordinated Notes will have been duly executed by the Company and, when authenticated in the manner provided for in the Indenture and delivered against payment therefor as described in the Final Supplemented Prospectus, will constitute valid and legally binding obligations of the Company, enforceable against the Company in accordance with their terms, except to the extent that enforcement thereof may be limited by the Enforceability Exceptions, will be in the form contemplated by, and entitled to the benefits of, the Indenture and will conform in all material respects to all statements relating thereto in the Final Supplemented Prospectus.

(q) The Company's obligations under the Guarantee (i) are subordinate and junior in right of payment to all liabilities of the Company, except those obligations or liabilities made pari passu or subordinate by their terms, (ii) are pari passu with the preferred stock issued by the Company and (iii) are senior to all common stock of the Company.

(r) The Junior Subordinated Notes are subordinated and junior in right of payment to all Senior Indebtedness (as defined in the Indenture) of the Company.

(s) Each of the Administrative Trustees of the Trust is an officer of the Company and has been duly authorized by the Company to execute and deliver the Trust Agreement.

(t) Neither the Trust nor the Company nor any of the Company's other subsidiaries is and, after giving effect to the offering and sale of the Preferred Securities, will be an "investment company" or an entity "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended (the "1940 Act").

(u) The execution, delivery and performance by the Offerors of this Agreement, the Trust Agreement, the Preferred Securities, the Common Securities, the Indenture, the Junior Subordinated Notes, the Guarantee Agreement and the Guarantee and the consummation by the Offerors of the transactions contemplated herein and therein and compliance by the Offerors with their respective obligations hereunder and thereunder shall have been duly authorized by all necessary action (corporate or otherwise) on the part of the Offerors and do not and will not result in any violation of the charter or bylaws of the Company or the Trust Agreement or related Certificate of Trust and do not and will not conflict with, or result in a breach of any of the terms or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Trust or the Company under (A) any contract, indenture, mortgage, loan agreement, note, lease or other agreement or instrument to which the Trust or the Company is a party or by which either of them may be bound or to which any of their properties may be subject (except for conflicts, breaches or defaults which would not, individually or in the aggregate, be materially adverse to the Trust or the Company or materially adverse to the transactions contemplated by this Agreement), or (B) any existing applicable law, rule, regulation, judgment, order or decree of any government, governmental instrumentality or court, domestic or foreign, or any regulatory body or administrative agency or other governmental body having jurisdiction over the Trust or the Company, or any of their respective properties.

(v) No authorization, approval, consent or order of any court or governmental authority or agency is necessary in connection with the issuance and sale of the Common Securities or the offering of the Preferred Securities, the Junior Subordinated Notes or the Guarantee or the transactions contemplated in this Agreement, except (A) such as may be required under the 1933 Act or the rules and regulations thereunder; (B) such as may be required under the Public Utility Holding Company Act of 1935, as amended; (C) the qualification of the Trust Agreement, the Guarantee Agreement and the Indenture under the 1939 Act; (D) the approval of the Florida Public Service Commission (the "Florida Commission"); and (E) such consents, approvals, authorizations, registrations or qualifications as may be required under state securities or Blue Sky laws.

SECTION 2. SALE AND DELIVERY TO THE UNDERWRITERS; CLOSING.

(a) On the basis of the representations and warranties herein contained and subject to the terms and conditions herein set forth, the Trust agrees to sell to each Underwriter, severally and not jointly, and each Underwriter, severally and not jointly, agrees to purchase from the Trust, at the price per security set forth in Schedule II hereto, the number of Preferred Securities set forth in Schedule I opposite the name of such Underwriter, plus any additional number of Preferred Securities that such Underwriter may become obligated to purchase pursuant to the provisions of Section 10 hereof.

The purchase price per security to be paid by the several Underwriters for the Preferred Securities shall be an amount equal to the initial public offering price set forth on Schedule II, which is a fixed price determined by agreement between the Representative and the Offerors. As compensation to the Underwriters for their commitments hereunder and in view of the fact that the proceeds of the sale of the Preferred Securities will be used to purchase the Junior Subordinated Notes of the Company, the Company hereby agrees to pay on the Closing Date (as defined below) to the Representative, for the accounts of the several Underwriters, a commission per Preferred Security as set forth on Schedule II for the Preferred Securities to be delivered by the Trust hereunder on the Closing Date.

(b) Payment of the purchase price for, and delivery of certificates for, the Preferred Securities shall be made at the offices of Troutman Sanders LLP, Bank of America Plaza, 600 Peachtree Street, N.E., Atlanta, Georgia at 10:00 A.M., New York time, on November 16, 2001 (unless postponed in accordance with the provisions of Section 10) or such other time, place or date as shall be agreed upon by the Representative, the Trust and the Company (such time and date of payment and delivery being herein called the "Closing Date"). Payment shall be made to the Trust by wire transfer in federal funds at the Closing Date, against delivery to the Representative for the respective accounts of the Underwriters of certificates for the Preferred Securities to be purchased by them. A single global certificate for the Preferred Securities shall be registered in the name of Cede & Co. It is understood that each Underwriter has authorized the Representative, for its account, to accept delivery of, receipt for, and make payment of the purchase price for, the Preferred Securities which it has agreed to purchase. The Representative, individually and not as Representative of the Underwriters, may (but shall not be obligated to) make payment of the purchase price for the Preferred Securities to be purchased by any Underwriter whose payment has not been received by the Closing Date, but such payment shall not relieve such Underwriter from its obligations hereunder.

A single global certificate for the Preferred Securities shall be registered in the name of Cede & Co. The delivery of the Preferred Securities shall be made to the offices of The Depository Trust Company in New York, New York or its designee, and the Underwriters shall accept such delivery.

The certificate for the Preferred Securities will be made available for examination by the Representative not later than 12:00 Noon, New York time, on the last business day prior to the Closing Date.

On the Closing Date, the Company will pay, or cause to be paid, the commission payable at such time to the Underwriters under Section 2(a) hereof by wire transfer payable to the Representative in federal funds.

SECTION 3. SECTION 3. COVENANTS OF THE OFFERORS. Each of the Offerors jointly and severally covenants with each Underwriter as follows:

(a) The Offerors, on or prior to the Closing Date, will deliver to the Underwriters conformed copies of the Registration Statement as originally filed and of all amendments thereto, heretofore or hereafter made, including any post-effective amendment (in each case including all exhibits filed therewith, and including unsigned copies of each consent and certificate included therein or filed as an exhibit thereto, except exhibits incorporated by reference, unless specifically requested). As soon as the Company is advised thereof, it will advise the Representative orally of the issuance of any stop order under the 1933 Act with respect to the Registration Statement, or the institution of any proceedings therefor, of which the Company shall have received notice, and will use its best efforts to prevent the issuance of any such stop order and to secure the prompt removal thereof, if issued. The Offerors will deliver to the Representative sufficient conformed copies of the Registration Statement, the Prospectus, the Preliminary Supplemented Prospectus and the Final Supplemented Prospectus and of all supplements and amendments thereto (in each case without exhibits) for distribution to each Underwriter and, from time to time, as many copies of the Prospectus, the Preliminary Supplemented Prospectus and the Final Supplemented Prospectus as the Underwriters may reasonably request for the purposes contemplated by the 1933 Act or the 1934 Act.

(b) The Offerors will furnish the Underwriters with copies of each amendment and supplement to the Preliminary Supplemented Prospectus and the Final Supplemented Prospectus relating to the offering of the Preferred Securities in such quantities as the Underwriters may from time to time reasonably request. If, during the period (not exceeding nine months) when the delivery of a prospectus shall be required by law in connection with the sale of any Preferred Securities by an Underwriter or dealer, any event relating to or affecting the Company, or of which the Company shall be advised in writing by the Underwriters, shall occur, which in the opinion of the Company or of Underwriters' counsel should be set forth in a supplement to or an amendment of the Preliminary Supplemented Prospectus or the Final Supplemented Prospectus, as the case may be, in order to make the Preliminary Supplemented Prospectus or the Final Supplemented Prospectus not misleading in the light of the circumstances when it is delivered, or if for any other reason it shall be necessary during such period to amend or supplement the Preliminary Supplemented Prospectus or the Final Supplemented Prospectus or to file under the 1934 Act any document incorporated by reference in the Preliminary Prospectus or Prospectus in order to comply with the 1933 Act or the 1934 Act, the Company forthwith will (i) notify the Underwriters to suspend solicitation of purchases of the Preferred Securities and (ii) at its expense, make any such filing or prepare and furnish to the Underwriters a reasonable number of copies of a supplement or supplements or an amendment or amendments to the Preliminary Supplemented Prospectus or the Final Supplemented Prospectus which will supplement or amend the Preliminary Supplemented Prospectus or the Final Supplemented Prospectus so that, as supplemented or amended, it will not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances when the Preliminary Supplemented Prospectus or the Final Supplemented Prospectus is delivered, not misleading or which will effect any other

necessary compliance. In case any Underwriter is required to deliver a prospectus in connection with the sale of any Preferred Securities after the expiration of the period specified in the preceding sentence, the Company, upon the request of such Underwriter, will furnish to such Underwriter, at the expense of such Underwriter, a reasonable quantity of a supplemented or amended prospectus, or supplements or amendments to the Final Supplemented Prospectus, complying with Section 10(a) of the 1933 Act. During the period specified in the second sentence of this subsection, the Company will continue to prepare and file with the Commission on a timely basis all documents or amendments required under the 1934 Act and the rules and regulations thereunder; provided, that the Company shall not file such documents or amendments without also furnishing copies thereof prior to such filing to the Representative and Dewey Ballantine LLP.

(c) The Offerors will endeavor, in cooperation with the Underwriters, to qualify the Preferred Securities and, to the extent required or advisable, the Guarantee and the Junior Subordinated Notes, for offering and sale under the applicable securities laws of such states and the other jurisdictions of the United States as the Representative may designate; provided, however, that neither of the Offerors shall be obligated to qualify as a foreign corporation in any jurisdiction in which it is not so qualified or to file a consent to service of process or to file annual reports or to comply with any other requirements in connection with such qualification deemed by the Company to be unduly burdensome.

(d) The Company will make generally available to its security holders as soon as practicable but not later than 45 days after the close of the period covered thereby, an earnings statement of the Company (in form complying with the provisions of Rule 158 of the rules and regulations under the 1933 Act) covering a twelve-month period beginning not later than the first day of the Company's fiscal quarter next following the "effective date" (as defined in Rule 158) of the Registration Statement.

(e) The Offerors will use best efforts to effect the listing of the Preferred Securities on the New York Stock Exchange; if the Preferred Securities are exchanged for Junior Subordinated Notes, the Company will use its best efforts to effect the listing of the Junior Subordinated Notes on any exchange on which the Preferred Securities are then listed.

(f) During a period of 15 days from the date of this Agreement, neither the Trust nor the Company will, without the Representative's prior written consent, directly or indirectly, sell, offer to sell, grant any option for the sale of, or otherwise dispose of, any Preferred Securities, any security convertible into or exchangeable into or exercisable for Preferred Securities or the Junior Subordinated Notes or any debt securities substantially similar to the Junior Subordinated Notes or equity securities substantially similar to the Preferred Securities (except for the Junior Subordinated Notes and the Preferred Securities issued pursuant to this Agreement).

(g) As soon as practicable after the date of this Agreement, and in any event within the time prescribed by Rule 424 under the 1933 Act, to file the Final Supplemented Prospectus with the Commission and to advise the Representative of such filing and to confirm such advice in writing.

SECTION 4. PAYMENT OF EXPENSES. Except as otherwise may be agreed in writing by the Offerors and the Representative, the Company will pay all expenses incidental to the performance of each Offeror's obligations under this Agreement, including but not limited to, the expenses of (i) the printing and filing of the Registration Statement as originally filed and of each amendment thereto, (ii) the preparation, issuance and delivery of the certificate(s) for the Preferred Securities to the Underwriters, (iii) the fees and disbursements of the Company's and the Trust's counsel and accountants, (iv) the qualification of the Preferred Securities and, to the extent required or advisable, the Guarantee and the Junior Subordinated Notes, under securities laws in accordance with the provisions of Section 3(c) hereof, including filing fees and the reasonable fees and disbursements of counsel for the Underwriters in connection therewith and in connection with the preparation of any blue sky survey (such fees and disbursements of counsel shall not exceed $3,500), (v) the printing and delivery to the Underwriters of copies of the Registration Statement as originally filed and of each amendment thereto and of the Prospectus, the Preliminary Supplemented Prospectus, the Final Supplemented Prospectus and any amendments or supplements thereto, (vi) the printing and delivery to the Underwriters of copies of any blue sky survey, (vii) the fee of the National Association of Securities Dealers, Inc. in connection with its review of the offering contemplated by this Agreement, if applicable, (viii) the fees and expenses of the Debt Trustee, including the fees and disbursements of counsel for the Debt Trustee in connection with the Indenture and the Junior Subordinated Notes, (ix) the fees and expenses of the Delaware Trustee, the Property Trustee and the Guarantee Trustee, including the fees and disbursements of counsel for the Delaware Trustee in connection with the Trust Agreement and the related Certificate of Trust, (x) the fees and disbursements of Delaware counsel to the Trust, (xi) any fees payable in connection with the rating of the Preferred Securities and Junior Subordinated Notes, (xii) the fees and expenses incurred in connection with the listing of the Preferred Securities and, if applicable, the Junior Subordinated Notes, on the New York Stock Exchange, (xiii) the cost and charges of any transfer agent or registrar and (xiv) the cost of qualifying the Preferred Securities with The Depository Trust Company.

Except as otherwise provided in Section 9 hereof, the Underwriters shall pay all other expenses incurred by them in connection with their offering of the Preferred Securities, including fees and disbursements of their counsel, Dewey Ballantine LLP.

SECTION 5. CONDITIONS OF UNDERWRITERS' OBLIGATIONS. The obligations of the Underwriters to purchase and pay for the Preferred Securities are subject to the following conditions:

(a) No stop order suspending the effectiveness of the Registration Statement shall be in effect on the Closing Date and no proceedings for that purpose shall be pending before, or to the knowledge of the Company threatened by, the Commission on such date. If filing of the Preliminary Supplemented Prospectus or the Final Supplemented Prospectus, or any supplement thereto, is required pursuant to Rule 424, the Preliminary Supplemented Prospectus or the Final Supplemented Prospectus, and any such supplement, shall have been filed in the manner and within the time period required by Rule 424.

(b) Any required orders of the Florida Commission and the Commission permitting the transactions contemplated hereby substantially in accordance with the

terms and conditions hereof shall be in full force and effect and shall contain no provision unacceptable to the Underwriters or the Company (but all provisions of such order or orders heretofore entered, copies of which have heretofore been delivered to the Representative, are deemed acceptable to the Underwriters and the Company and all provisions of such order or orders hereafter entered shall be deemed acceptable to the Underwriters and the Company unless within 24 hours after receiving a copy of any such order any party to this Agreement shall give notice to the other parties to the effect that such order contains an unacceptable provision).

(c) On the Closing Date the Representative shall have received:

(1) The opinion, dated the Closing Date, of Beggs & Lane, a Registered Limited Liability Partnership, general counsel for the Company, substantially in the form attached hereto as Schedule III-A.

(2) The opinion, dated the Closing Date, of Troutman Sanders LLP, counsel for the Company, substantially in the form attached hereto as Schedule III-B.

(3) The opinion, dated the Closing Date, of Richards, Layton & Finger, P.A., Delaware counsel to the Trust, substantially in the form attached hereto as Schedule IV.

(4) The opinion, dated the Closing Date, of Richards, Layton & Finger, P.A., counsel to Chase Manhattan Bank USA, National Association, as Delaware Trustee under the Trust Agreement, substantially in the form attached hereto as Schedule V.

(5) The opinion, dated the Closing Date, of Cravath, Swaine & Moore, counsel to the Property Trustee, the Guarantee Trustee and the Debt Trustee, substantially in the form attached hereto as Schedule VI.

(6) The opinion, dated as of the Closing Date, of Dewey Ballantine LLP, counsel for the Underwriters, substantially in the form attached hereto as Schedule VII.

(7) At the Closing Date, there shall not have been, since the date hereof or since the respective dates as of which information is given in the Registration Statement and the Final Supplemented Prospectus, any material adverse change in the business, properties or financial condition of the Trust or the Company, whether or not arising in the ordinary course of business, and the Representative shall have received a certificate of the President or any Vice President of the Company and a certificate of the Administrative Trustees of the Trust, and dated as of the Closing Date, to the effect that (i) there has been no such material adverse change, (ii) the representations and warranties in Section 1 hereof are true and correct with the same force and effect as though expressly made at and as of the Closing Date, (iii) the Trust and the Company have complied with all agreements and satisfied all conditions on their respective parts

to be performed or satisfied under the Agreement on or prior to the Closing Date, and (iv) no stop order suspending the effectiveness of the Registration Statement has been issued and no proceedings for that purpose have been initiated or, to the knowledge of the Company, threatened by the Commission.

(8) On the Closing Date, the Representative shall have received from Arthur Andersen LLP a letter dated the Closing Date to the effect that: (A) they are independent public accountants with respect to the Company within the meaning of the 1933 Act and the rules and regulations under the 1933 Act; (B) in their opinion, the financial statements audited by them and incorporated by reference in the Final Supplemented Prospectus comply as to form in all material respects with the applicable accounting requirements of the 1934 Act and the rules and regulations under the 1934 Act; and (C) on the basis of certain limited procedures performed through a specified date not more than five business days prior to the date of such letter, namely (i) reading the minute books of the Company; (ii) performing the procedures specified by the American Institute of Certified Public Accountants ("AICPA") for a review of interim financial information as described in Statement on Auditing Standards No. 71, "Interim Financial Information", on the unaudited financial statements, if any, of the Company incorporated in the Final Supplemented Prospectus and of the latest available unaudited financial statements of the Company, if any, for any calendar quarter subsequent to the date of those incorporated in the Final Supplemented Prospectus; and (iii) making inquiries of certain officials of the Company who have responsibility for financial and accounting matters regarding such unaudited financial statements or any specified unaudited amounts derived therefrom (it being understood that the foregoing procedures do not constitute an audit performed in accordance with generally accepted auditing standards and they would not necessarily reveal matters of significance with respect to the comments made in such letter, and accordingly that Arthur Andersen LLP make no representations as to the sufficiency of such procedures for the Underwriters' purposes), nothing came to their attention that caused them to believe that: (1) any material modifications should be made to the unaudited condensed financial statements, if any, incorporated in the Final Supplemented Prospectus, for them to be in conformity with generally accepted accounting principles; (2) such unaudited condensed financial statements do not comply as to form in all material respects with the applicable accounting requirements of the 1934 Act as it applies to Form 10-Q and the related published rules and regulations thereunder; (3) the unaudited amounts for Operating Revenues, Earnings Before Interest and Income Taxes and Net Income After Dividends on Preferred Stock and the unaudited Ratios of Earnings to Fixed Charges and Earnings to Fixed Charges Plus Preferred Dividend Requirements (Pre Income Tax Basis), set forth in the Final Supplemented Prospectus do not agree with the amounts set forth in or derived from the unaudited financial statements for the same period or were not determined on a basis substantially consistent with that of the corresponding audited amounts or ratios included or incorporated by reference in Registration Statement; (4) as of a specified date not more than five business days prior to the date of delivery of such letter, there has been any change in the capital stock or

long-term debt of the Company or any decrease in net assets as compared with amounts shown in the latest audited balance sheet incorporated in the Final Supplemented Prospectus, except in each case for changes or decreases which (i) the Final Supplemented Prospectus discloses have occurred or may occur, (ii) are occasioned by the declaration of dividends, (iii) are occasioned by draw-downs under existing pollution control financing arrangements, (iv) are occasioned by draw-downs and regularly scheduled payments of capitalized lease obligations, (v) are occasioned by the purchase or redemption of bonds or stock to satisfy mandatory or optional redemption provisions relating thereto, or (vi) are disclosed in such letter; and (5) the unaudited amounts for Operating Revenues, Earnings Before Interest and Income Taxes and Net Income After Dividends on Preferred Stock and the unaudited Ratios of Earnings to Fixed Charges and Earnings to Fixed Charges Plus Preferred Dividend Requirements (Pre Income Tax Basis) for any period for any calendar quarter subsequent to those set forth in (3) above, which if available shall be set forth in such letter, do not agree with the amounts set forth in or derived from the unaudited financial statements for the same period or were not determined on a basis substantially consistent with that of the corresponding audited amounts or ratios included or incorporated by reference in the Final Supplemented Prospectus.

(9) On the Closing Date, counsel for the Underwriters shall have been furnished with such documents and opinions as they may reasonably require for the purpose of enabling them to pass upon the issuance and sale of the Preferred Securities as herein contemplated and related proceedings, or in order to evidence the accuracy of any of the representations or warranties, or the fulfillment of any of the conditions, herein contained; and all proceedings taken by the Offerors in connection with the issuance and sale of the Preferred Securities as herein contemplated shall be satisfactory in form and substance to the Representative and Dewey Ballantine LLP, counsel for the Underwriters.

(10) On the Closing Date, the Preferred Securities shall have been approved for listing on the New York Stock Exchange upon notice of issuance.

(11) On the Closing Date, the Representative shall have received a certificate of a Vice President of the Company certifying that a Special Event (as defined in the Final Supplemented Prospectus) shall not have occurred and be continuing.

(12) That no amendment or supplement to the Registration Statement, the Preliminary Supplemented Prospectus or the Final Supplemented Prospectus filed subsequent to the date of this Agreement (including any filing made by the Company pursuant to Section 13 or 14 of the Exchange Act) shall be unsatisfactory in form to Dewey Ballantine LLP or shall contain information (other than with respect to an amendment or supplement relating solely to the activity of any Underwriter or Underwriters) which, in the reasonable judgment of the Representative, shall materially impair the marketability of the Preferred Securities.

(13) The Company and the Trust shall have performed their respective obligations when and as provided under this Agreement.

If any condition specified in this Section shall not have been fulfilled when and as required to be fulfilled, this Agreement may be terminated by the Representative by notice to the Offerors at any time prior to the Closing Date, and such termination shall be without liability of any party to any other party except as provided in Sections 4, 7 and 9(b) hereof.

SECTION 6. CONDITIONS OF THE OBLIGATIONS OF THE OFFERORS.

The obligations of the Offerors shall be subject to the conditions set forth in the first sentence of Section 5(a) and in Section 5(b). In case such conditions shall not have been fulfilled, this Agreement may be terminated by the Company by mailing or delivering written notice thereof to the Underwriters. Any such termination shall be without liability of any party to any other party except as otherwise provided in Sections 4, 7 and 9(b) hereof.

SECTION 7. INDEMNIFICATION.

(a) The Offerors jointly and severally agree to indemnify and hold harmless each of the Underwriters and each person, if any, who controls any such Underwriter within the meaning of Section 15 of the 1933 Act or Section 20(a) of the 1934 Act, against any and all losses, claims, damages or liabilities, joint or several, to which they or any of them may become subject under the 1933 Act, 1934 Act or otherwise, and to reimburse the Underwriters and such controlling person or persons, if any, for any legal or other expenses incurred by them in connection with defending any actions, insofar as such losses, claims, damages, liabilities or actions arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in any Preliminary Prospectus, the Registration Statement, the Prospectus, the Preliminary Supplemented Prospectus or the Final Supplemented Prospectus or, if the Offerors shall furnish to the Underwriters any amendments or any supplements thereto, or shall make any filings pursuant to Section 13 or 14 of the 1934 Act which are incorporated therein by reference, in any Preliminary Prospectus, the Registration Statement, the Prospectus, the Preliminary Supplemented Prospectus or the Final Supplemented Prospectus as so amended or supplemented, or arise out of or are based upon any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such losses, claims, damages, liabilities or actions arise out of or are based upon any such untrue statement or alleged untrue statement or omission or alleged omission which was made in the Registration Statement, Preliminary Prospectus, Prospectus, the Preliminary Supplemented Prospectus or the Final Supplemented Prospectus in reliance upon and in conformity with information furnished in writing to the Company by, or through the Representative on behalf of, any Underwriter for use therein and except that this indemnity with respect to the Preliminary Prospectus, the Prospectus, the Preliminary Supplemented Prospectus or the Final Supplemented Prospectus, if the Offerors shall have furnished any amendment or supplement thereto, shall not

inure to the benefit of any Underwriter (or of any person controlling such Underwriter) on account of any losses, claims, damages, liabilities or actions arising from the sale of the Preferred Securities to any person if a copy of the Preliminary Prospectus, the Prospectus, the Preliminary Supplemented Prospectus or the Final Supplemented Prospectus (exclusive of documents incorporated therein by reference pursuant to Item 12 of Form S-3), as the same may then be amended or supplemented, shall not have been sent or given by or on behalf of such Underwriter to such person with or prior to the written confirmation of the sale involved and the untrue statement or alleged untrue statement or omission or alleged omission was corrected in the Preliminary Prospectus, the Prospectus, the Preliminary Supplemented Prospectus or the Final Supplemented Prospectus as supplemented or amended at the time of such confirmation. Each Underwriter agrees, within ten days after the receipt by it of notice of the commencement of any action in respect of which indemnity may be sought by it, or by any person controlling it, from the Offerors on account of their agreement contained in this Section 7, to notify the Offerors in writing of the commencement thereof but the omission of such Underwriter so to notify the Offerors of any such action shall not release the Offerors from any liability which they may have to such Underwriter or to such controlling person otherwise than on account of the indemnity agreement contained in this Section 7. In case any such action shall be brought against the Underwriters or any such person controlling such Underwriters and such Underwriter shall notify the Offerors of the commencement thereof as above provided, the Offerors shall be entitled to participate in (and, to the extent that they shall wish, including the selection of counsel, to direct) the defense thereof, at their own expense. In case the Offerors elect to direct such defense and select such counsel, any Underwriter or controlling person shall have the right to employ its own counsel, but, in any such case, the fees and expenses of such counsel shall be at the expense of such Underwriter or controlling person unless the employment of such counsel has been authorized in writing by the Offerors in connection with defending such action. No indemnifying party shall, without the written consent of the indemnified party, effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim in respect of which indemnification may be sought hereunder (whether or not the indemnified party is an actual or potential party to such action or claim) unless such settlement, compromise or judgment (i) includes an unconditional release of the indemnified party from all liability arising out of such action or claim and (ii) does not include any statement as to, or an admission of, fault, culpability or a failure to act, by or on behalf of any indemnified party. In no event shall any indemnifying party have any liability or responsibility in respect of the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim effected without its prior written consent.

(b) The Company agrees to indemnify the Trust against all loss, liability, claim, damage and expense whatsoever, as due from the Trust under Section 7(a) hereunder.

(c) Each Underwriter agrees, severally and not jointly, to indemnify and hold harmless the Company, its directors and such of its officers who have signed the Registration Statement, the Trust and each other Underwriter and each person, if any, who controls the Offerors or any such other Underwriter within the meaning of Section 15 of the 1933 Act or Section 20(a) of the 1934 Act to the same extent and upon the same terms as the indemnity agreement of the Offerors set forth in Section 7(a) hereof, but only with respect to alleged untrue statements or omissions made in the Registration Statement, the Preliminary Prospectus, the Prospectus, the Preliminary Supplemented Prospectus or the Final Supplemented Prospectus, or such documents as amended or supplemented, in reliance upon and in conformity with information furnished in writing to the Offerors by, or through the Representative on behalf of, such Underwriter for use therein.

SECTION 8. REPRESENTATIONS, WARRANTIES AND AGREEMENTS TO SURVIVE DELIVERY.

All representations, warranties and agreements contained in this Agreement, or contained in certificates of officers or Trustees of the Offerors submitted pursuant hereto, shall remain operative and in full force and effect, regardless of any investigation made by or on behalf of any Underwriter or controlling person, or by, or on behalf of, the Offerors and shall survive delivery of the Preferred Securities to the Underwriters.

SECTION 9. TERMINATION OF AGREEMENT.

(a) The Representative may terminate this Agreement, by notice to the Offerors, at any time at or prior to the Closing Date if (i) trading in securities on the New York Stock Exchange shall have been generally suspended, (ii) minimum or maximum ranges for prices shall have been generally established on the New York Stock Exchange by the Commission or by the New York Stock Exchange, (iii) a general banking moratorium shall have been declared by federal or New York State authorities, (iv) there shall have occurred any outbreak or escalation of major hostilities in which the United States is involved, any declaration of war by the United States Congress or any other substantial national or international calamity or emergency affecting the United States, in any such case provided for in clauses (i) through (iv) with the result that, in the reasonable judgement of the Representative, the marketability of the Preferred Securities shall have been materially impaired.

(b) If this Agreement shall be terminated by the Representative pursuant to subsection (a) above or because of any failure or refusal on the part of the Offerors to comply with the terms or to fulfill any of the conditions of this Agreement, or if for any reason the Offerors shall be unable to perform their obligations under this Agreement, then in any such case, the Company will reimburse the Underwriters, severally, for the reasonable fees and disbursements of Dewey Ballantine LLP and for the out of pocket expenses (in an amount not exceeding $10,000) reasonably incurred by the Underwriters in making preparations for the purchase, sale and delivery of the Preferred Securities and,

upon such reimbursement, the Offerors shall be absolved from any further liability hereunder, except as provided in Sections 4 and 7.

SECTION 10. DEFAULT BY ONE OR MORE OF THE UNDERWRITERS. If one or more of the Underwriters shall fail on the Closing Date to purchase the Preferred Securities that it or they are obligated to purchase under this Agreement (the "Defaulted Securities"), the Representative shall have the right, within 24 hours thereafter, to make arrangements for one or more of the non-defaulting Underwriters, or any other underwriters, to purchase all, but not less than all, of the Defaulted Securities in such amounts as may be agreed upon and upon the terms herein set forth; if, however, the Representative shall not have completed such arrangements within such 24-hour period, then:

(a) if the number of Defaulted Securities does not exceed 10% of the Preferred Securities, each of the non-defaulting Underwriters shall be obligated, severally and not jointly, to purchase the full amount thereof in the proportions that their respective underwriting obligations hereunder bear to the underwriting obligations of all non-defaulting Underwriters, or

(b) if the number of Defaulted Securities exceeds 10% of the Preferred Securities, this Agreement shall terminate without liability on the part of any non-defaulting Underwriter.

No action taken pursuant to this Section shall relieve any defaulting Underwriter from liability in respect of its default.

In the event of any such default which does not result in a termination of this Agreement, either the Representative or the Offerors shall have the right to postpone the Closing Date for a period not exceeding seven days in order to effect any required changes in the Registration Statement or Final Supplemented Prospectus or in any other documents or arrangements.

SECTION 11. NOTICES. All notices and other communications hereunder shall be in writing and shall be deemed to have been duly given if mailed or transmitted by any standard form of telecommunication. Notices to the Underwriters shall be directed to the Representative at Salomon Smith Barney Inc., 388 Greenwich Street, New York, New York 10013, Attention: Howard Hiller; notices to the Offerors shall be directed to the Company via U.S. mail at One Energy Place, Pensacola, Florida 32520-0102, Attention: Corporate Secretary, or via physical delivery at 500 Bayfront Parkway, Pensacola, Florida 32501, Attention: Corporate Secretary, in either case with a copy to Southern Company Services, Inc., 270 Peachtree Street, N.W., Atlanta, Georgia 30303, Attention: David B. Brooks.

SECTION 12. PARTIES. This Agreement shall inure to the benefit of and be binding upon the Underwriters, the Trust, the Company and their respective successors. Nothing expressed or mentioned in this Agreement is intended or shall be construed to give any person, firm or corporation, other than the Underwriters and the Trust and the Company and their respective successors and the controlling persons and officers, directors and trustees referred to in Section 7 and their heirs and legal representatives, any legal or equitable right, remedy or

claim under or in respect of this Agreement or any provision herein contained. This Agreement and all conditions and provisions hereof are intended to be for the sole and exclusive benefit of the Underwriters and the Trust and the Company and their respective successors, and said controlling persons and officers, directors and trustees and their heirs and legal representatives, and for the benefit of no other person, firm or corporation. No purchaser of Preferred Securities from any Underwriter shall be deemed to be a successor by reason merely of such purchase.

SECTION 13. GOVERNING LAW AND TIME. This Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to agreements made and to be performed in said State. Except as otherwise set forth herein, specified times of day refer to New York City time.

SECTION 14. COUNTERPARTS. This Agreement may be executed by any one or more of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such respective counterparts shall together constitute one and the same instrument.

If the foregoing is in accordance with your understanding of our agreement, please sign and return to the Trust and the Company a counterpart hereof, whereupon this instrument, along with all counterparts, will become a binding agreement among the Underwriters, the Trust and the Company in accordance with its terms.

Very truly yours,
GULF POWER COMPANY

By: _____
Title: Vice President, Chief Financial Officer and Comptroller

GULF POWER CAPITAL TRUST III

By: _____
Name: Linda G. Malone
Title: Administrative Trustee

CONFIRMED AND ACCEPTED,
as of the date first above written

SALOMON SMITH BARNEY INC.
as Representative of the Underwriters
named in Schedule I hereto

By: _____
Name: Howard Hiller
Title: Managing Director

SCHEDULE I

NAME OF UNDERWRITER	NUMBER OF SECURITIES
Salomon Smith Barney Inc.	540,000
UBS Warburg LLC	540,000
Raymond James & Associates, Inc.	120,000
Total	1,200,000

SCHEDULE II

Initial public offering price per Preferred Security (and purchase price per security to be paid by the several Underwriters): $25

Compensation per Preferred Security to be paid by the Company to the several Underwriters in respect of their commitments: $.7875 for Preferred Securities

Schedule III-A

[Letterhead of BEGGS & LANE]

_____ __, 2001

Salomon Smith Barney Inc.
388 Greenwich Street
New York, New York 10013

GULF POWER CAPITAL TRUST III
_.__% TRUST PREFERRED SECURITIES

Ladies and Gentlemen:

We have acted as general counsel to Gulf Power Company (the "Company") in connection with (i) its formation of Gulf Power Capital Trust III (the "Trust"), a Delaware statutory business trust, pursuant to the amended and restated trust agreement dated as of _____ __, 2001 among the Company and the trustees named therein (the "Trust Agreement"); (ii) the Trust's issuance and sale of __% Trust Preferred Securities evidencing approximately 97% undivided interest in the assets of the Trust (the "Preferred Securities"); (iii) the Trust's issuance and sale of Common Securities evidencing approximately 3% undivided interest in the assets of the Trust; (iv) the Company's issuance and sale to the Trust of $___,___,___ aggregate principal amount of its Series D _.__% Junior Subordinated Notes due _____, 20__ (the "Notes") pursuant to a Subordinated Note Indenture dated as of _____ __, 2001, by and between the Company and The Chase Manhattan Bank, as trustee, as heretofore supplemented and as further supplemented by the Fourth Supplemental Indenture dated as of _____ __, 2001 (collectively, the "Indenture"); and (v) its issuance of a guarantee (the "Guarantee") of the Preferred Securities pursuant to a Guarantee Agreement dated as of _____ __, 2001 (the "Guarantee Agreement") between the Company and The Chase Manhattan Bank, as trustee. The Preferred Securities are being sold to you today pursuant to the terms of an Underwriting Agreement dated _____, 2001 (the "Underwriting Agreement"), among the Company, the Trust and the underwriters named in Schedule I thereto (the "Underwriters") for whom you are acting as Representative. This opinion is being delivered to you as Representative pursuant to Section 5(c)(1) thereof.

All capitalized terms not otherwise defined herein shall have the meanings set forth in the Underwriting Agreement.

In rendering the opinions expressed below, we have examined the registration statement on Form S-3 (Nos. 333-_____, 333-_____-01 and 333-_____-02) pertaining to the Preferred Securities (the "Registration Statement") filed by the Company and the Trust under the Securities Act of 1933, as amended (the "Act"), as it became effective under the Act, and the prospectus of the Company and the Trust dated _____ ___, 2001 as supplemented by a final prospectus supplement dated _____, 2001 filed with the Securities and Exchange Commission pursuant to Rule 424(b) under the Act (the "Final Supplemented Prospectus"),

which pursuant to Form S-3 incorporates by reference the Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 2000, the Quarterly Reports on Form 10-Q of the Company for the quarters ended _____ and the Current Reports on Form 8-K of the Company dated _____ (the "Exchange Act Documents"), each as filed under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

In addition, we have examined, and have relied as to matters of fact upon, the documents delivered to you at the closing (except the certificates representing the Preferred Securities and the Notes, of which we have examined specimens), and we have made such other and further investigations as we deemed necessary to express the opinions hereinafter set forth. In such examination, we have assumed the genuineness of all signatures, other than those of the Company, the legal capacity of natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies, and the authenticity of the originals of such latter documents.

The Trust Agreement, Indenture, Guarantee Agreement and the Underwriting Agreement are herein referred to as the "Agreements".

Based upon the foregoing, and subject to the qualifications and limitations stated herein, we are of the opinion, relying as to matters of New York law upon the opinion dated hereof rendered to you by Dewey Ballantine LLP, as to matters of Delaware law upon the opinion dated hereof rendered to you by Richards, Layton & Finger, P.A., and as to matters of Georgia law and the federal law of the United States upon the opinion dated the date hereof rendered to you by Troutman Sanders LLP, that:

1. The Company has been duly organized and is validly existing as a corporation and in good standing as a corporation under the laws of the State of Maine, is duly qualified to carry on its business as a foreign corporation under the laws of the States of Florida, Georgia and Mississippi, and has due corporate authority to carry on the public utility business in which it is engaged, to own and operate the properties used by it in such business and to enter into and perform its obligations under the Agreements and the Notes.

2. The execution, delivery and performance by the Company of the Underwriting Agreement have been duly authorized by all necessary corporate action, and the Underwriting Agreement has been duly executed and delivered by the Company.

3. All orders, consents, or other authorizations or approvals of the Florida Public Service Commission and the Commission legally required for the issuance and delivery of the Notes and the Guarantee by the Company and the issuance and sale of the Preferred Securities by the Trust have been obtained; such orders are sufficient for the issuance and the delivery of the Notes by the Company and the issuance and sale of the Preferred Securities by the Trust; the issuance and delivery of the Notes and the Guarantee by the Company and the issuance and sale of the Preferred Securities by the Trust conform in all material respects with the terms of such orders; and no other order, consent or other authorization or approval of any Florida or United States governmental body (other than in connection or in compliance with the provisions of the securities or "blue sky" laws of any jurisdiction, as to which we express no opinion) is legally required for the issuance and delivery of the Notes and the Guarantee by the Company and the

issuance and sale of the Preferred Securities by the Trust in accordance with the terms of the Underwriting Agreement.

4. The Indenture has been duly authorized, executed and delivered by the Company and, assuming the due authorization, execution and delivery thereof by the Debt Trustee, constitutes a valid and legally binding instrument of the Company, enforceable against the Company in accordance with its terms, subject to the qualifications that the enforceability of the Company's obligations under the Indenture may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); and the Indenture conforms as to legal matters in all material respects to the description thereof in the Final Supplemented Prospectus.

5. The Notes have been duly authorized and executed by the Company and, when authenticated by the Debt Trustee in the manner provided in the Indenture and delivered against payment therefor, will constitute valid and binding obligations of the Company, enforceable against the Company in accordance with their terms, subject to the qualifications that the enforceability of the Company's obligations under the Notes may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); and the Notes conform as to legal matters in all material respects to the description thereof in the Final Supplemented Prospectus.

6. The Guarantee Agreement has been duly authorized, executed and delivered by the Company and constitutes a valid and legally binding instrument of the Company, enforceable against the Company in accordance with its terms, subject to the qualifications that the enforceability of the Company's obligations under the Guarantee Agreement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); and the Guarantee Agreement conforms as to legal matters in all material respects to the description thereof in the Final Supplemented Prospectus.

7. The Trust Agreement has been duly authorized, executed and delivered by the Company, and, assuming due authorization, execution and delivery thereof by the trustees named therein, the Trust Agreement constitutes a valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, subject to the qualifications that the enforceability of the Company's obligations under the Trust Agreement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditor's rights generally, and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

8. Each of the Indenture, the Guarantee Agreement and the Trust Agreement has been duly qualified under the Trust Indenture Act of 1939, as amended.

9. Neither the Company nor the Trust is and, after giving effect to the offering and sale of the Preferred Securities, will be an "investment company" or a company "controlled"

by an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

10. To the best of our knowledge, all of the issued and outstanding Common Securities of the Trust are directly owned by the Company, free and clear of any security interest, mortgage, pledge, lien, encumbrance, claim or equitable right.

11. The execution, delivery and performance by the Trust of the Underwriting Agreement and the Trust Agreement; the issuance by the Trust of the Preferred Securities and the Common Securities; the consummation by the Trust of the transactions contemplated thereby; and the compliance by the Trust with its obligations thereunder do not and will not result in any violation of the Trust Agreement or related Certificate of Trust, and do not and will not conflict with, or result in, a breach of any of the terms or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Trust under (A) any contract, indenture, mortgage, loan agreement, note, lease or any other agreement or instrument known to us to which the Trust is a party or by which it may be bound or to which any of its properties may be subject, except for such conflicts, breaches or defaults or liens, charges or encumbrances that would not have a material adverse effect on the condition (financial or otherwise) of the Trust, (B) any existing applicable law, rule or regulation applicable to the Trust (other than the securities or "blue sky" laws of any jurisdiction, as to which we express no opinion) or (C) any judgment, order or decree known to us of any government, governmental instrumentality, or court, domestic or foreign, or any regulatory body or administrative agency or other governmental body having jurisdiction over the Trust or any of its properties; and the Trust is not a party to or otherwise bound by any agreement other than those which, or the forms of which, are exhibits (or included in exhibits) to the Registration Statement.

12. The Common Securities have been duly authorized by the Trust Agreement and (subject to the terms of the Trust Agreement), when issued and delivered by the Trust to the Company against payment therefor as described in the Final Supplemented Prospectus, will be validly issued, fully paid and non-assessable undivided beneficial interests in the assets of the Trust; and the issuance of the Common Securities is not subject to preemptive or other similar rights.

13. The Preferred Securities have been duly authorized by the Trust Agreement and (subject to the terms of the Trust Agreement), when delivered to and paid for by the Underwriters pursuant to the Underwriting Agreement, will be validly issued, fully paid and nonassessable beneficial interests in the assets of the Trust; the holders of the Preferred Securities will (subject to the terms of the Trust Agreement) be entitled to the same limitation of personal liability under Delaware law as is extended to stockholders of private corporations for profit organized under the general corporation law of the State of Delaware; the issuance of the Preferred Securities is not subject to preemptive or other similar rights; and the Preferred Securities conform as to legal matters in all material respects to the description thereof in the Final Supplemented Prospectus.

We have not independently verified the accuracy, completeness or fairness of the statements made or included in the Registration Statement, the Final Supplemented Prospectus or

the Exchange Act Documents and take no responsibility therefor, except as and to the extent set forth in paragraphs 4, 5, 6, and 13 above. In the course of the preparation by the Company of the Registration Statement, the Final Supplemented Prospectus and the Exchange Act Documents, we participated in conferences with certain officers and employees of the Company, with other counsel for the Company, with representatives of Arthur Andersen LLP and with your counsel. Based upon our examination of the Registration Statement, the Final Supplemented Prospectus and the Exchange Act Documents, our investigations made in connection with the preparation of the Registration Statement, the Final Supplemented Prospectus and the Exchange Act Documents and our participation in the conferences referred to above, (i) we are of the opinion that the Registration Statement, as of its effective date, and the Final Supplemented Prospectus, as of _____, complied as to form in all material respects with the requirements of the Act and the applicable rules and regulations of the Commission thereunder and that the Exchange Act Documents, as of their respective dates of filing with the Commission, complied as to form in all material respects with the relevant requirements of the Exchange Act and the applicable rules and regulations of the Commission thereunder, except that in each case we express no opinion as to the financial statements or other financial or statistical data contained or incorporated by reference in the Registration Statement, the Final Supplemented Prospectus or the Exchange Act Documents, and (ii) nothing came to our attention which gives us reason to believe that the Registration Statement, as of its effective date (including the Exchange Act Documents on file with the Commission as of such date), contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading, or that the Final Supplemented Prospectus (including the Exchange Act Documents) contains any untrue statement therein of a material fact or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that in each case we express no opinion or belief with respect to the financial statements or other financial or statistical data contained or incorporated by reference in the Registration Statement, the Final Supplemented Prospectus or the Exchange Act Documents or with respect to the information contained in the Final Supplemented Prospectus under the caption "Description of the Preferred Securities — Book-Entry Only Issuance — The Depository Trust Company."

We are members of the State Bar of Florida and we do not express any opinion herein concerning any law other than the law of the States of Florida and Mississippi and, to the extent set forth herein, the laws of the States of Delaware, Georgia, Maine and New York and the federal law of the United States.

This opinion is rendered to you in connection with the above-described transaction. This opinion may not be relied upon by you for any other purpose, or relied upon by or furnished to any other person without our prior written consent, except that Troutman Sanders LLP and Dewey Ballantine LLP may rely on this opinion in giving their opinions pursuant to Section 5(c) of the Underwriting Agreement insofar as such opinions relate to matters of Florida and Mississippi law.

Yours very truly,

BEGGS & LANE

Schedule III-B

[Letterhead of TROUTMAN SANDERS LLP]

_____ __, 2001

Salomon Smith Barney Inc.
888 Greenwich Street
New York, New York 10013

GULF POWER CAPITAL TRUST III
_.__% TRUST PREFERRED SECURITIES

Ladies and Gentlemen:

We have acted as counsel to Gulf Power Company (the "Company") in connection with (i) its formation of Gulf Power Capital Trust III, a Delaware statutory business trust (the "Trust"), pursuant to the amended and restated trust agreement dated _____, 2001 among the Company and the trustees named therein (the "Trust Agreement"); (ii) the Trust's issuance and sale of ____% Trust Preferred Securities evidencing approximately a 97% undivided interest in the Trust (the "Preferred Securities"); (iii) the Trust's issuance and sale of Common Securities evidencing approximately a 3% undivided interest in the Trust; (iv) the Company's issuance and sale to the Trust of $_____ of its Series D ___% Junior Subordinated Notes due _____ (the "Notes") pursuant to a Subordinated Note Indenture dated as of _____, 2001, by and between the Company and The Chase Manhattan Bank, as trustee, as heretofore supplemented and as further supplemented by the Fourth Supplemental Indenture dated as of _____ __, 2001 (collectively, the "Indenture"); and (v) its issuance of a guarantee (the "Guarantee") of the Preferred Securities pursuant to a Guarantee Agreement dated as of _____, 2001 (the "Guarantee Agreement") between the Company and The Chase Manhattan Bank, as trustee. The Preferred Securities are being sold to you today pursuant to the terms of an Underwriting Agreement dated _____, 2001 (the "Underwriting Agreement"), among the Company, the Trust and the underwriters named in Schedule I thereto (the "Underwriters") for whom you are acting as Representative. This opinion is being delivered to you as Representative pursuant to Section 5(c)(2) thereof.

All capitalized terms not otherwise defined herein shall have the meanings set forth in the Underwriting Agreement.

In rendering the opinions expressed below, we have examined the registration statement on Form S-3 (Nos. 333-_____, 333-_____-01, and 333-_____-02) pertaining to the Preferred Securities (the "Registration Statement") filed under the Securities Act of 1933, as amended (the "Act"), and the prospectus dated _____ ___, 2001 as supplemented by a final prospectus supplement dated _____, 2001 (the "Final Supplemented Prospectus"), which pursuant to Form S-3 incorporates by reference the Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 2000, the Quarterly Reports on Form 10-Q of

the Company for the quarters ended and the Current Reports on Form 8-K of the Company dated (the "Exchange Act Documents"), each as filed under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

In addition, we have examined, and have relied as to matters of fact upon, the documents delivered to you at the closing (except the certificates representing the Preferred Securities and the Notes, of which we have examined specimens), and we have made such other and further investigations as we deemed necessary to express the opinions hereinafter set forth. In such examination, we have assumed the genuineness of all signatures, other than those of the Company, the legal capacity of natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies and the authenticity of the originals of such latter documents.

The Trust Agreement, Indenture, Guarantee Agreement and the Underwriting Agreement are herein referred to collectively as the "Agreements".

Based upon the foregoing, and subject to the qualifications and limitations stated herein, we are of the opinion, relying as to matters of Florida and Mississippi law upon the opinion dated the date hereof rendered to you by Beggs & Lane, relying as to matters of New York law upon the opinion dated the date hereof rendered to you by Dewey Ballantine LLP and relying as to matters of Delaware law upon the opinion dated the date hereof rendered to you by Richards, Layton & Finger, P.A., that:

1. The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Maine, is duly qualified to carry on its business as a foreign corporation in the States of Florida, Georgia and Mississippi and has due corporate authority to carry on the public utility business in which it is engaged, to own and operate the properties used by it in such business and to enter into and perform its obligations under the Agreements and the Notes.

2. The execution, delivery and performance by the Company of the Underwriting Agreement have been duly authorized by all necessary corporate action, and the Underwriting Agreement has been duly executed and delivered by the Company.

3. All orders, consents or other authorizations or approvals of the Florida Public Service Commission and the Commission legally required for the issuance and delivery of the Notes and the Guarantee and the issuance and sale of the Preferred Securities have been obtained; such orders are sufficient for the issuance and delivery of the Notes and the Guarantee and the issuance and sale of the Preferred Securities; the issuance and delivery of the Notes and the Guarantee and the issuance and sale of the Preferred Securities conform in all material respects with the terms of such orders; and no other order, consent or other authorization or approval of any Florida or United States governmental body (other than in connection or in compliance with the provisions of the securities or "blue sky" laws of any jurisdiction, as to which we express no opinion) is legally required for the issuance and delivery of the Notes and the Guarantee and the issuance and sale of the Preferred Securities in accordance with the terms of the Underwriting Agreement.

4. The Indenture has been duly authorized, executed and delivered by the Company and, assuming the due authorization, execution and delivery thereof by the Debt Trustee, constitutes a valid and legally binding instrument of the Company, enforceable against the Company in accordance with its terms, subject to the qualifications that the enforceability of the Company's obligations under the Indenture may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); and the Indenture conforms as to legal matters in all material respects to the description thereof in the Final Supplemented Prospectus.

5. The Notes have been duly authorized and executed by the Company and, when authenticated by the Debt Trustee in the manner provided in the Indenture and delivered against payment therefor, will constitute valid and binding obligations of the Company, enforceable against the Company in accordance with their terms, subject to the qualifications that the enforceability of the Company's obligations under the Notes may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); and the Notes conform as to legal matters in all material respects to the description thereof in the Final Supplemented Prospectus.

6. The Guarantee Agreement has been duly authorized, executed and delivered by the Company and constitutes a valid and legally binding instrument of the Company, enforceable against the Company in accordance with its terms, subject to the qualifications that the enforceability of the Company's obligations under the Guarantee Agreement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); and the Guarantee Agreement conforms as to legal matters in all material respects to the description thereof in the Final Supplemented Prospectus.

7. The Trust Agreement has been duly authorized, executed and delivered by the Company, and, assuming due authorization, execution and delivery thereof by the trustees named therein, the Trust Agreement constitutes a valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, subject to the qualifications that the enforceability of the Company's obligations under the Trust Agreement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditor's rights generally, and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

8. Each of the Indenture, the Guarantee Agreement and the Trust Agreement has been duly qualified under the Trust Indenture Act of 1939, as amended.

9. Neither the Company nor the Trust is and, after giving effect to the offering and sale of the Preferred Securities, will be an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

10. To the best of our knowledge, all of the issued and outstanding Common Securities of the Trust are directly owned by the Company, free and clear of any security interest, mortgage, pledge, lien, encumbrance, claim or equitable right.

11. The execution, delivery and performance by the Trust of the Underwriting Agreement and the Trust Agreement; the issuance by the Trust of the Preferred Securities and the Common Securities; the consummation by the Trust of the transactions contemplated thereby; and the compliance by the Trust with its obligations thereunder do not and will not result in any violation of the Trust Agreement or related Certificate of Trust, and do not and will not conflict with, or result in, a breach of any of the terms or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Trust under (A) any contract, indenture, mortgage, loan agreement, note, lease or any other agreement or instrument known to us to which the Trust is a party or by which it may be bound or to which any of its properties may be subject, except for such conflicts, breaches or defaults or liens, charges or encumbrances that would not have a material adverse effect on the condition (financial or otherwise) of the Trust, (B) any existing applicable law, rule or regulation applicable to the Trust (other than the securities or "blue sky" laws of any jurisdiction, as to which we express no opinion) or (C) any judgment, order or decree known to us of any government, governmental instrumentality, or court, domestic or foreign, or any regulatory body or administrative agency or other governmental body having jurisdiction over the Trust or any of its properties; and the Trust is not a party to or otherwise bound by any agreement other than those which, or the forms of which, are exhibits (or included in exhibits) to the Registration Statement.

12. The Common Securities have been duly authorized by the Trust Agreement and (subject to the terms of the Trust Agreement), when issued and delivered by the Trust to the Company against payment therefor as described in the Final Supplemented Prospectus, will be validly issued, fully paid and non-assessable undivided beneficial interests in the assets of the Trust; and the issuance of the Common Securities is not subject to preemptive or other similar rights.

13. The Preferred Securities have been duly authorized by the Trust Agreement and (subject to the terms of the Trust Agreement), when delivered to and paid for by the Underwriters pursuant to the Underwriting Agreement, will be validly issued, fully paid and nonassessable undivided beneficial interests in the assets of the Trust; the holders of the Preferred Securities will (subject to the terms of the Trust Agreement) be entitled to the same limitation of personal liability under Delaware law as is extended to stockholders of private corporations for profit organized under the general corporation law of the State of Delaware; the issuance of the Preferred Securities is not subject to preemptive or other similar rights; and the Preferred Securities conform as to legal matters in all material respects to the description thereof in the Final Supplemented Prospectus.

14. The statements and legal conclusions contained in the Final Supplemented Prospectus under the caption "Certain Federal Income Tax Considerations" are correct in all material respects.

We have not independently verified the accuracy, completeness or fairness of the statements made or included in the Registration Statement, the Final Supplemented Prospectus or the Exchange Act Documents and take no responsibility therefor, except as and to the extent set forth in paragraphs 4, 5, 6, 13 and 14 above. In the course of the preparation by the Company of the Registration Statement, the Final Supplemented Prospectus and the Exchange Act Documents, we participated in conferences with certain officers and employees of the Company, with other counsel for the Company, with representatives of Arthur Andersen LLP and with your counsel. Based upon our examination of the Registration Statement, the Final Supplemented Prospectus and the Exchange Act Documents, our investigations made in connection with the preparation of the Registration Statement, the Final Supplemented Prospectus and the Exchange Act Documents and our participation in the conferences referred to above, (i) we are of the opinion that the Registration Statement, as of its effective date, and the Final Supplemented Prospectus, as of _____, complied as to form in all material respects with the requirements of the Act and the applicable rules and regulations of the Commission thereunder and that the Exchange Act Documents, as of their respective dates of filing with the Commission, complied as to form in all material respects with the relevant requirements of the Exchange Act and the applicable rules and regulations of the Commission thereunder, except that in each case we express no opinion as to the financial statements or other financial or statistical data contained or incorporated by reference in the Registration Statement, the Final Supplemented Prospectus or the Exchange Act Documents, and (ii) nothing came to our attention which gives us reason to believe that the Registration Statement, as of its effective date (including the Exchange Act Documents on file with the Commission as of such date), contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading, or that the Final Supplemented Prospectus (including the Exchange Act Documents) contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that in each case we express no opinion or belief with respect to the financial statements or other financial or statistical data contained or incorporated by reference in the Registration Statement, the Final Supplemented Prospectus or the Exchange Act Documents or with respect to the information contained in the Final Supplemented Prospectus under the caption "Description of the Preferred Securities — Book-Entry Only Issuance — The Depository Trust Company."

We are members of the State Bar of Georgia and we do not express any opinion herein concerning any law other than the law of the State of Georgia and the federal law of the United States and, to the extent set forth herein, the laws of the States of Maine, Florida, Mississippi, Delaware and New York.

This opinion is rendered to you in connection with the above-described transaction. This opinion may not be relied upon by you for any other purpose, or relied upon by or furnished to any other person without our prior written consent, except that Beggs & Lane may rely on this opinion in giving its opinion pursuant to the Underwriting Agreement insofar as such opinion relates to matters of Georgia law and the federal law of the United States and Dewey Ballantine LLP may rely on this opinion in giving its opinion pursuant to the Underwriting Agreement insofar as such opinion relates to matters of Georgia law.

Yours very truly,

TROUTMAN SANDERS LLP

Schedule IV

[Letterhead of RICHARDS, LAYTON & FINGER, P.A.]

_____ __, 2001

Salomon Smith Barney Inc.
388 Greenwich Street
New York, New York 10013

Re: Gulf Power Capital Trust III

Ladies and Gentlemen:

We have acted as special Delaware counsel for Gulf Power Company, a Maine corporation (the "Company"), and Gulf Power Capital Trust III, a Delaware business trust (the "Trust"), in connection with the matters set forth herein. This opinion is being furnished to you pursuant to Section 5(c)(3) of the Underwriting Agreement, dated _____, 2001 (the "Underwriting Agreement"), among the Company, the Trust, Salomon Smith Barney Inc. and the other Underwriters listed in Schedule I thereto.

For purposes of giving the opinions hereinafter set forth, our examination of documents has been limited to the examination of originals or copies of the following:

(a) The Certificate of Trust of the Trust, dated November 26, 1997 (the "Certificate"), as filed in the office of the Secretary of State of the State of Delaware (the "Secretary of State") on _____, 2001;

(b) The Trust Agreement of the Trust, dated as of November 26, 1997, among the Company and the trustee of the Trust named therein;

(c) The Amended and Restated Trust Agreement, dated as of _____, 2001 (including Exhibits A and C), among the Company, the trustees of the Trust named therein, and the holders, from time to time, of the undivided beneficial interests in the assets of the Trust (the "Trust Agreement");

(d) The Underwriting Agreement;

(e) The Prospectus, dated June 1, 2001 (the "Prospectus"), as supplemented by the Prospectus Supplement dated _____, 2001 (the "Prospectus Supplement"), relating to the __% Trust Preferred Securities of the Trust representing preferred undivided beneficial interests in the assets of the Trust (each, a "Preferred Security" and collectively, the "Preferred Securities"); and

(f) A Certificate of Good Standing for the Trust, dated _____ __, 2001, obtained from the Secretary of State.

Initially capitalized terms used herein and not otherwise defined are used as defined in the Trust Agreement.

For purposes of this opinion, we have not reviewed any documents other than the documents listed in paragraphs (a) through (f) above. In particular, we have not reviewed any document (other than the documents listed in paragraphs (a) through (f) above) that is referred to in or incorporated by reference into the documents reviewed by us. We have assumed that there exists no provision in any document that we have not reviewed that is inconsistent with the opinions stated herein. We have conducted no independent factual investigation of our own but rather have relied solely upon the foregoing documents, the statements and information set forth therein and the additional matters recited or assumed herein, all of which we have assumed to be true, complete and accurate in all material respects.

With respect to all documents examined by us, we have assumed (i) the authenticity of all documents submitted to us as authentic originals, (ii) the conformity with the originals of all documents submitted to us as copies or forms, and (iii) the genuineness of all signatures.

For purposes of this opinion, we have assumed (i) the Trust Agreement constitutes the entire agreement among the parties thereto with respect to the subject matter thereof, including with respect to the creation, operation and termination of the Trust, and the Trust Agreement and the Certificate are in full force and effect and have not been amended, (ii) except to the extent provided in paragraph 1 below, the due organization or due formation or due creation, as the case may be, and valid existence in good standing of each party to the documents examined by us under the laws of the jurisdiction governing its organization or formation or creation, (iii) the legal capacity of natural persons who are parties to the documents examined by us, (iv) except to the extent provided in paragraph 2 below, the power and authority of each of the parties to the documents examined by us to execute and deliver, and to perform its obligations under, such documents, (v) except to the extent provided in paragraph 4 below, the due authorization, execution and delivery by all parties thereto of all documents examined by us, (vi) the receipt by each Person to whom a Trust Security is to be issued by the Trust (collectively, the "Trust Security Holders") of a Trust Securities Certificate for such Trust Security and the payment for the Trust Security acquired by it, in accordance with the Trust Agreement, the Prospectus and the Prospectus Supplement, and (vii) the issuance and sale of the Trust Securities to the Trust Security Holders in accordance with the Trust Agreement, the Prospectus and the Prospectus Supplement. We have not participated in the preparation of the Prospectus or the Prospectus Supplement.

This opinion is limited to the laws of the State of Delaware (excluding the securities laws of the State of Delaware), and we have not considered and express no opinion on the laws of any other jurisdiction, including federal laws and rules and regulations relating thereto. Our opinions are rendered only with respect to Delaware laws and rules, regulations and orders thereunder which are currently in effect.

Based upon the foregoing, and upon our examination of such questions of law and statutes of the State of Delaware as we have considered necessary or appropriate, and subject to the assumptions, qualifications, limitations and exceptions set forth herein, we are of the opinion that:

1. The Trust has been duly created and is validly existing in good standing as a business trust under the Delaware Business Trust Act, 12 Del. C. § 3801, et seq. (the "Business Trust Act"), and all filings required under the laws of the State of Delaware with respect to the creation and valid existence of the Trust as a business trust have been made.

2. Under the Business Trust Act and the Trust Agreement, the Trust has the trust power and authority to (i) own property and conduct its business, all as described in the Prospectus and the Prospectus Supplement, (ii) execute and deliver, and to perform its obligations under, the Underwriting Agreement, (iii) issue and perform its obligations under the Trust Securities, and (iv) perform its obligations under the Trust Agreement.

3. The Trust Securities have been duly authorized by the Trust Agreement and will be duly and validly issued undivided beneficial interests in the assets of the Trust. Subject to the qualifications set forth in paragraph 6 below, the Preferred Securities are fully paid and nonassessable undivided beneficial interests in the assets of the Trust. Under the Business Trust Act and the Trust Agreement, the Trust Securities are not subject to any preemptive or other similar rights.

4. Under the Business Trust Act and the Trust Agreement, the Underwriting Agreement has been duly authorized by all necessary trust action on the part of the Trust.

5. No authorization, approval, consent or order of any Delaware court or Delaware governmental authority or Delaware agency is required to be obtained by the Trust solely as a result of the issuance and sale of the Preferred Securities.

6. The Persons to whom Preferred Securities are to be issued by the Trust (collectively, the "Preferred Security Holders"), as beneficial owners of the Trust, will be entitled to the same limitation of personal liability extended to stockholders of private corporations for profit organized under the General Corporation Law of the State of Delaware. We note that the Preferred Security Holders may be obligated, pursuant to the Trust Agreement, to (i) provide indemnity and/or security in connection with and pay taxes or governmental charges arising from transfers or exchanges of Preferred Securities Certificates and the issuance of replacement Preferred Securities Certificates and (ii) provide security or indemnity in connection with requests of or directions to the Property Trustee to exercise its rights and powers under the Trust Agreement.

7. The Trust Agreement constitutes a valid and binding obligation of the Company, and is enforceable against the Company, in accordance with its terms.

8. The issuance and sale by the Trust of the Trust Securities, the execution, delivery and performance by the Trust of the Underwriting Agreement, the consummation by the Trust of the transactions contemplated by the Underwriting Agreement and the Trust Agreement

and compliance by the Trust with its obligations thereunder do not violate (i) any of the provisions of the Certificate or the Trust Agreement or (ii) any applicable Delaware law or Delaware administrative regulation.

9. We have reviewed the statements in the Prospectus under the caption "The Trusts" and the statements in the Prospectus Supplement under the caption "Gulf Power Capital Trust III" and, insofar as they contain statements of Delaware law, such statements are fairly presented.

The opinion expressed in paragraph 7 above is subject as to enforcement, to the effect upon the Trust Agreement of (i) bankruptcy, insolvency, moratorium, receivership, reorganization, liquidation, fraudulent conveyance and other similar laws relating to or affecting the rights and remedies of creditors generally, (ii) principles of equity, including applicable law relating to fiduciary duties (regardless of whether considered and applied in a proceeding in equity or at law), and (iii) the effect of applicable public policy on the enforceability of provisions relating to indemnification. In addition, in connection with the opinion expressed in paragraph 7 above, to the extent that Section 10.05 of the Trust Agreement provides that the Trust Agreement is governed by New York law, we express no opinion concerning Section 10.05 of the Trust Agreement or the effect of Section 10.05 of the Trust Agreement on the Trust Agreement.

We consent to your relying as to matters of Delaware law upon this opinion in connection with the Underwriting Agreement. We consent to the law firms of Beggs & Lane, Troutman Sanders LLP and Dewey Ballantine LLP relying as to matters of Delaware law upon this opinion in connection with opinions to be rendered by them pursuant to the Underwriting Agreement. Except as stated above, without our prior written consent, this opinion may not be furnished or quoted to, or relied upon by, any other Person for any purpose.

Very truly yours,

RICHARDS, LAYTON & FINGER, P.A.

Schedule V

[Letterhead of Richards, Layton & Finger, P.A.]

_____ __, 2001

Salomon Smith Barney Inc.
388 Greenwich Street
New York, New York 10013

Gulf Power Company
500 Bayfront Parkway
Pensacola, Florida 32501

Gulf Power Capital Trust III
c/o Gulf Power Company
500 Bayfront Parkway
Pensacola, Florida 32501

Re: Gulf Power Capital Trust III

Ladies and Gentlemen:

We have acted as counsel to Chase Manhattan Bank USA, National Association (formerly Chase Manhattan Bank Delaware), ("Chase"), in connection with the formation of Gulf Power Capital Trust III, a business trust existing under the laws of the State of Delaware (the "Trust") pursuant to the Trust Agreement, dated November 26, 1997, by and between Chase, not in its individual capacity but solely as trustee (the "Trustee"), and Gulf Power Company (the "Company"), as amended and restated pursuant to an Amended and Restated Trust Agreement dated as of _____ __, 2001, among the Company, the Trustee, the other trustees named therein and the holders from time to time of the undivided beneficial interests in the assets of the Trust (collectively, the "Trust Agreement"). This opinion is being delivered to you pursuant to Section 5(c)(4) of the Underwriting Agreement, dated _____ __, 2001 (the "Underwriting Agreement"), among Salomon Smith Barney Inc., the several Underwriters named in Schedule I thereto, Gulf Power Company and the Trust, pursuant to which the $___,___,___ ___% Trust Preferred Securities of the Trust will be sold. All capitalized terms used herein and not otherwise defined shall have the respective meanings set forth in the Underwriting Agreement.

We have examined an original or a copy of the Trust Agreement. We have also examined originals or copies of such other documents and such corporate records, certificates and other statements of governmental officials and corporate officers and other representatives of the corporations or entities referred to herein as we have deemed necessary or appropriate for the purposes of the opinions expressed herein. Moreover, as to certain facts material to the opinions

expressed herein, we have relied upon the representations and warranties contained in the documents referred to in this paragraph.

Based upon the foregoing and upon an examination of such questions of law as we have deemed necessary or appropriate, and subject to the assumptions, exceptions and qualifications set forth below, we advise you that, in our opinion:

1. Chase is duly incorporated, validly existing in good standing as a banking corporation under the laws of the State of Delaware and has the power and authority to execute, deliver and perform its obligations under the Trust Agreement.

2. The Trust Agreement has been duly authorized, executed and delivered by Chase and constitutes a legal, valid and binding obligation of Chase, enforceable against Chase, in accordance with its terms.

3. The execution and delivery of, and performance of the terms of, the Trust Agreement by Chase, does not conflict with or constitute a breach of, or default under, the charter or by-laws of Chase.

4. No consent, approval or authorization of, or registration, declaration or filing with, any court or governmental agency or body having jurisdiction in the premises is required under Delaware law for the execution, delivery or performance by Chase of the Trust Agreement.

The foregoing opinions are subject to the following exceptions, qualifications and assumptions:

A. We are admitted to practice in the State of Delaware and we do not hold ourselves out as being experts on the law of any other jurisdiction. The foregoing opinions are limited to the laws of the State of Delaware and the federal laws of the United States of America governing the banking and trust powers of Chase (except that we express no opinion with respect to (i) state securities or blue sky laws and (ii) federal securities laws, including, without limitation, the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, the Trust Indenture Act of 1939, as amended, and the Investment Company Act of 1940, as amended), and we have not considered and express no opinion on the laws, rules and regulations of any other jurisdiction.

B. The foregoing opinions regarding enforceability are subject to (i) applicable bankruptcy, insolvency, moratorium, receivership, reorganization, fraudulent transfer or conveyance and similar laws relating to and affecting the rights and remedies of creditors generally, (ii) principles of equity (regardless of whether considered and applied in a proceeding in equity or at law), and (iii) the effect of federal or state securities laws on the enforceability of provisions relating to indemnification or contribution.

C. We have assumed the due authorization, execution and delivery by each of the parties thereto, other than Chase, of the Trust Agreement, and that each of such parties has the full power, authority and legal right to execute, deliver and perform such document.

D. We have assumed that all signatures (other than those of Chase) on documents examined by us are genuine, that all documents submitted to us as originals are authentic, and that all documents submitted to us as copies or specimens conform with the originals, which facts we have not independently verified.

This opinion may be relied upon by you in connection with the matters set forth herein, and without our prior written consent, may not be furnished or quoted to, or relied upon by, any other person or entity for any purpose.

Very truly yours,

RICHARDS, LAYTON & FINGER, P.A.

Schedule VI

[Letterhead of Cravath, Swaine & Moore]

_____ __, 2001

Salomon Smith Barney Inc.
388 Greenwich Street
New York, New York 10013

Gulf Power Company
500 Bayfront Parkway
Pensacola, Florida 32501

Gulf Power Capital Trust III
c/o Gulf Power Company
500 Bayfront Parkway
Pensacola, Florida 32501

Gulf Power Capital Trust III
_.__% Trust Preferred Securities

Ladies and Gentlemen:

We have acted as counsel to The Chase Manhattan Bank (the "Bank") in connection with (a) the Subordinated Note Indenture, dated as of January 1, 1997, as heretofore supplemented (the "Original Indenture"), between Gulf Power Company (the "Company") and the Bank, as Trustee, (b) the Fourth Supplemental Indenture dated as of _____ (together with the Original Indenture, herein called the "Indenture"), between the Company and the Bank, as Trustee, (c) the Guarantee Agreement dated as of _____ _____, 2001 (the "Guarantee Agreement"), between the Company, as Guarantor, and the Bank, as Trustee, and (d) the Amended and Restated Trust Agreement, dated as of _____ _____, 2001 (the "Trust Agreement") among the Company, the Bank, as Property Trustee, Chase Manhattan Bank USA, National Association (formerly Chase Manhattan Bank Delaware), as Delaware Trustee, and Linda Malone and Wayne Boston, as Administrative Trustees.

In that connection, we have examined originals, or copies certified or otherwise identified to our satisfaction, of such documents, records and other instruments as we have deemed necessary or appropriate for the purpose of this opinion, including copies of the Indenture, the Trust Agreement, the Guarantee Agreement and certain resolutions adopted by the Board of Directors of the Bank.

Based upon the foregoing, we are of the opinion that:

i) the Bank has been duly incorporated and is validly existing as a banking corporation in good standing under the laws of the State of New York;

ii) the Bank has the corporate trust power and authority to execute, deliver and perform its duties under the Indenture, the Trust Agreement and the Guarantee Agreement, has duly executed and delivered the Indenture, the Trust Agreement and the Guarantee Agreement, and, insofar as the laws governing the trust powers of the Bank are concerned and assuming due authorization, execution and delivery thereof by the other parties thereto, each of the Indenture, the Trust Agreement and the Guarantee Agreement constitutes a legal, valid and binding agreement of the Bank, enforceable against the Bank in accordance with its terms, subject to applicable bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium or other laws affecting creditors' rights generally from time to time in effect and to general principles of equity (including without limitation, concepts of materiality, reasonableness, good faith and fair dealing), regardless of whether such enforceability is considered in a proceeding in equity or at law.

iii) the execution, delivery and performance by the Bank of the Indenture, the Trust Agreement and the Guarantee Agreement do not conflict with or constitute a breach of the charter or bylaws of the Bank.

iv) no approval, authorization or other action by, or filing with, any governmental authority of the United States of America or the State of New York having jurisdiction over the trust powers of the Bank is required in connection with the execution and delivery by the Bank of the Indenture, the Trust Agreement or the Guarantee Agreement or the performance by the Bank of its duties thereunder, except such as have been obtained, taken or made.

We are admitted to practice only in the State of New York, and we express no opinion as to matters governed by any laws other than the laws of the State of New York and the Federal law of the United States of America. We are furnishing this opinion to you solely for your benefit. This opinion is not to be relied upon by any other person or used, circulated, quoted or otherwise referred to for any other purpose.

Very truly yours,

CRAVATH, SWAINE & MOORE

Schedule VII

[Letterhead of DEWEY BALLANTINE LLP]

_____ __, 2001

Salomon Smith Barney Inc.
388 Greenwich Street
New York, New York 10013

GULF POWER CAPITAL TRUST III
_.__% Trust Preferred Securities

Ladies and Gentlemen:

In connection with (i) the formation by Gulf Power Company (the "Company") of Gulf Power Capital Trust III (the "Trust"), a Delaware statutory business trust, pursuant to the amended and restated trust agreement dated _____, 2001 among the Company and the trustees named therein (the "Trust Agreement"); (ii) the Trust's issuance and sale of ___% Trust Preferred Securities evidencing approximately a 97% undivided interest in the Trust (the "Preferred Securities"); (iii) the Trust's issuance and sale of Common Securities evidencing approximately a 3% undivided interest in the Trust; (iv) the Company's issuance and sale to the Trust of $_____ of its Series D ___% Junior Subordinated Notes due _____ (the "Notes") pursuant to a Subordinated Note Indenture dated as of January 1, 1997, by and between the Company and The Chase Manhattan Bank, as trustee, as heretofore supplemented and as further supplemented by the Fourth Supplemental Indenture dated as of _____ __, 2001 (collectively, the "Indenture"); and (v) the Company's issuance of a guarantee (the "Guarantee") of the Preferred Securities pursuant to a Guarantee Agreement dated as of _____, 2001 (the "Guarantee Agreement") between the Company and The Chase Manhattan Bank, as trustee, we have acted as counsel to you and the other underwriters named in the Schedule I (the "Underwriters") of the Underwriting Agreement dated _____ __, 2001, among the Company, the Trust and the Underwriters for whom you are acting as Representative (the "Underwriting Agreement"). This opinion is being delivered to you as Representative pursuant to Section 5(c)(6) thereof.

All capitalized terms not otherwise defined herein shall have the meanings set forth in the Underwriting Agreement.

In rendering the opinions expressed below, we have examined the registration statement on Form S-3 (Nos. 333-_____, 333-_____-01 and 333-_____-02) pertaining to the Preferred Securities (the "Registration Statement"), filed under the Securities Act of 1933, as amended (the "Act"), and the prospectus dated December 30, 1997, as supplemented by a final supplemental prospectus dated , which pursuant to Form S-3 incorporates by reference the Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 2000, the Quarterly Reports on Form 10-Q of the Company for the quarters ended and the Current Reports on Form 8-K of the Company, dated (the

"Exchange Act Documents"), each as filed under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

In addition, we have examined, and have relied as to matters of fact upon, the documents delivered to you at the closing (except the certificates representing the Preferred Securities and the Notes, of which we have examined specimens), and we have made such other and further investigations as we deemed necessary to express the opinions hereinafter set forth. In such examination, we have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies, and the authenticity of the originals of such latter documents.

The Trust Agreement, Indenture, Guarantee Agreement and the Underwriting Agreement are herein referred to as the "Agreements".

Based upon the foregoing, and subject to the qualifications and limitations stated herein, we are of the opinion, relying as aforesaid and as to all matters covered hereby which are governed by or dependent upon the laws of the States of Florida and Mississippi upon the opinion of Beggs & Lane dated the date hereof and addressed to you, as to all matters covered hereby which are governed by or dependent upon the laws of the State of Georgia upon the opinion of Troutman Sanders LLP dated the date hereof and addressed to you, and as to all matters covered hereby which are governed by or dependent upon the laws of the State of Delaware upon the opinion of Richards, Layton & Finger, P.A., dated the date hereof and addressed to you and a form of which is attached as Schedule IV to the Underwriting Agreement, that:

1. The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Maine, is duly qualified to carry on its business as a foreign corporation in the States of Florida, Georgia and Mississippi and has due corporate authority to carry on the public utility business in which it is engaged and to own and operate the properties used by it in such business and to enter into and perform its obligations under the Agreements and the Notes.

2. The execution, delivery and performance by the Company of the Underwriting Agreement have been duly authorized by all necessary corporate action, and the Underwriting Agreement has been duly executed and delivered by the Company.

3. All orders, consents, or other authorizations or approvals of the Florida Public Service Commission and the Commission legally required for the issuance and delivery of the Notes and the Guarantee and the issuance and sale of the Preferred Securities have been obtained; such orders are sufficient for the issuance and delivery of the Notes and the Guarantee and the issuance and sale of the Preferred Securities; the issuance and delivery of the Notes and the Guarantee and the issuance and sale of the Preferred Securities conform in all material respects with the terms of such orders; and no other order, consent or other authorization or approval of any Florida or United States governmental body (other than in connection or in compliance with the provisions of the securities or "blue sky" laws of any jurisdiction, as to which we express no opinion) is legally required for the issuance and delivery of the Notes and

the Guarantee and the issuance and sale of the Preferred Securities in accordance with the terms of the Underwriting Agreement.

4. The Indenture has been duly authorized, executed and delivered by the Company and, assuming the due authorization, execution and delivery thereof by the Debt Trustee, constitutes a valid and legally binding instrument of the Company, enforceable against the Company in accordance with its terms, subject to the qualifications that the enforceability of the Company's obligations under the Indenture may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); and the Indenture conforms as to legal matters in all material respects to the description thereof in the Final Supplemented Prospectus.

5. The Notes have been duly authorized and executed by the Company and, when authenticated by the Debt Trustee in the manner provided in the Indenture and delivered against payment therefor, will constitute valid and binding obligations of the Company enforceable against the Company in accordance with their terms, subject to the qualifications that the enforceability of the Company's obligations under the Notes may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); and the Notes conform as to legal matters in all material respects to the description thereof in the Final Supplemented Prospectus.

6. The Guarantee Agreement has been duly authorized, executed and delivered by the Company and constitutes a valid and legally binding instrument of the Company, enforceable against the Company in accordance with its terms, subject to the qualifications that the enforceability of the Company's obligations under the Guarantee Agreement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally or general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); and the Guarantee Agreement conforms as to legal matters in all material respects to the description thereof in the Final Supplemented Prospectus.

7. Each of the Indenture, the Guarantee Agreement and the Trust Indenture has been duly qualified under the Trust Indenture Act of 1939, as amended.

8. The Preferred Securities have been duly authorized by the Trust Agreement and (subject to the terms of the Trust Agreement), when delivered to and paid for the Underwriters pursuant to the Underwriting Agreement, will be validly issued, fully paid and nonassessable beneficial interests in the assets of the Trust; and the Preferred Securities conform as to legal matters in all material respects to the description thereof in the Final Supplemented Prospectus.

We have not independently verified the accuracy, completeness or fairness of the statements made or included in the Registration Statement, the Final Supplemented Prospectus or the Exchange Act Documents and take no responsibility therefor, except as and to the extent set forth in paragraphs 4, 5, 6 and 8 above. In the course of the preparation by the Company of the

Registration Statement, the Final Supplemented Prospectus and the Exchange Act Documents, we participated in conferences with certain officers and employees of the Company, with representatives of Arthur Andersen LLP and with counsel to the Company. Based upon our examination of the Registration Statement, the Final Supplemented Prospectus and the Exchange Act Documents, our investigations made in connection with the preparation of the Registration Statement and the Final Supplemented Prospectus and our participation in the conferences referred to above, (i) we are of the opinion that the Registration Statement, as of its effective date, and the Final Supplemented Prospectus, as of _____, complied as to form in all material respects with the requirements of the Act and the applicable rules and regulations of the Commission thereunder and that the Exchange Act Documents, as of their respective dates of filing with the Commission, complied as to form in all material respects with the relevant requirements of the Exchange Act and the applicable rules and regulations of the Commission thereunder, except that in each case we express no opinion as to the financial statements or other financial or statistical data contained or incorporated by reference in the Registration Statement, the Final Supplemented Prospectus or the Exchange Act Documents, and (ii) nothing came to our attention which gives us reason to believe that the Registration Statement, as of its effective date (including the Exchange Act Documents on file with the Commission as of such date), contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading, or that the Final Supplemented Prospectus (including the Exchange Act Documents) contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that in each case we express no opinion or belief with respect to the financial statements or other financial or statistical data contained or incorporated by reference in the Registration Statement, the Final Supplemented Prospectus or the Exchange Act Documents or with respect to the information contained in the Final Supplemented Prospectus under the caption "Description of the Preferred Securities — Book-Entry Only Issuance — The Depository Trust Company."

We are members of the State Bar of New York and we do not express any opinion herein concerning any law other than the law of the State of New York and the federal law of the United States, and to the extent set forth herein, the laws of the States of Delaware, Maine, Mississippi, Georgia and Florida.

This opinion is rendered solely to you in connection with the above matter. This opinion may not be relied upon by you for any other purpose or relied upon by or furnished to any other person without our prior written consent except that Beggs & Lane and Troutman Sanders LLP may rely on this opinion in giving their opinions pursuant to Section 5(c) of the Underwriting Agreement, and Troutman Sanders LLP may rely on this opinion in giving their opinion pursuant to Sections 102, 302 and 904 of the Indenture, insofar as such opinions relate to matters of New York law.

Very truly yours,

DEWEY BALLANTINE LLP

PROSPECTUS SUPPLEMENT
(To Prospectus dated June 1, 2001)

1,200,000 Trust Preferred Securities

Gulf Power Capital Trust III

7.375% Trust Preferred Securities (TRUPS®)
($25 liquidation amount per Trust Preferred Security)
fully and unconditionally guaranteed, as set forth herein, by

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A brief description of the 7.375% Trust Preferred Securities (TRUPS®) (the "Preferred Securities") can be found under "Prospectus Supplement Summary" in this Prospectus Supplement.

Application has been made to list the Preferred Securities on the New York Stock Exchange. If approved, we expect trading of the Preferred Securities to begin within 30 days after they are first issued.

We urge you to carefully read the "Risk Factors" section beginning on page S-6, where we describe specific risks associated with these Preferred Securities, along with this Prospectus Supplement and the Prospectus, before you make your investment decision.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this Prospectus Supplement or the Prospectus to which it relates is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Trust Preferred Security	Total
Public offering price	$25.00	$30,000,000
Underwriting commissions to be paid by Gulf Power Company	(1)	(1)
Proceeds to Gulf Power Capital Trust III	$25.00	$30,000,000

(1) Underwriting commissions of $0.7875 per Preferred Security (or $945,000 for all Preferred Securities) will be paid by Gulf Power Company.

We expect that the Preferred Securities will be ready for delivery in book-entry form only through The Depository Trust Company on or about November 16, 2001.

"TRUPS®" is a registered service mark of Salomon Smith Barney Inc.

Salomon Smith Barney

UBS Warburg

Raymond James

November 8, 2001

You should rely only on the information contained or incorporated by reference in this Prospectus Supplement and the Prospectus. We have not, and the Underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the Underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this Prospectus Supplement and the Prospectus, as well as information we previously filed with the Securities and Exchange Commission and incorporated by reference, is accurate as of the date on the front cover of this Prospectus Supplement only. Our business, financial condition, results of operations and prospects may have changed since that date.

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PROSPECTUS SUPPLEMENT SUMMARY

Questions and Answers

The following information supplements, and should be read together with, the information contained in other parts of this Prospectus Supplement and in the accompanying Prospectus. This summary highlights selected information from this Prospectus Supplement and the accompanying Prospectus to help you understand the Preferred Securities. You should carefully read this Prospectus Supplement and the accompanying Prospectus to understand fully the terms of the Preferred Securities as well as the tax and other considerations that are important to you in making a decision about whether to invest in the Preferred Securities. You should pay special attention to the "Risk Factors" section beginning on page S-6 of this Prospectus Supplement to determine whether an investment in the Preferred Securities is appropriate for you.

What are the Preferred Securities?

Each Preferred Security represents an undivided beneficial interest in the assets of Gulf Power Capital Trust III (the "Trust"). Each Preferred Security will entitle the holder to receive quarterly cash distributions as described in this Prospectus Supplement. The Trust is offering 1,200,000 Preferred Securities at a price of $25 for each Preferred Security.

Who is the Trust?

The Trust is a Delaware business trust. The mailing address of its principal place of business is c/o Gulf Power Company, One Energy Place, Pensacola, Florida 32520-0100, and its telephone number is (850) 444-6111.

The Trust will sell its Preferred Securities to the public and its common securities (the "Common Securities") to Gulf Power Company (the "Company"). The Trust will use the proceeds from these sales to buy a series of 7.375% junior subordinated deferrable interest notes due September 30, 2041 (the "Series D Junior Subordinated Notes") from the Company with the same financial terms as the Preferred Securities. The Company will guarantee payments made on the Preferred Securities as described herein.

The Chase Manhattan Bank will act as property trustee (the "Property Trustee") of the Trust. Two officers of the Company also will act as trustees (the "Administrative Trustees") of the Trust. Chase Manhattan Bank USA, National Association will be an additional trustee (the "Delaware Trustee") of the Trust. The Chase Manhattan Bank also will act as trustee (the "Indenture Trustee") under the Subordinated Note Indenture (the "Subordinated Note Indenture") pursuant to which the Series D Junior Subordinated Notes will be issued and will act as trustee (the "Guarantee Trustee") under the Guarantee (as defined below). The Property Trustee, Delaware Trustee and Administrative Trustees are sometimes referred to as the "Securities Trustees."

Who is Gulf Power Company?

The Company is a corporation organized under the laws of the State of Maine on November 2, 1925, and admitted to do business in Florida on January 15, 1926, in Mississippi on October 25, 1976 and in Georgia on November 20, 1984. The mailing address of the Company's principal executive offices is One Energy Place, Pensacola, Florida 32520-0100, and the telephone number is (850) 444-6111. The Company is a wholly owned subsidiary of The Southern Company.

The Company is a regulated public utility engaged in the generation, transmission, distribution and sale of electric energy within an approximately 7,400 square mile service area within the northwestern portion of the State of Florida.

When will you receive quarterly distributions?

If you purchase the Preferred Securities, you are entitled to receive cumulative cash distributions at an annual rate of 7.375% (the "Securities Rate") of the liquidation amount of $25 per Preferred Security.

Distributions will accumulate from the date the Trust issues the Preferred Securities (the "Issue Date") and will be paid quarterly in arrears on March 31, June 30, September 30 and December 31 of each year (each, a "Distribution Date"), beginning March 31, 2002.

When can payment of your distributions be deferred?

The Company can, on one or more occasions, defer interest payments on the Series D Junior Subordinated Notes for up to 20 consecutive quarterly periods. A deferral of interest payments cannot extend, however, beyond the maturity date of the Series D Junior Subordinated Notes (which is September 30, 2041).

If the Company defers interest payments on the Series D Junior Subordinated Notes, the Trust will also defer distributions on the Preferred Securities. During this deferral period, distributions will continue to accrue on the Preferred Securities at an annual rate of 7.375% of the liquidation amount of $25 per Preferred Security. Also, the deferred distributions will themselves accrue interest at an annual rate of 7.375% (to the extent permitted by law). Once the Company makes all interest payments on the Series D Junior Subordinated Notes, with accrued interest, it can again postpone interest payments on the Series D Junior Subordinated Notes.

During any period in which the Company defers interest payments on the Series D Junior Subordinated Notes, the Company will not be permitted to (with limited exceptions):

- pay a dividend or make any distributions on its capital stock or redeem, purchase, acquire or make a liquidation payment on any of its capital stock, or make any guarantee payments with respect to the foregoing; or
- make an interest, principal or premium payment on, or repurchase or redeem, any of its debt securities that rank equal with or junior to the Series D Junior Subordinated Notes.

If the Company defers payments of interest on the Series D Junior Subordinated Notes, the Preferred Securities will, from the time of deferral, be treated as being issued with original issue discount ("OID") for United States federal income tax purposes. This means you will be required to recognize interest income with respect to distributions and include such amounts in your gross income for United States federal income tax purposes even though you will not have received any cash distributions relating to such interest income. You should consult with your own tax advisor regarding the tax consequences of an investment in the Preferred Securities. See "Certain Federal Income Tax Considerations—Original Issue Discount."

When can the Trust redeem the Preferred Securities?

The Trust must redeem all of the outstanding Preferred Securities and Common Securities (together, the "Trust Securities") when the Series D Junior Subordinated Notes are paid at maturity on September 30, 2041. In addition, if the Company redeems any Series D Junior Subordinated Notes before their maturity, the Trust will use the cash it receives from the redemption to redeem, on a pro rata basis, Preferred Securities and Common Securities having a combined liquidation amount equal to the principal amount of the Series D Junior Subordinated Notes redeemed.

The Company can redeem some or all of the Series D Junior Subordinated Notes before their maturity at 100% of their principal amount on one or more occasions any time on or after November 16, 2006. The Company also has the option to redeem the Series D Junior Subordinated Notes, in whole, but not in part, at any time if certain changes in tax or investment company law occur and certain other conditions are satisfied, as more fully described under "Description of the Preferred Securities—Special Event Redemption; Distribution of Series D Junior Subordinated Notes." In any case, the Company will pay accrued interest to the date of redemption.

What is the Company's guarantee of the Preferred Securities?

The Company will guarantee the Preferred Securities based on:

- its obligations to make payments on the Series D Junior Subordinated Notes;
- its obligations under the Preferred Securities Guarantee (the "Guarantee"); and
- its obligations under the Trust Agreement and the Agreement as to Expenses and Liabilities (as defined below).

The payment of distributions on the Preferred Securities is guaranteed by the Company under the Guarantee, but only to the extent the Trust has funds legally and immediately available to make distributions.

The Company's obligations under the Guarantee are:

- subordinate and junior in right of payment to its other liabilities;
- equal in rank to its most senior preferred stock; and
- senior to its common stock.

When could the Series D Junior Subordinated Notes be distributed to you?

The Company has the right to terminate the Trust at any time. If the Company terminates the Trust, the Trust will liquidate by distributing the Series D Junior Subordinated Notes to holders of the Preferred Securities and the Common Securities on a pro rata basis. If the Series D Junior Subordinated Notes are distributed, the Company will use its best efforts to list the Series D Junior Subordinated Notes on the New York Stock Exchange ("NYSE") (or any other exchange on which the Preferred Securities are then listed) in place of the Preferred Securities. For a discussion of the Company's ability to distribute the Series D Junior Subordinated Notes, see "Description of the Preferred Securities—Special Event Redemption; Distribution of Series D Junior Subordinated Notes" and "—Liquidation Distribution Upon Dissolution."

Will the Preferred Securities be listed on a stock exchange?

Application has been made to list the Preferred Securities on the NYSE. If approved, trading of the Preferred Securities is expected to begin within 30 days after they are first issued.

Will holders of the Preferred Securities have any voting rights?

Generally, the holders of the Preferred Securities will not have any voting rights. See "Description of the Preferred Securities—Voting Rights."

In what form will the Preferred Securities be issued?

The Preferred Securities will be represented by one or more global securities that will be deposited with and registered in the name of The Depository Trust Company ("DTC") or its nominee. This means that you will not receive a certificate for your Preferred Securities and that your broker will maintain your position in the Preferred Securities. The Company expects that the Preferred Securities will be ready for delivery through DTC on or about November 16, 2001.

RISK FACTORS

Your investment in the Preferred Securities will involve certain risks. You should carefully consider the following discussion of risks, and the other information in this Prospectus Supplement and the accompanying Prospectus, before deciding whether an investment in the Preferred Securities is suitable for you.

The Company's Obligations under the Guarantee and the Series D Junior Subordinated Notes Are Subordinated.

The Company's obligations under the Series D Junior Subordinated Notes will rank junior in priority of payment to all of the Company's Senior Indebtedness (as defined under "Description of the Junior Subordinated Notes—Subordination" in the accompanying Prospectus). This means that the Company cannot make any payments on the Series D Junior Subordinated Notes if it defaults on a payment of Senior Indebtedness and does not cure such default within the applicable grace period or if the Senior Indebtedness becomes immediately due because of a default and has not yet been paid in full. The Company's Senior Indebtedness was approximately $489,000,000 as of June 30, 2001.

The Company's obligations under the Guarantee will rank in priority of payment as follows:

- subordinate and junior in right of payment to its other liabilities;
- equal in rank to its most senior preferred stock; and
- senior to its common stock.

This means that the Company cannot make any payments on the Guarantee if it defaults on a payment on any of its other liabilities. In addition, in the event of the bankruptcy, liquidation or dissolution of the Company, its assets would be available to pay obligations under the Guarantee only after the Company made all payments on its other liabilities.

Neither the Preferred Securities, the Series D Junior Subordinated Notes nor the Guarantee limit the ability of the Company to incur additional indebtedness, including indebtedness that ranks senior in priority of payment to the Series D Junior Subordinated Notes and the Guarantee. See "Description of the Guarantees—Subordination" and "Description of the Junior Subordinated Notes—Subordination" in the accompanying Prospectus.

The Guarantee Only Covers Payments if the Trust Has Cash Available.

The ability of the Trust to pay scheduled distributions on the Preferred Securities, the redemption price of the Preferred Securities and the liquidation amount of each Preferred Security is solely dependent upon the Company making the related payments on the Series D Junior Subordinated Notes when due.

If the Company defaults on its obligations to pay principal or interest on the Series D Junior Subordinated Notes, the Trust will not have sufficient funds to pay distributions, the redemption price or the liquidation amount of each Preferred Security. In those circumstances, you will not be able to rely upon the Guarantee for payment of these amounts.

Instead, you:

- may directly sue the Company or seek other remedies to collect your pro rata share of payments owed; or
- may rely on the Property Trustee to enforce the Trust's rights under the Series D Junior Subordinated Notes.

Deferral of Distributions Would Have Tax Consequences for You and May Affect the Trading Price of the Preferred Securities.

The Company can, on one or more occasions, defer interest payments on the Series D Junior Subordinated Notes for up to 20 consecutive quarterly periods. If the Company defers interest payments on the Series D Junior Subordinated Notes, the Trust will defer distributions on the Preferred Securities during any deferral period. However, distributions would still accumulate and such deferred distributions would themselves accrue interest at the annual rate of 7.375% per annum (to the extent permitted by law).

If the Company defers payments of interest on the Series D Junior Subordinated Notes, you will be required to recognize interest income for United States federal income tax purposes (based on your pro rata share of the interest on the Series D Junior Subordinated Notes held by the Trust) before you receive any cash relating to such interest. In the event of a deferral, this income would constitute OID. In addition, you will not receive such cash if you sell the Preferred Securities before the end of any deferral period or before the record date relating to distributions which are paid. Instead, the accrued distributions will be paid to the holder of record on the record date, regardless of who the holder of record may have been on any other date during the extension period. Moreover, the accrued OID will be added to your adjusted tax basis in the Preferred Securities but might not be reflected in the amount you realize on the sale. To the extent the amount realized on a sale is less than your adjusted tax basis, you will recognize a capital loss for United States federal income tax purposes. The deduction of capital losses is subject to limitations.

The Company has no current intention of deferring interest payments on the Series D Junior Subordinated Notes. However, if the Company exercises its right in the future, the Preferred Securities may trade at a price that does not fully reflect the value of accrued but unpaid interest on the Series D Junior Subordinated Notes. If you sell the Preferred Securities during an interest deferral period, you may not receive the same return on investment as someone else who continues to hold the Preferred Securities. In addition, the existence of the Company's right to defer payments of interest on the Series D Junior Subordinated Notes may mean that the market price for the Preferred Securities (which represent an undivided beneficial interest in the Series D Junior Subordinated Notes) may be more volatile than other securities that do not have these rights.

See "Certain Federal Income Tax Considerations" for more information regarding the tax consequences of purchasing, holding and selling the Preferred Securities.

Preferred Securities May Be Redeemed at Any Time if Certain Changes in Tax or Investment Company Law Occur.

If certain changes in tax or investment company law occur and are continuing, and certain other conditions are satisfied, the Company has the right to redeem the Series D Junior Subordinated Notes, in whole, but not in part, at any time. Any such redemption will cause a mandatory redemption of all Preferred Securities and Common Securities at a redemption price equal to $25 per security plus any accrued and unpaid distributions. See "Description of the Preferred Securities—Special Event Redemption; Distribution of Series D Junior Subordinated Notes."

Preferred Securities May Be Redeemed at the Option of the Company.

At the option of the Company, the Series D Junior Subordinated Notes may be redeemed, in whole, at any time, or in part, from time to time, on or after November 16, 2006 at a redemption price equal to the principal amount to be redeemed plus any accrued and unpaid interest to the redemption date. See "Description of the Series D Junior Subordinated Notes—Optional Redemption." You should assume that the Company will exercise its redemption option if the Company is able to refinance at a lower interest rate or it is otherwise in the interest of the Company to redeem the Series D Junior Subordinated Notes. If the Series D Junior Subordinated Notes are redeemed, the Trust must redeem the Preferred Securities and the Common Securities having an aggregate liquidation amount equal to the aggregate principal amount of Series D Junior Subordinated Notes to be redeemed. See "Description of the Preferred Securities—Redemption."

There Can Be No Assurance as to the Market Prices for the Preferred Securities or the Series D Junior Subordinated Notes.

There can be no assurance as to the market prices for the Preferred Securities or the Series D Junior Subordinated Notes that may be distributed in exchange for Preferred Securities upon a termination of the Trust. Accordingly, the Preferred Securities that an investor may purchase, whether pursuant to the offer made by this Prospectus Supplement or in the secondary market, or the Series D Junior Subordinated Notes that a holder of Preferred Securities may receive upon a termination of the Trust, may trade at a discount to the price that the investor paid to purchase the Preferred Securities offered by this Prospectus Supplement. As a result of the Company's right

to defer interest payments on the Series D Junior Subordinated Notes, the market price of the Preferred Securities (which represent undivided beneficial ownership interests in the Trust, substantially all the assets of which consist of the Series D Junior Subordinated Notes) may be more volatile than the market prices of other securities that are not subject to such optional deferrals.

The Company May Terminate the Trust at Any Time.

The Company has the right to terminate the Trust at any time. If the Company decides to exercise its right to terminate the Trust, the Trust will liquidate by distributing the Series D Junior Subordinated Notes to holders of the Preferred Securities and the Common Securities on a pro rata basis.

Under current United States federal income tax law, a distribution of Series D Junior Subordinated Notes to you upon the dissolution of the Trust should not be a taxable event to you. However, if the Trust is characterized for United States federal income tax purposes as an association taxable as a corporation at the time it is dissolved or if there is a change in law, the distribution of Series D Junior Subordinated Notes to you may be a taxable event to you.

The Company has no current intention of causing the termination of the Trust and the distribution of the Series D Junior Subordinated Notes. The Company anticipates that it would consider exercising this right in the event that expenses associated with maintaining the Trust were substantially greater than currently expected such as if certain changes in tax law or investment company law occurred. See "Description of the Preferred Securities—Special Event Redemption; Distribution of Series D Junior Subordinated Notes." The Company cannot predict the other circumstances under which this right would be exercised.

Although the Company will use its best efforts to list the Series D Junior Subordinated Notes on the NYSE (or any other exchange on which the Preferred Securities are then listed) if they are distributed, we cannot assure you that the Series D Junior Subordinated Notes will be approved for listing or that a trading market will exist for those securities.

You Have Limited Voting Rights.

You will have limited voting rights. In particular, subject to certain exceptions, only the Company can appoint or remove any of the Securities Trustees. See "Description of the Preferred Securities—Voting Rights."

GULF POWER CAPITAL TRUST III

The Trust is a statutory business trust created under Delaware law pursuant to the filing of a certificate of trust with the Delaware Secretary of State on November 26, 1997. The Trust's business is defined in a trust agreement, executed by the Company, as Depositor, and the Delaware Trustee thereunder. This trust agreement will be amended and restated in its entirety on the Issue Date substantially in the form filed as an exhibit to the Registration Statement of which this Prospectus Supplement and the accompanying Prospectus form a part (the "Trust Agreement"). The Trust Agreement has been qualified as an indenture under the Trust Indenture Act of 1939, as amended (the "1939 Act"). The Trust exists for the exclusive purposes of (i) issuing the Trust Securities representing undivided beneficial interests in the assets of the Trust, (ii) investing the gross proceeds of the Trust Securities in the Series D Junior Subordinated Notes, and (iii) engaging in only those other activities necessary, appropriate, convenient or incidental thereto. The Trust has a term of approximately 45 years, but may terminate earlier as provided in the Trust Agreement.

Upon issuance of the Preferred Securities, the purchasers thereof will own all of the Preferred Securities. The Company will acquire all of the Common Securities, which will have an aggregate liquidation amount equal to approximately 3% of the total capital of the Trust. The Common Securities will rank *pari passu*, and payments will be made thereon pro rata, with the Preferred Securities, except that upon the occurrence and continuance of a Subordinated Note Indenture Event of Default (as defined below), the rights of the holders of Common Securities to payment in respect of distributions and payments upon liquidation, redemption and otherwise will be subordinated to the rights of the holders of the Preferred Securities.

The Trust's business and affairs will be conducted by the Securities Trustees, which shall be appointed by the Company as the holder of the Common Securities. Two officers of the Company initially will serve as Administrative Trustees. The Chase Manhattan Bank will serve as Property Trustee and will hold legal title to the Series D Junior Subordinated Notes issued by the Company on behalf of the Trust and the holders of the Trust Securities. Chase Manhattan Bank USA, National Association will serve as Delaware Trustee. In certain circumstances, the holders of a majority in liquidation amount of the Preferred Securities will be entitled to appoint a substitute Property Trustee. See "Description of the Preferred Securities—Voting Rights."

The Property Trustee will hold legal title to the Series D Junior Subordinated Notes for the benefit of the Trust and the holders of the Trust Securities and will have the power to exercise all rights, powers and privileges under the Subordinated Note Indenture as the holder of the Series D Junior Subordinated Notes. The Property Trustee will make payments of distributions and payments on liquidation, redemption and otherwise to the holders of the Trust Securities. Subject to the right of the holders of the Preferred Securities to appoint a Substitute Property Trustee in certain instances, the Company, as the holder of all of the Common Securities, will have the right to appoint, remove or replace all the Securities Trustees.

The Series D Junior Subordinated Notes will constitute substantially all of the assets of the Trust. Other assets that may constitute "Trust Property" (as that term is defined in the Trust Agreement) include any cash on deposit in, or owing to, the payment account as established under the Trust Agreement, as well as any other property or assets held by the Property Trustee pursuant to the Trust Agreement. In addition, the Trust may, from time to time, receive cash pursuant to the Agreement as to Expenses and Liabilities.

The rights of the holders of the Preferred Securities, including economic rights, rights to information and voting rights, are as set forth in the Trust Agreement, the Delaware Business Trust Act and the 1939 Act. See "Description of the Preferred Securities."

The Trust's registered office in the State of Delaware is c/o Chase Manhattan Bank USA, National Association, c/o JPMorgan Chase, 500 Stanton Christiana Road, Building 4, 3rd Floor, Newark, Delaware 19713. The mailing address of the principal place of business of the Trust shall be c/o the Company, One Energy Place, Pensacola, Florida 32520-0100, telephone (850) 444-6111, Attn: Treasurer.

SELECTED FINANCIAL INFORMATION

The following data is qualified in its entirety by reference to and, therefore, should be read together with the detailed information and financial statements appearing herein, in the accompanying Prospectus or in the documents incorporated herein by reference.

	Year Ended December 31,					Twelve Months Ended September 30,
	1996	1997	1998	1999	2000	2001
	(Thousands, except ratios)					(unaudited)
Operating Revenues	$634,365	$625,856	$650,518	$674,099	$714,319	$733,243
Earnings Before Interest and Income Taxes	131,856	124,428	120,946	119,576	116,892	123,468
Net Income After Dividends on Preferred Stock	57,845	57,610	56,521	53,667	51,843	59,448
Ratio of Earnings to Fixed Charges(1)	4.29	4.18	3.83	3.62	3.38	3.82
Ratio of Earnings to Fixed Charges Plus Preferred Dividend Requirements (Pre-Income Tax Basis)(2)	3.31	3.53	3.72	3.58	3.34	3.78

	Capitalization As of June 30, 2001		
	Actual	As Adjusted(3)	
	(Thousands, except percentages)		
Common Stock Equity	$495,544	$495,544	45.6%
Cumulative Preferred Stock	4,236	4,236	0.4
Company Obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trusts Holding Company Junior Subordinated Notes	85,000	115,000	10.6
Senior Notes	98,002	233,002	21.5
Other Long-Term Debt	268,092	238,092	21.9
Total	$950,874	$1,085,874	100.0%

(1) This ratio is computed as follows: (i) "Earnings" have been calculated by adding to "Earnings Before Interest and Income Taxes" the debt portion of allowance for funds used during construction; and (ii) "Fixed Charges" consist of "Net Interest Charges" plus the debt portion of allowance for funds used during construction.

(2) In computing this ratio, "Preferred Dividend Requirements" represent the before tax earnings necessary to pay such dividends, computed at the effective tax rates for the applicable periods.

(3) Reflects (i) the issuance in August 2001 of $60,000,000 aggregate principal amount Series C 4.69% Senior Notes due August 1, 2003; (ii) the redemption in September 2001 of $30,000,000 principal amount of First Mortgage Bonds, 6⅛% Series due July 1, 2003; (iii) the issuance in October 2001 of $75,000,000 aggregate principal amount of the Series D 6.10% Senior Notes due September 30, 2016; and (iv) the issuance of the Preferred Securities offered hereby.

ACCOUNTING TREATMENT

For financial reporting purposes, the Trust will be treated as a subsidiary of the Company and, accordingly, the accounts of the Trust will be included in the consolidated financial statements of the Company. The Preferred Securities will be presented as a separate line item in the consolidated balance sheet of the Company, and appropriate disclosures concerning the Preferred Securities, the Guarantee and the Series D Junior Subordinated Notes will be included in the notes to the consolidated financial statements. For financial reporting purposes, the Company will record distributions payable on the Preferred Securities as an expense.

USE OF PROCEEDS

The Trust will invest all of the proceeds from the sale of the Preferred Securities in Series D Junior Subordinated Notes. The net proceeds received by the Company from such investment will be used by it to prepay in the first quarter of 2002 a $25,000,000 bank loan which matures in July 2002 and bears interest at the one-month London interbank offered rate plus 0.375% and to repay a portion of its outstanding short-term indebtedness, which aggregated approximately $35,000,000 as of November 8, 2001. The Company used the bank loan and a portion of its short-term indebtedness to provide interim financing of portions of the capital expenditures related to Plant Smith Unit 3, the Company's 574 megawatt combined cycle facility currently under construction.

RECENT RESULTS OF OPERATIONS; RECENT DEVELOPMENTS

For the twelve months ended September 30, 2001, "Operating Revenues," "Earnings Before Interest and Income Taxes" and "Net Income After Dividends on Preferred Stock" were $733,243,000, $123,468,000 and $59,448,000, respectively. In the opinion of the management of the Company, the above amounts for the twelve months ended September 30, 2001 reflect all adjustments (which were only normal recurring adjustments) necessary to present fairly the results of operations for such periods. The "Ratio of Earnings to Fixed Charges" and the "Ratio of Earnings to Fixed Charges Plus Preferred Dividend Requirements (Pre-Income Tax Basis)" for the twelve months ended September 30, 2001 were 3.82 and 3.78, respectively.

On September 10, 2001, the Company filed a request for a base rate increase of $69,867,000, based on a return on equity of 13.0%, with the Florida Public Service Commission (the "Florida PSC"). The requested increase is designed to cover costs associated with the commercial operation of the Company's Plant Smith Unit 3 and other operating costs. The Florida PSC is expected to issue its decision in early May 2002. There can be no assurance that the request, as submitted by the Company, will be approved by the Florida PSC.

For information related to the Company's existing rate order, reference is made to Note 3 to the financial statements of the Company in Item 8 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2000.

DESCRIPTION OF THE PREFERRED SECURITIES

The Preferred Securities will be issued pursuant to the terms of the Trust Agreement. The Trust Agreement has been qualified as an indenture under the 1939 Act. The Property Trustee will act as the indenture trustee with respect to the Trust, as well as the Guarantee, for purposes of compliance with the provisions of the 1939 Act. The terms of the Preferred Securities will include those stated in the Trust Agreement and the Delaware Business Trust Act and those made part of the Trust Agreement by the 1939 Act. The following summary of the principal terms and provisions of the Preferred Securities does not purport to be complete and is subject to, and qualified in its entirety by reference to, the Trust Agreement, the form of which is filed as an exhibit to the Registration Statement of which this Prospectus Supplement and the accompanying Prospectus are a part, as well as the 1939 Act.

General

The Trust Agreement authorizes the Administrative Trustees, on behalf of the Trust, to issue the Preferred Securities, which represent preferred undivided beneficial interests in the assets of the Trust, and the Common Securities, which represent common undivided beneficial interests in the assets of the Trust. All of the Common Securities will be owned by the Company. The Common Securities rank *pari passu*, and payments will be made thereon on a pro rata basis, with the Preferred Securities, except that upon the occurrence of a Subordinated Note Indenture Event of Default, the rights of the holders of the Common Securities to receive payment of periodic distributions and payments upon liquidation, redemption and otherwise will be subordinated to the rights of the holders of the Preferred Securities. The Trust Agreement does not permit the issuance by the Trust of any securities other than the Trust Securities or the incurrence of any indebtedness by the Trust. Pursuant to the Trust Agreement, the Property Trustee will own and hold the Series D Junior Subordinated Notes for the benefit of the Trust and the holders of the Trust Securities. The payment of distributions out of money held by the Trust, and payments upon redemption of the Preferred Securities or liquidation of the Trust, are guaranteed by the Company on a subordinated basis as and to the extent described under "Description of the Guarantees" in the accompanying Prospectus. The Guarantee does not cover payment of distributions on the Preferred Securities when the Trust does not have legally and immediately available funds sufficient to make such distributions. In such event, the remedy of a holder of Preferred Securities is to direct the Property Trustee to enforce its rights under the Series D Junior Subordinated Notes. In addition, a holder of Preferred Securities may institute a legal proceeding directly against the Company, without first instituting a legal proceeding against the Property Trustee or any other person or entity, for enforcement of payment to such holder of principal of or interest on the Series D Junior Subordinated Notes having a principal amount equal to the aggregate stated liquidation amount of the Preferred Securities of such holder on or after the due dates specified in the Series D Junior Subordinated Notes. The above mechanisms and obligations, together with the Company's obligations under the Agreement as to Expenses and Liabilities, constitute a full and unconditional guarantee by the Company of payments due on the Preferred Securities. See "—Voting Rights" below.

Distributions

Distributions on the Preferred Securities will be fixed at the Securities Rate and will accrue from the Issue Date and, except in the event of an Extension Period (as defined below), will be payable quarterly in arrears on March 31, June 30, September 30 and December 31 of each year, commencing March 31, 2002. In the event that any date on which distributions are to be made on the Preferred Securities is not a Business Day, then payment of the distributions payable on such date will be made on the next succeeding day that is a Business Day (and without any interest or other payment in respect of any such delay) except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date. A "Business Day" shall mean any day other than a Saturday, Sunday, a day on which banks in New York City are authorized or obligated by law or executive order to remain closed or a day on which the principal corporate trust office of the Property Trustee or the Indenture Trustee is closed for business.

Distributions payable on any Distribution Date will be payable to the holders of record on the Record Date for such Distribution Date. "Record Date" means, (i) as long as the Preferred Securities remain in book-entry form only, the close of business on the Business Day immediately preceding a Distribution Date or (ii) if the Preferred Securities are no longer in book-entry form, the close of business on the fifteenth calendar day preceding a Distribution Date. Subject to any applicable laws and regulations and the provisions of the Trust Agreement, each such payment will be made as described under "—Book-Entry Only Issuance—The Depository Trust Company" below. The amount of distributions payable for any period will be computed on the basis of a 360-day year of twelve 30-day months.

The Company has the right under the Subordinated Note Indenture to defer payments of interest on the Series D Junior Subordinated Notes by extending the interest payment period from time to time on the Series D Junior Subordinated Notes (each, an "Extension Period") which, if exercised, would defer quarterly distributions on the Preferred Securities during any such extended interest payment period. Deferred installments of interest on the Series D Junior Subordinated Notes will bear interest, compounded quarterly, at a rate per annum equal to the Securities Rate. If distributions are deferred, the deferred distributions and accrued interest thereon shall be paid, if funds are legally available therefor, to holders of record of the Preferred Securities as they appear on the books and records of the Trust on the Record Date next following the termination of such Extension Period. See "Description of the Series D Junior Subordinated Notes—Interest" and "—Option to Extend Interest Payment Period."

Distributions on the Preferred Securities must be paid on the Distribution Dates to the extent that the Trust has funds legally and immediately available for the payment of such distributions. The Trust's funds available for distribution to the holders of the Preferred Securities will be limited to payments received under the Series D Junior Subordinated Notes. See "Description of the Series D Junior Subordinated Notes."

Redemption

The Preferred Securities are subject to mandatory redemption upon repayment of the Series D Junior Subordinated Notes at maturity or their earlier redemption. The Series D Junior Subordinated Notes will mature on September 30, 2041 and may be redeemed, in whole or in part, at the option of the Company, at any time on or after November 16, 2006 or at any time in whole, but not in part, upon the occurrence of a Special Event (as defined below). Upon the repayment of the Series D Junior Subordinated Notes, whether at maturity or upon redemption, the proceeds from such repayment or payment shall simultaneously be applied to redeem a like amount of Trust Securities upon not less than 30 nor more than 60 days' notice, at the Redemption Price (as defined below). See "Description of the Series D Junior Subordinated Notes—Optional Redemption." If a partial redemption of the Series D Junior Subordinated Notes would result in the delisting of the Preferred Securities, the Company may only redeem the Series D Junior Subordinated Notes in whole. In the event that fewer than all of the outstanding Trust Securities are to be redeemed, the Preferred Securities to be redeemed will be selected as described under "—Book-Entry Only Issuance—The Depository Trust Company" below. If the Preferred Securities are no longer in book-entry only form, the Preferred Securities to be redeemed will be selected by such method as the Property Trustee shall deem fair and appropriate and which may provide for the selection for redemption of portions (equal to $25 or integral multiples thereof) of the aggregate liquidation amount of Preferred Securities of a denomination larger than $25; provided, however, that before undertaking the redemption of the Preferred Securities on other than a pro rata basis, the Property Trustee shall have received an opinion of counsel that the status of the Trust as a grantor trust for federal income tax purposes would not be adversely affected.

The Redemption Price for each Preferred Security shall equal the stated liquidation amount of $25 plus accrued and unpaid distributions thereon to the date of payment.

Special Event Redemption; Distribution of Series D Junior Subordinated Notes

Upon the occurrence of a Special Event at any time, the Company will have the option to redeem the Series D Junior Subordinated Notes in whole, but not in part (and thus cause the redemption of the Preferred Securities in whole). A Special Event is either an Investment Company Act Event or a Tax Event.

An "Investment Company Act Event" means that the Administrative Trustees and the Company shall have received an opinion of independent counsel (which may be counsel to the Company) to the effect that, as a result of a change in law or regulation or a written change in interpretation or application of law or regulation by any legislative body, court, governmental agency or regulatory authority after the Issue Date, there is more than an insubstantial risk that the Trust is or will be considered an investment company under the Investment Company Act of 1940, as amended (the "1940 Act").

"Tax Event" means that the Administrative Trustees and the Company shall have received an opinion from independent tax counsel experienced in such matters (which may be counsel to the Company) to the effect that, as a result of (a) any amendment to, or change (including any announced prospective change) in, the laws (or any regulations thereunder) of the United States or any political subdivision or taxing authority thereof or therein or (b) any amendment to, or change in, an interpretation or application of such laws or regulations, there is more than an insubstantial risk that (i) the Trust would be subject to United States federal income tax with respect to income accrued or received on the Series D Junior Subordinated Notes, (ii) interest payable on the Series D Junior Subordinated Notes would not be deductible by the Company for United States federal income tax purposes or (iii) the Trust would be subject to more than a *de minimis* amount of other taxes, duties or other governmental charges, which change or amendment becomes effective on or after the Issue Date.

The Company will have the right at any time to terminate the Trust and, after satisfaction of liabilities to creditors of the Trust, if any, cause the Series D Junior Subordinated Notes to be distributed to the holders of the Preferred Securities in liquidation of the Trust. See "—Liquidation Distribution Upon Dissolution" below. This right is optional and wholly within the discretion of the Company. Circumstances under which the Company may determine to exercise such right could include the occurrence of an Investment Company Act Event or a Tax Event, adverse tax consequences to the Company or the Trust that are not within the definition of a Tax Event because they do not result from an amendment or change described in such definition, and changes in the accounting requirements applicable to the Preferred Securities as described under "Accounting Treatment."

If Series D Junior Subordinated Notes are distributed to the holders of the Preferred Securities, the Company will use its best efforts to have the Series D Junior Subordinated Notes listed on the NYSE or on such other exchange as the Preferred Securities are then listed. After the date for any distribution of Series D Junior Subordinated Notes upon termination of the Trust, (i) the Preferred Securities and the Guarantee will no longer be deemed to be outstanding, (ii) the depositary or its nominee, as the record holder of the Preferred Securities, will receive a registered global certificate or certificates representing the Series D Junior Subordinated Notes to be delivered upon such distribution and (iii) any certificates representing Preferred Securities and the Guarantee not held by the depositary or its nominee will be deemed to represent Series D Junior Subordinated Notes having an aggregate principal amount equal to the aggregate stated liquidation amount of, with an interest rate identical to the Securities Rate of, and accrued and unpaid interest equal to accrued and unpaid distributions on, such Preferred Securities, until such certificates are presented to the Company or its agent for transfer or reissuance.

There can be no assurance as to the market prices for the Preferred Securities or the Series D Junior Subordinated Notes that may be distributed in exchange for the Preferred Securities if a termination and liquidation of the Trust were to occur. Accordingly, the Preferred Securities that an investor may purchase, or the Series D Junior Subordinated Notes that the investor may receive on termination and liquidation of the Trust, may trade at a discount to the price that the investor paid to purchase the Preferred Securities offered hereby.

Redemption Procedures

In the event that the Series D Junior Subordinated Notes are redeemed in part, the Trust will redeem, on a pro rata basis, Preferred Securities and Common Securities having a combined liquidation amount equal to the principal amount of the Series D Junior Subordinated Notes redeemed.

The Preferred Securities redeemed on each redemption date shall be redeemed at the Redemption Price with the proceeds from the contemporaneous redemption of the Series D Junior Subordinated Notes. The Redemption

Price of Preferred Securities shall be deemed payable on each redemption date only to the extent that the Trust has funds legally and immediately available for payment of such Redemption Price.

If the Property Trustee gives a notice of redemption in respect of Preferred Securities (which notice will be irrevocable), then, by 2:00 P.M., New York City time, on the redemption date, subject to the immediately preceding paragraph, the Property Trustee will irrevocably deposit with the securities depositary, so long as the Preferred Securities are in book-entry only form, sufficient funds to pay the applicable Redemption Price. See "—Book-Entry Only Issuance—The Depository Trust Company" below. If the Preferred Securities are no longer in book-entry only form, the Property Trustee, subject to the immediately preceding paragraph, shall irrevocably deposit with the Paying Agent funds sufficient to pay the applicable Redemption Price and will give the Paying Agent irrevocable instructions to pay the Redemption Price to the holders thereof upon surrender of their Preferred Securities certificates. If notice of redemption shall have been given and funds deposited as required, then immediately prior to the close of business on the date of such deposit, distributions will cease to accrue and all rights of holders of such Preferred Securities so called for redemption will cease, except the right of the holders of such Preferred Securities to receive the Redemption Price, but without interest on such Redemption Price. In the event that any date fixed for redemption of Preferred Securities is not a Business Day, then payment of the Redemption Price payable on such date will be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay), except that, if such Business Day falls in the next calendar year, such payment will be made on the immediately preceding Business Day. In the event that payment of the Redemption Price in respect of Preferred Securities is improperly withheld or refused and not paid either by the Trust or by the Company pursuant to the Guarantee, distributions on such Preferred Securities will continue to accrue at the then applicable rate, from such redemption date originally established by the Trust for such Preferred Securities to the date such Redemption Price is actually paid. See "—Events of Default" below, "Relationship Among the Preferred Securities, the Series D Junior Subordinated Notes and the Guarantee" below and "Description of the Guarantees—Events of Default" in the accompanying Prospectus.

Subject to the foregoing and to applicable law (including, without limitation, United States federal securities laws), the Company or its affiliates may, at any time and from time to time, purchase outstanding Preferred Securities by tender, in the open market or by private agreement.

Book-Entry Only Issuance—The Depository Trust Company

DTC will act as the initial securities depositary for the Preferred Securities. The Preferred Securities will be issued only as fully registered securities registered in the name of Cede & Co., DTC's nominee. One or more fully registered global Preferred Securities certificates will be issued, representing in the aggregate the total number of Preferred Securities, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended (the "1934 Act"). DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations ("Direct Participants"). DTC is owned by a number of its Direct Participants and by the NYSE, the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission (the "Commission").

Purchases of Preferred Securities within the DTC system must be made by or through Direct Participants, which will receive a credit for the Preferred Securities on DTC's records. The ownership interest of each actual purchaser of Preferred Securities ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchases, but Beneficial Owners are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the Direct or Indirect Participants through which the Beneficial Owners purchased Preferred Securities. Transfers of ownership interests in the Preferred Securities are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Preferred Securities, except in the event that use of the book-entry system for the Preferred Securities is discontinued.

DTC has no knowledge of the actual Beneficial Owners of the Preferred Securities. DTC's records reflect only the identity of the Direct Participants to whose accounts such Preferred Securities are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Preferred Securities are being redeemed, DTC will reduce the amount of the interest of each Direct Participant in the Preferred Securities in accordance with its procedures.

Although voting with respect to the Preferred Securities is limited, in those cases where a vote is required, neither DTC nor Cede & Co. will itself consent or vote with respect to Preferred Securities. Under its usual procedures, DTC would mail an Omnibus Proxy to the Trust as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Preferred Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Distribution payments on the Preferred Securities will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the relevant payment date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payments on such payment date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the account of customers registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trust, any trustee or the Company, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of distributions to DTC is the responsibility of the Trust, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

Except as provided herein, a Beneficial Owner in a global Preferred Security will not be entitled to receive physical delivery of Preferred Securities. Accordingly, each Beneficial Owner must rely on the procedures of DTC to exercise any rights under the Preferred Securities. The laws of some jurisdictions require that certain purchasers of securities take physical delivery of securities in definitive form. Such laws may impair the ability to transfer beneficial interests in a global Preferred Security.

DTC may discontinue providing its services as securities depositary with respect to the Preferred Securities at any time by giving reasonable notice to the Trust. Under such circumstances, in the event that a successor securities depositary is not obtained, Preferred Securities certificates will be printed and delivered to the holders of record. Additionally, the Company may decide to discontinue use of the system of book-entry transfers through DTC (or a successor depositary) with respect to the Preferred Securities. In that event, certificates for the Preferred Securities will be printed and delivered to the holders of record.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Company and the Trust believe to be reliable, but the Company and the Trust take no responsibility for the accuracy thereof. The Trust has no responsibility for the performance by DTC or its Participants of their respective obligations as described herein or under the rules and procedures governing their respective operations.

Liquidation Distribution Upon Dissolution

Pursuant to the Trust Agreement, the Trust shall terminate on December 31, 2042, or earlier upon (i) the occurrence of a Bankruptcy Event (as defined in the Trust Agreement) in respect of the Company, dissolution or liquidation of the Company, or dissolution of the Trust pursuant to a judicial decree; (ii) the delivery of written direction to the Property Trustee by the Company, as Depositor, at any time (which direction is optional and wholly within the discretion of the Company, as Depositor) to terminate the Trust and distribute the Series D Junior Subordinated Notes to the holders of the Preferred Securities in liquidation of the Trust (see "—Special Event Redemption; Distribution of Series D Junior Subordinated Notes" above); or (iii) the payment at maturity or redemption of all of the Series D Junior Subordinated Notes, and the consequent payment of the Trust Securities.

If an early termination occurs as described in clause (i) or (ii) above, the Trust shall be liquidated, and the Property Trustee shall distribute to each holder of Preferred Securities and Common Securities a like amount of Series D Junior Subordinated Notes, unless in the case of an event described in clause (i) such distribution is determined by the Administrative Trustees not to be practical, in which event such holders will be entitled to receive, out of the assets of the Trust available for distribution to holders after satisfaction of liabilities to creditors, an amount equal to the aggregate of the stated liquidation preference of $25 per Trust Security plus accrued and unpaid distributions thereon to the date of payment (such amount being the "Liquidation Distribution"). If such Liquidation Distribution can be paid only in part because the Trust has insufficient assets available to pay in full the aggregate Liquidation Distribution, then subject to the next succeeding sentence, the amounts payable directly by the Trust on the Trust Securities shall be paid on a pro rata basis. The holder of the Common Securities will be entitled to receive distributions upon any such dissolution pro rata with the holders of the Preferred Securities, except that if a Subordinated Note Indenture Event of Default has occurred and is continuing, the holders of Preferred Securities shall have a preference over the holders of Common Securities.

Events of Default

Any one of the following events constitutes an "Event of Default" under the Trust Agreement ("Trust Agreement Event of Default") with respect to the Trust Securities issued thereunder (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):

(i) the occurrence of an "Event of Default" as defined in Section 501 of the Subordinated Note Indenture ("Subordinated Note Indenture Event of Default") (see "Description of the Junior Subordinated Notes—Events of Default" in the accompanying Prospectus); or

(ii) default by the Trust in the payment of any distribution when it becomes due and payable, and the continuation of such default for a period of 30 days; or

(iii) default by the Trust in the payment of any Redemption Price of any Preferred Security or Common Security when it becomes due and payable; or

(iv) default in the performance, or breach, of any covenant or warranty of the Securities Trustees in the Trust Agreement (other than a covenant or warranty a default in performance of which or the breach of which is dealt with in clause (ii) or (iii) above), and continuation of such default or breach for a period of 60 days after there has been given, by registered or certified mail, to such Securities Trustees by the holders of at least 10% in liquidation amount of the outstanding Preferred Securities a written notice specifying

such default or breach and requiring it to be remedied and stating that such notice is a ''Notice of Default'' under the Trust Agreement; or

(v) the occurrence of certain events of bankruptcy or insolvency with respect to the Trust.

Within 90 days after the occurrence of any Trust Agreement Event of Default, the Property Trustee shall transmit notice of any default known to the Property Trustee to the holders of Trust Securities and the Company, unless such Trust Agreement Event of Default shall have been cured or waived.

If a Trust Agreement Event of Default occurs and is continuing, then, pursuant to the Trust Agreement, holders of a majority in aggregate liquidation amount of Preferred Securities have the right to direct the exercise of any trust or power conferred upon the Property Trustee under the Trust Agreement, including the right to direct the Property Trustee under the Trust Agreement to exercise the remedies available to it as holder of the Series D Junior Subordinated Notes. If the Property Trustee fails to enforce its rights under the Series D Junior Subordinated Notes, a holder of Preferred Securities may, to the fullest extent permitted by applicable law, institute a legal proceeding directly against the Company to enforce its rights under the Trust Agreement without first instituting any legal proceeding against the Property Trustee or the Trust. Notwithstanding the foregoing, a holder of Preferred Securities may institute a legal proceeding directly against the Company, without first instituting a legal proceeding against the Property Trustee or any other person or entity, for enforcement of payment to such holder of principal of or interest on the Series D Junior Subordinated Notes having a principal amount equal to the aggregate stated liquidation amount of the Preferred Securities of such holder on or after the due dates specified in the Series D Junior Subordinated Notes. See ''Relationship Among the Preferred Securities, the Series D Junior Subordinated Notes and the Guarantee'' herein and ''Description of the Guarantees—Events of Default'' in the accompanying Prospectus.

Unless a Subordinated Note Indenture Event of Default shall have occurred and be continuing, the Securities Trustees may be removed at any time by act of the holder of the Common Securities. If a Subordinated Note Indenture Event of Default has occurred and is continuing, any Securities Trustee may be removed at such time by act of the holders of a majority in liquidation amount of the Preferred Securities, delivered to the appropriate Securities Trustee (in its individual capacity and on behalf of the Trust). No resignation or removal of any Securities Trustee and no appointment of a successor shall be effective until the acceptance of appointment by the successor Trustee in accordance with the requirements of the Trust Agreement.

If a Subordinated Note Indenture Event of Default has occurred and is continuing, the holders of Preferred Securities shall have a preference over the holders of Common Securities upon dissolution of the Trust as described above. See ''—Liquidation Distribution Upon Dissolution.''

Voting Rights

Except as provided below and under ''Description of the Guarantees—Amendments and Assignment'' in the accompanying Prospectus and as otherwise required by law and the Trust Agreement, the holders of the Preferred Securities will have no voting rights.

If any proposed amendment to the Trust Agreement provides for, or the Securities Trustees otherwise propose to effect, (i) any action that would adversely affect the powers, preferences or special rights of the Preferred Securities, whether by way of amendment to the Trust Agreement or otherwise, or (ii) the dissolution, winding-up or termination of the Trust, other than pursuant to the Trust Agreement, then the holders of outstanding Preferred Securities will be entitled to vote as a class on such amendment or proposal of the Securities Trustees, and such amendment or proposal shall not be effective except with the approval of the holders of at least 66⅔% in liquidation amount of such outstanding Preferred Securities.

So long as any Series D Junior Subordinated Notes are held by the Property Trustee, the Securities Trustees shall not (i) direct the time, method and place of conducting any proceeding for any remedy available to the Indenture Trustee, or executing any trust or power conferred on the Indenture Trustee with respect to the Series D

Junior Subordinated Notes, (ii) waive any past default which is waivable under Section 513 of the Subordinated Note Indenture, (iii) exercise any right to rescind or annul a declaration that the principal of all the Series D Junior Subordinated Notes shall be due and payable, or (iv) consent to any amendment, modification or termination of the Subordinated Note Indenture or the Series D Junior Subordinated Notes, where such consent shall be required, or to any other action, as the holder of the Series D Junior Subordinated Notes, under the Subordinated Note Indenture, without, in each case, obtaining the prior approval of the holders of at least 66⅔% in liquidation amount of the outstanding Preferred Securities; *provided, however*, that where a consent under the Subordinated Note Indenture would require the consent of each holder of Series D Junior Subordinated Notes affected thereby, no such consent shall be given by the Securities Trustees without the prior consent of each holder of Preferred Securities. The Securities Trustees shall not revoke any action previously authorized or approved by a vote of the holders of the Preferred Securities, except pursuant to a subsequent vote of such holders. The Property Trustee shall notify all holders of the Preferred Securities of any notice of default received from the Indenture Trustee with respect to the Series D Junior Subordinated Notes. In addition to obtaining the foregoing approvals of the holders of the Preferred Securities, prior to taking any of the foregoing actions, the Securities Trustees shall obtain an opinion of counsel experienced in such matters to the effect that the Trust will not be classified as other than a grantor trust for federal income tax purposes on account of such action.

Any required approval of holders of Preferred Securities may be given at a separate meeting of holders of Preferred Securities convened for such purpose or pursuant to written consent. The Administrative Trustees will cause a notice of any meeting at which holders of Preferred Securities are entitled to vote to be given to each holder of record of Preferred Securities in the manner set forth in the Trust Agreement.

Notwithstanding that holders of Preferred Securities are entitled to vote or consent under any of the circumstances described above, any of the Preferred Securities that are owned by the Company, the Securities Trustees or any affiliate of the Company or any Securities Trustee shall, for purposes of such vote or consent, be treated as if they were not outstanding.

Co-Property Trustees and Separate Property Trustee

At any time or times, for the purpose of meeting the legal requirements of the 1939 Act or of any jurisdiction in which any part of the Trust Property (as defined in the Trust Agreement) may at the time be located, the holder of the Common Securities and the Property Trustee shall have power to appoint, and upon the written request of the Property Trustee, the Company, as Depositor, shall for such purpose join with the Property Trustee in the execution, delivery and performance of all instruments and agreements necessary or proper to appoint, one or more persons approved by the Property Trustee either to act as co-property trustee, jointly with the Property Trustee, of all or any part of such Trust Property, or to act as separate trustee of any such property, in either case with such powers as may be provided in the instrument of appointment, and to vest in such person or persons in such capacity, any property, title, right or power deemed necessary or desirable, subject to the provisions of the Trust Agreement. If the Company, as Depositor, does not join in such appointment within 15 days after the receipt by it of a request so to do, or in case a Subordinated Note Indenture Event of Default has occurred and is continuing, the Property Trustee alone shall have power to make such appointment.

Amendment of the Trust Agreement

The Trust Agreement may be amended from time to time by the Company and the Securities Trustees without the consent of the holders of the Trust Securities (i) to cure any ambiguity, correct or supplement any provision therein which may be inconsistent with any other provision therein, or to make any other provisions with respect to matters or questions arising under the Trust Agreement, which shall not be inconsistent with the other provisions of the Trust Agreement, *provided* that the amendment does not adversely affect in any material respect the interests of any holder of Trust Securities, or (ii) to modify, eliminate or add to any provisions of the Trust Agreement to such extent as shall be necessary to ensure that the Trust will not be classified as other than

a grantor trust for federal income tax purposes. Except as provided in the succeeding paragraph, other amendments to the Trust Agreement may be made (i) upon approval of the holders of not less than 66⅔% in aggregate liquidation amount of the Trust Securities then outstanding and (ii) upon receipt by the Securities Trustees of an opinion of counsel to the effect that such amendment will not affect the Trust's status as a grantor trust or the Trust's exemption from the 1940 Act.

Notwithstanding the foregoing, without the consent of each affected holder of Trust Securities, the Trust Agreement may not be amended to (i) change the amount or timing of any distribution on the Trust Securities or otherwise adversely affect the amount of any distribution required to be made in respect of the Trust Securities as of a specified date, (ii) restrict the right of a holder of Trust Securities to institute suit for the enforcement of any such payment on or after such date or (iii) change the consent required to amend the Trust Agreement.

Mergers, Consolidations or Amalgamations

The Trust may not consolidate, amalgamate, merge with or into, or be replaced by, or convey, transfer or lease its properties and assets substantially as an entirety to any corporation or other body, except as described below. The Trust may at the request of the Company, with the consent of the Administrative Trustees and without the consent of the holders of the Trust Securities, consolidate, amalgamate, merge with or into, or be replaced by a trust organized as such under the laws of any state; *provided,* that (i) such successor entity either (A) expressly assumes all of the obligations of the Trust with respect to the Trust Securities or (B) substitutes for the Preferred Securities other securities having substantially the same terms as the Trust Securities (the "Successor Securities") so long as the Successor Securities rank the same as the Trust Securities rank in priority with respect to distributions and payments upon liquidation, redemption and otherwise, (ii) the Company expressly appoints a trustee of such successor entity possessing the same powers and duties as the Property Trustee as the holder of the Series D Junior Subordinated Notes, (iii) the Preferred Securities or any Successor Securities are listed, or any Successor Securities will be listed upon notification of issuance, on any national securities exchange or other organization on which the Preferred Securities are then listed, (iv) such merger, consolidation, amalgamation or replacement does not cause the Preferred Securities (including any Successor Securities) to be downgraded by any nationally recognized statistical rating organization, (v) such merger, consolidation, amalgamation or replacement does not adversely affect the rights, preferences and privileges of the holders of the Trust Securities (including any Successor Securities) in any material respect, (vi) such successor entity has a purpose substantially identical to that of the Trust, (vii) prior to such merger, consolidation, amalgamation or replacement, the Company has received an opinion of counsel to the effect that (A) such merger, consolidation, amalgamation or replacement does not adversely affect the rights, preferences and privileges of the holders of the Trust Securities (including any Successor Securities) in any material respect, and (B) following such merger, consolidation, amalgamation or replacement, neither the Trust nor such successor entity will be required to register as an investment company under the 1940 Act, and (viii) the Company guarantees the obligations of such successor entity under the Successor Securities at least to the extent provided by the Guarantee. Notwithstanding the foregoing, the Trust shall not, except with the consent of holders of 100% in liquidation amount of the Trust Securities, consolidate, amalgamate, merge with or into, or be replaced by any other entity or permit any other entity to consolidate, amalgamate, merge with or into, or replace it if such consolidation, amalgamation, merger or replacement would cause the Trust or the successor entity to be classified as other than a grantor trust for federal income tax purposes.

Any corporation or other body into which any of the Property Trustee, the Delaware Trustee or any Administrative Trustee that is not a natural person may be merged or converted or with which it may be consolidated, or any corporation or other body resulting from any merger, conversion or consolidation to which any such Securities Trustee shall be a party, or any corporation or other body succeeding to all or substantially all the corporate trust business of any such Securities Trustee, shall be the successor of such Securities Trustee under the Trust Agreement, *provided* such corporation is otherwise qualified and eligible under the Trust Agreement.

Payment and Paying Agent

So long as DTC is acting as securities depositary for the Preferred Securities, payments in respect of the Preferred Securities shall be made to DTC, which is to credit the relevant accounts at DTC on the applicable Distribution Dates. If the Preferred Securities are not held by DTC, such payments shall be made by check mailed to the address of the holder entitled thereto as such address shall appear on the Securities Register (as such term is defined in the Trust Agreement). The Paying Agent shall initially be the Property Trustee. The Paying Agent shall be permitted to resign as Paying Agent upon 30 days' written notice to the Administrative Trustees and the Company. In such event, the Administrative Trustees shall appoint a successor to act as Paying Agent.

Registrar and Transfer Agent

It is anticipated that the Property Trustee, or one of its affiliates, will act as registrar and transfer agent (the "Securities Registrar") for the Preferred Securities.

Registration of transfers of Preferred Securities will be effected without charge by or on behalf of the Trust, but upon payment in respect of any tax or other governmental charges which may be imposed in relation to it.

The Securities Registrar will not be required to register or cause to be registered any transfer of Preferred Securities after they have been called for redemption.

Information Concerning the Property Trustee

The Property Trustee, prior to the occurrence of a Trust Agreement Event of Default with respect to the Trust Securities, undertakes to perform only such duties as are specifically set forth in the Trust Agreement and, after default, shall exercise the same degree of care as a prudent individual would exercise in the conduct of his or her own affairs. Subject to such provisions, the Property Trustee is under no obligation to exercise any of the powers vested in it by the Trust Agreement at the request of any holder of Preferred Securities, unless offered reasonable indemnity by such holder against the costs, expenses and liabilities which might be incurred thereby.

The Chase Manhattan Bank, the Property Trustee, also serves as Indenture Trustee and Guarantee Trustee. The Company and/or certain of its affiliates maintain deposit accounts and banking relationships with The Chase Manhattan Bank. The Chase Manhattan Bank serves as trustee under other indentures pursuant to which securities of the Company and affiliates of the Company are outstanding.

Governing Law

The Trust Agreement and the Trust Securities will be governed by, and construed in accordance with, the internal laws of the State of Delaware; *provided* that the immunities and standard of care of the Property Trustee shall be governed by New York law.

Miscellaneous

The Administrative Trustees are authorized and directed to operate the Trust so that the Trust will not be deemed to be an "investment company" required to be registered under the 1940 Act or taxed as other than a grantor trust for federal income tax purposes and so that the Series D Junior Subordinated Notes will be treated as indebtedness of the Company for federal income tax purposes. In this connection, the Administrative Trustees and the Company are authorized to take any action, not inconsistent with applicable law, the Trust's certificate of trust or the Trust Agreement, that the Administrative Trustees and the Company determine in their discretion to be necessary or desirable for such purposes, as long as such action does not materially and adversely affect the interests of the holders of the Preferred Securities.

DESCRIPTION OF THE SERIES D JUNIOR SUBORDINATED NOTES

Set forth below is a description of the specific terms of the Series D Junior Subordinated Notes. This description supplements, and should be read together with, the description of the general terms and provisions of the Junior Subordinated Notes set forth in the accompanying Prospectus under the caption "Description of the Junior Subordinated Notes." The following description does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the description in the accompanying Prospectus and the Subordinated Note Indenture.

General

The Series D Junior Subordinated Notes will be issued as a series of Junior Subordinated Notes under the Subordinated Note Indenture. The Series D Junior Subordinated Notes will be limited in aggregate principal amount to $30,927,850, such amount being the approximate aggregate liquidation amount of the Trust Securities.

The entire principal amount of the Series D Junior Subordinated Notes will mature and become due and payable, together with any accrued and unpaid interest thereon, including Additional Interest (see "Description of the Junior Subordinated Notes—Additional Interest" in the accompanying Prospectus), if any, on September 30, 2041. The Series D Junior Subordinated Notes are not subject to any sinking fund provision.

The terms of the Series D Junior Subordinated Notes correspond to those of the Preferred Securities, as described herein.

Optional Redemption

The Company shall have the right to redeem the Series D Junior Subordinated Notes, in whole or in part, without premium, from time to time, on or after November 16, 2006, or at any time in whole, but not in part, upon the occurrence of a Special Event as described under "Description of the Preferred Securities—Special Event Redemption; Distribution of Series D Junior Subordinated Notes," upon not less than 30 nor more than 60 days' notice, at a Redemption Price equal to 100% of the principal amount to be redeemed plus any accrued and unpaid interest, including Additional Interest, if any, to the Redemption Date. If a partial redemption of the Series D Junior Subordinated Notes would result in the delisting of the Preferred Securities, the Company may only redeem the Series D Junior Subordinated Notes in whole.

Interest

Each Series D Junior Subordinated Note shall bear interest at the Securities Rate from the Issue Date, payable quarterly in arrears on March 31, June 30, September 30 and December 31 of each year, commencing March 31, 2002, to the person in whose name such Series D Junior Subordinated Note is registered at the close of business (i) on the Business Day immediately preceding an interest payment date if the Preferred Securities are in book-entry only form or if the Series D Junior Subordinated Notes have been distributed to holders of the Trust Securities and such Series D Junior Subordinated Notes are in book-entry only form or (ii) on the fifteenth calendar day preceding an interest payment date if both the Preferred Securities and the Series D Junior Subordinated Notes are not in book-entry only form. The amount of interest payable will be computed on the basis of a 360-day year of twelve 30-day months. In the event that any date on which interest is payable on the Series D Junior Subordinated Notes is not a Business Day, then payment of the interest payable on such date will be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay), except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case with the same force and effect as if made on such date.

Option to Extend Interest Payment Period

The Company shall have the right at any time, and from time to time, to defer payments of interest on the Series D Junior Subordinated Notes by extending the interest payment period for up to 20 consecutive quarterly

periods, but not beyond the stated maturity date. At the end of an Extension Period, the Company shall pay all interest then accrued and unpaid (together with interest thereon at the Securities Rate, compounded quarterly, to the extent permitted by applicable law) and all Additional Interest; *provided*, that if the Company shall have given notice of its election to select an Extension Period, (a) the Company shall not declare or pay any dividend or distribution on, or redeem, purchase, acquire or make a liquidation payment with respect to, any of its capital stock or make any guarantee payments with respect to the foregoing, and (b) the Company shall not make any payment of interest, principal or premium, if any, on or repay, repurchase or redeem any debt securities (including guarantees other than the Guarantee) issued by the Company which rank *pari passu* with or junior to the Series D Junior Subordinated Notes. Prior to the termination of any Extension Period, the Company may further defer payments of interest by extending the interest payment period, *provided* that such Extension Period, together with all such previous and further extensions thereof, may not exceed 20 consecutive quarterly periods. Upon the termination of any Extension Period and the payment of all amounts then due, the Company may select a new Extension Period, subject to the above requirements. The Company has no present intention of exercising its rights to defer payments of interest by extending the interest payment period on the Series D Junior Subordinated Notes. See "Certain Federal Income Tax Considerations—Original Issue Discount."

The Company shall give the holder or holders of the Series D Junior Subordinated Notes and the Indenture Trustee notice of its selection or extension of an Extension Period at least one Business Day prior to the earlier of (i) the record date relating to the interest payment date on which the Extension Period is to commence or relating to the interest payment date on which an Extension Period that is being extended would otherwise terminate or (ii) the date the Company or the Trust is required to give notice to the NYSE or other applicable self-regulatory organization of the record date or the date such distributions are payable.

Book-Entry and Issuance

If distributed to holders of Trust Securities in connection with the voluntary or involuntary dissolution, winding-up or liquidation of the Trust, the Series D Junior Subordinated Notes are expected to be issued in the form of one or more global certificates registered in the name of the securities depositary or its nominee. In such event, the procedures applicable to the transfer and payment of the Series D Junior Subordinated Notes are expected to be substantially similar to those described with respect to the Preferred Securities in "Description of the Preferred Securities—Book-Entry Only Issuance—The Depository Trust Company."

RELATIONSHIP AMONG THE PREFERRED SECURITIES, THE SERIES D JUNIOR SUBORDINATED NOTES AND THE GUARANTEE

As long as payments of interest and other payments are made when due on the Series D Junior Subordinated Notes, such payments will be sufficient to cover distributions and payments due on the Trust Securities primarily because (i) the aggregate principal amount of Series D Junior Subordinated Notes will be equal to the sum of the aggregate stated liquidation amount of the Trust Securities; (ii) the interest rate and interest and other payment dates on the Series D Junior Subordinated Notes will match the distribution rate and distribution and other payment dates for the Preferred Securities; (iii) the Company shall pay for all costs and expenses of the Trust pursuant to the Agreement as to Expenses and Liabilities; and (iv) the Trust Agreement provides that the Securities Trustees shall not cause or permit the Trust to, among other things, engage in any activity that is not consistent with the purposes of the Trust.

Payments of distributions (to the extent funds therefor are legally and immediately available) and other payments due on the Preferred Securities (to the extent funds therefor are legally and immediately available) are guaranteed by the Company as and to the extent set forth under "Description of the Guarantees" in the accompanying Prospectus. If the Company does not make interest payments on the Series D Junior Subordinated Notes, it is not expected that the Trust will have sufficient funds to pay distributions on the Preferred Securities.

The Guarantee is a guarantee from the time of its issuance, but does not apply to any payment of distributions unless and until the Trust has sufficient funds legally and immediately available for the payment of such distributions.

If the Company fails to make interest or other payments on the Series D Junior Subordinated Notes when due (taking into account any Extension Period), the Trust Agreement provides a mechanism whereby the holders of the Preferred Securities may appoint a substitute Property Trustee. Such holders may also direct the Property Trustee to enforce its rights under the Series D Junior Subordinated Notes, including proceeding directly against the Company to enforce the Series D Junior Subordinated Notes. If the Property Trustee fails to enforce its rights under the Series D Junior Subordinated Notes, to the fullest extent permitted by applicable law, any holder of Preferred Securities may institute a legal proceeding directly against the Company to enforce the Property Trustee's rights under the Series D Junior Subordinated Notes without first instituting any legal proceeding against the Property Trustee or any other person or entity. Notwithstanding the foregoing, a holder of Preferred Securities may institute a legal proceeding directly against the Company, without first instituting a legal proceeding against the Property Trustee or any other person or entity, for enforcement of payment to such holder of principal of or interest on the Series D Junior Subordinated Notes having a principal amount equal to the aggregate stated liquidation amount of the Preferred Securities of such holder on or after the due dates specified in the Series D Junior Subordinated Notes.

If the Company fails to make payments under the Guarantee, the Guarantee provides a mechanism whereby the holders of the Preferred Securities may direct the Guarantee Trustee to enforce its rights thereunder. In addition, any holder of Preferred Securities may institute a legal proceeding directly against the Company to enforce the Guarantee Trustee's rights under the Guarantee without first instituting a legal proceeding against the Guarantee Trustee or any other person or entity.

The Guarantee, the Subordinated Note Indenture, the Series D Junior Subordinated Notes, the Trust Agreement and the Agreement as to Expenses and Liabilities, as described above, constitute a full and unconditional guarantee by the Company of the payments due on the Preferred Securities.

Upon any voluntary or involuntary dissolution, winding-up or termination of the Trust, unless the Series D Junior Subordinated Notes are distributed in connection therewith, the holders of Preferred Securities will be entitled to receive, out of assets legally available for distribution to holders, the Liquidation Distribution in cash. See "Description of the Preferred Securities—Liquidation Distribution Upon Dissolution." Upon any voluntary or involuntary liquidation or bankruptcy of the Company, the Property Trustee, as holder of the Series D Junior Subordinated Notes, would be a subordinated creditor of the Company, subordinated in right of payment to all Senior Indebtedness, but entitled to receive payment in full of principal and interest before any stockholders of the Company receive payments or distributions. Because the Company is guarantor under the Guarantee and has agreed to pay for all costs, expenses and liabilities of the Trust (other than the Trust's obligations to holders of the Preferred Securities) pursuant to the Agreement as to Expenses and Liabilities, the positions of a holder of Preferred Securities and a holder of Series D Junior Subordinated Notes relative to other creditors and to stockholders of the Company in the event of liquidation or bankruptcy of the Company would be substantially the same.

A default or event of default under any Senior Indebtedness would not constitute a default or Event of Default under the Subordinated Note Indenture. However, in the event of payment defaults under, or acceleration of, Senior Indebtedness, the subordination provisions of the Series D Junior Subordinated Notes provide that no payments may be made in respect of the Series D Junior Subordinated Notes until such Senior Indebtedness has been paid in full or any payment default thereunder has been cured or waived. Failure to make required payments on the Series D Junior Subordinated Notes would constitute an Event of Default under the Subordinated Note Indenture except that failure to make interest payments on the Series D Junior Subordinated Notes will not be an Event of Default during an Extension Period; provided, however, that any Extension Period may not exceed 20 consecutive quarterly periods or extend beyond the stated maturity of the Series D Junior Subordinated Notes.

CERTAIN FEDERAL INCOME TAX CONSEQUENCES

The following is a summary of the material United States federal income tax consequences of the ownership and disposition of the Preferred Securities, but does not purport to be a complete analysis of all the potential tax considerations relating thereto. Unless otherwise stated, this summary deals only with Preferred Securities held as capital assets by Holders (as defined herein). The tax treatment of a Holder may vary depending on its particular situation. This summary does not deal with special classes of Holders, such as, for example, dealers in securities or currencies, banks, thrifts, real estate investment trusts, regulated investment companies, insurance companies, tax exempt organizations, persons holding Preferred Securities as part of a straddle or as part of a hedging or conversion transaction or other integrated investment, or persons whose functional currency is not the United States dollar. Further, it does not include any description of alternative minimum tax consequences or the tax laws of any state, local or foreign government that may be applicable to the Preferred Securities. Prospective investors should consult their own tax advisors with regard to the application of any state, local or other tax laws. This summary is based on the Internal Revenue Code of 1986, as amended (the "Code"), the Treasury regulations thereunder and administrative and judicial interpretations thereof, all as of the date hereof, and all of which are subject to change (possibly on a retroactive basis). The authorities on which this summary is based are subject to various interpretations, and it is therefore possible that the federal income tax treatment of the ownership and disposition of the Preferred Securities may differ from the treatment described below. The Company has not sought any ruling from the Internal Revenue Service (the "IRS") with respect to the statements made and the conclusions reached in the following summary, and there can be no assurance that the IRS will agree with such statements and conclusions. In addition, the IRS is not precluded from successfully adopting a contrary position. This summary does not consider the effect of any applicable foreign, state, local or other tax laws.

As used herein, the term "Holder" means a beneficial owner of Preferred Securities, that is for United States federal income tax purposes: (i) a citizen or resident (as defined in Section 7701(b) of the Code) of the United States, (ii) a corporation, partnership or other entity created or organized under the laws of the United States or a political subdivision thereof, (iii) an estate the income of which is subject to federal income taxation regardless of its source, or (iv) a trust if (a) a court within the United States is able to exercise primary supervision over the administration of the trust and (b) one or more United States persons have the authority to control all substantial decisions of the trust.

Treatment of the Trust and Preferred Securities for Federal Income Tax Purposes

The Trust will be treated as a "grantor trust" and not as an association taxable as a corporation for federal income tax purposes. Thus, for federal income tax purposes, each Holder will be treated as the beneficial owner of a pro rata undivided interest in the Series D Junior Subordinated Notes and, consequently, will be required to include in income the Holder's pro rata share of the entire income from the Series D Junior Subordinated Notes. Each Holder generally will determine its net income or loss with respect to the Trust in accordance with its own method of accounting, although income arising from original issue discount ("OID"), if any, must be taken into account under the accrual method of accounting even if the Holder otherwise would use the cash receipts and disbursements method (See "Original Issue Discount" below).

Payment of Interest

Except as set forth below with respect to OID, if any, stated interest on a Series D Junior Subordinated Note will generally be taxable to a Holder as ordinary income at the time it is paid or accrued in accordance with the Holder's own method of tax accounting.

Original Issue Discount

The terms of the Series D Junior Subordinated Notes permit the Company to defer the payment of interest on the Series D Junior Subordinated Notes at any time and from time to time by extending the interest payment

period for up to 20 consecutive quarterly periods with respect to each Extension Period; provided, however, that no Extension Period may extend beyond the stated maturity date of the Series D Junior Subordinated Notes.

Under applicable Treasury regulations, a remote contingency that stated interest will not be timely paid is ignored in determining whether a debt instrument is issued with OID. While the law is not entirely clear, because the Company's exercise of the option to defer payments of stated interest on the Series D Junior Subordinated Notes would prevent the Company from paying dividends on any class of equity stock, the Company believes that the likelihood of its exercising its option to defer payments is remote within the meaning of the regulations. As a result, each Holder should include in gross income such Holder's allocable share of interest in the Series D Junior Subordinated Notes in accordance with such Holder's method of tax accounting. It should be noted that these regulations have not yet been addressed in any rulings or other interpretations by the IRS. Accordingly, it is possible that the IRS could take a position contrary to the interpretations described herein.

Should the Company exercise its option to defer payments of interest, the Series D Junior Subordinated Notes would, at that time, be treated as issued with OID. Thereafter, the sum of the remaining interest payments on the Series D Junior Subordinated Notes would be treated as OID, which a Holder would be required to accrue and include in taxable income on an economic accrual basis (regardless of the Holder's method of accounting for income tax purposes) over the remaining term of the Series D Junior Subordinated Notes (including any period of interest deferral), without regard to the timing of payments under the Series D Junior Subordinated Notes. The amount a Holder would include in taxable income would be determined on the basis of a constant yield method over the remaining term of the Series D Junior Subordinated Notes and the actual receipt of future payments of stated interest on the Series D Junior Subordinated Notes would no longer be separately reported as taxable income. The total amount of OID that would accrue during the deferred interest period would be approximately equal to the amount of the cash payment due at the end of such period. Any OID included in income would increase a Holder's adjusted tax basis in their Preferred Securities, and a Holder's actual receipt of cash would reduce such Holder's basis in the Preferred Securities.

Market Discount and Premium

A purchaser of a Preferred Security at a discount from the liquidation amount at maturity of such purchaser's pro rata share of the Series D Junior Subordinated Notes acquires such Preferred Security with "market discount." However, market discount with respect to a Preferred Security will be considered to be zero if it is de minimis. Market discount will be de minimis with respect to a Preferred Security if it is less than the product of (i) 0.25% of the adjusted issue price of the purchaser's pro rata share of the Series D Subordinated Notes multiplied by (ii) the number of complete years to maturity of such Series D Subordinated Notes after the date of purchase. The purchaser of a Preferred Security with more than a de minimis amount of market discount generally will be required to treat any gain on the sale, exchange, redemption or other disposition of all or part of the Preferred Securities (or related Series D Junior Subordinated Notes) as ordinary income to the extent of accrued (but not previously taxed) market discount. Market discount generally will accrue ratably during the period from the date of purchase of such Preferred Security to the maturity date of the Series D Junior Subordinated Notes unless the Holder irrevocably elects to accrue such market discount on the basis of a constant interest rate.

A Holder who has acquired a Preferred Security at a market discount generally will be required to defer any deductions of interest expense attributable to any indebtedness incurred or continued to purchase or carry the Preferred Security, to the extent such interest expense exceeds the related interest income. Any such deferred interest expense generally will be allowable as a deduction not later than the year in which the related market discount income is recognized. As an alternative to the inclusion of market discount in income upon disposition of all or a portion of a Preferred Security of the related Series D Junior Subordinated Notes (including redemptions thereof), a Holder may make an election (which may not be revoked without the IRS's consent) to include market discount in income as it accrues on all market discount instruments acquired by the Holder during or after the taxable year for which the election is made. In that case, the preceding deferral rule for interest expense will not apply.

In lieu of the foregoing treatment of market discount and interest expense, a Holder may elect to treat any market discount (including a de minimis amount) as OID and accrue such discount on a constant-yield basis in the same manner as the Holder accrues OID.

Prior to the exercise by the Company of its option to defer payments of stated interest on the Series D Junior Subordinated Notes, a Holder that acquires a Preferred Security for an amount that is greater than its Redemption Price will be considered to have purchased the Preferred Security at a "premium" equal to such excess and may elect (in accordance with applicable Code provisions) to amortize such premium on a constant yield basis over the remaining term of the Preferred Security (subject to special rules concerning early call provisions). If an election to amortize the premium on a Preferred Security, if any, is not made, the premium will decrease the gain or increase the loss otherwise recognized on a taxable disposition of the Preferred Security. Following the exercise by the Company of its option to defer payments of stated interest on the Series D Junior Subordinated Notes, a Holder that has acquired a Preferred Security for a purchase price in excess of its "adjusted issue price" may generally apply such "acquisition premium" to reduce the amount of OID required to be included in income. The "adjusted issue price" will generally be equal to the original issue price of a Preferred Security increased by the amount of OID previously includible in the gross income of any Holder and decreased by any payments made after the Company has exercised its option to defer payments.

Corporate U.S. Holders

Corporate U.S. Holders of Preferred Securities will not be entitled to a dividends-received deduction for any income from the Preferred Securities.

Sale of Preferred Securities

Upon the sale, retirement (including redemption) or other taxable disposition of all or part of a Preferred Security, a Holder thereof will recognize gain or loss equal to the difference between the amount realized on such sale, retirement or other disposition and such Holder's adjusted tax basis in the Preferred Security or part thereof. If the Holder disposes of a Preferred Security prior to the occurrence of an Extension Period, any portion of the amount received that is attributable to accrued interest will be treated as interest income to the Holder and will not be treated as part of the amount realized for purposes of determining gain or loss on the disposition of the Preferred Security. Any recognized gain or loss will be capital gain or loss, except to the extent of any accrued market discount (see "Market Discount and Premium" above). The capital gain or loss will be long-term if the holding period for the Preferred Security is more than one year at the time of sale, retirement or other disposition. A Holder's adjusted tax basis in a Preferred Security acquired by purchase will equal the cost of such Preferred Security to the Holder, increased by the amount of any related accrued OID and market discount included in taxable income by the Holder and reduced by any prior payments on the Series D Junior Subordinated Notes distributed on the Preferred Security. The redemption of only part of a Preferred Security will require an allocation of the Holder's adjusted tax basis in his pro rata share of the related Series D Junior Subordinated Notes between the portion of the Series D Junior Subordinated Notes redeemed and retained by the Holder in order to determine gain or loss.

Receipt of Series D Junior Subordinated Notes Upon Liquidation of the Trust

As described under "Description of the Preferred Securities—Special Event Redemption; Distribution of Series D Junior Subordinated Notes," Series D Junior Subordinated Notes may be distributed to Holders in exchange for the Preferred Securities and in liquidation of the Trust. Such a distribution would be treated as a non-taxable event to each Holder and each Holder would receive an aggregate tax basis in the Holder's Series D Junior Subordinated Notes equal to the Holder's aggregate tax basis in its Preferred Securities. A Holder's holding period with respect to the Series D Junior Subordinated Notes so received in liquidation of the Trust would include the period for which the Preferred Securities were held by such Holder.

Information and Backup Withholding

Income on the Preferred Securities will be reported to Holders on Form 1099, which form should be mailed to Holders of Preferred Securities by January 31 following each calendar year. In addition, a Holder may be subject to "backup withholding" under certain circumstances. Backup withholding applies to a Holder if the Holder, among other things, (i) fails to furnish his social security number or other taxpayer identification number ("TIN") to the payor responsible for backup withholding (for example, the Holder's securities broker), (ii) furnishes such payor an incorrect TIN, (iii) fails to provide such payor with a certified statement, signed under penalties of perjury, that the TIN provided to the payor is correct and that the Holder is not subject to backup withholding, or (iv) fails to report properly interest and dividends on his tax return. Backup withholding, however, does not apply to payments made to certain exempt recipients, such as corporations and tax-exempt organizations. Backup withholding applies to "reportable payments," which generally will include distributions of interest and principal payments on the Series D Junior Subordinated Notes. Currently, the backup withholding tax rate is 30.5%, but will be gradually reduced to 28% by 2006.

THE FEDERAL INCOME TAX DISCUSSION SET FORTH ABOVE MAY NOT BE APPLICABLE TO A HOLDER, DEPENDING UPON A HOLDER'S PARTICULAR SITUATION, AND THEREFORE EACH HOLDER SHOULD CONSULT HIS TAX ADVISOR WITH RESPECT TO THE TAX CONSEQUENCES OF THE OWNERSHIP AND DISPOSITION OF PREFERRED SECURITIES, INCLUDING THE TAX CONSEQUENCES UNDER STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND THE POSSIBLE EFFECTS OF CHANGES IN FEDERAL OR OTHER TAX LAW.

UNDERWRITING

Under the terms and subject to the conditions of the Underwriting Agreement (the "Underwriting Agreement"), each Underwriter named below (the "Underwriters"), for whom Salomon Smith Barney Inc. is acting as representative (the "Representative"), has severally agreed to purchase from the Trust, and the Trust has agreed to sell to such Underwriter, the number of Preferred Securities set forth opposite the name of such Underwriter below.

Name	Number of Preferred Securities
Salomon Smith Barney Inc.	540,000
UBS Warburg LLC	540,000
Raymond James & Associates, Inc.	120,000
Total	1,200,000

The Underwriters are obligated to take and pay for the total number of Preferred Securities offered hereby if any such Preferred Securities are purchased. In the event of default by any Underwriter, the Underwriting Agreement provides that, in certain circumstances, purchase commitments of the non-defaulting Underwriters may be increased or the Underwriting Agreement may be terminated.

The Underwriting Agreement provides that the Trust and the Company will indemnify the several Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended.

The Company's expenses associated with the offer and sale of the Preferred Securities are estimated to be $240,000.

In view of the fact that the proceeds of the sale of the Preferred Securities will ultimately be used to purchase the Series D Junior Subordinated Notes of the Company, the Underwriting Agreement provides that the Company will pay as compensation to the Underwriters $0.7875 per Preferred Security for the accounts of the several Underwriters ($945,000 in the aggregate).

The Underwriters propose to offer the Preferred Securities, in part, directly to the public at the initial public offering price set forth on the cover page of this Prospectus Supplement, and to certain dealers at such price less a concession of $0.50 per Preferred Security. The Underwriters may allow, and such dealers may reallow, a concession not in excess of $0.45 per Preferred Security to certain brokers and dealers. After the Preferred Securities are released for sale to the public, the offering price and other selling terms may from time to time be varied by the Representative of the Underwriters.

Application has been made to list the Preferred Securities on the NYSE. If approved, trading of the Preferred Securities on the NYSE is expected to commence within a 30-day period after the initial delivery of the Preferred Securities. Prior to this offering, there has been no public market for the Preferred Securities. In order to meet one of the requirements for listing the Preferred Securities on the NYSE, the Underwriters will undertake to sell lots of 100 or more Preferred Securities to a minimum of 400 beneficial holders.

The Company and the Trust have agreed, during the period of 15 days from the date of the Underwriting Agreement, not to sell, offer to sell, grant any option for the sale of, or otherwise dispose of any Preferred Securities, any security convertible into or exchangeable into or exercisable for Preferred Securities or the Series D Junior Subordinated Notes or any debt securities substantially similar to the Series D Junior Subordinated Notes or equity securities substantially similar to the Preferred Securities (except for the Series D Junior Subordinated Notes and the Preferred Securities issued pursuant to the Underwriting Agreement), without the prior written consent of the Representative.

In order to facilitate the offering of the Preferred Securities, the Underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the Preferred Securities. Specifically, the Underwriters may overallot in connection with the offering, creating a short position in the Preferred Securities for their own account. In addition, to cover overallotments or to stabilize the price of the Preferred Securities, the Underwriters may bid for, and purchase, the Preferred Securities in the open market. Finally, the underwriting syndicate may reclaim selling concessions allowed to an Underwriter or a dealer for distributing the Preferred Securities in the offering, if the syndicate repurchases previously distributed Preferred Securities in transactions to cover syndicate short positions, in stabilization transactions or otherwise. Any of these activities may stabilize or maintain the market price of the Preferred Securities above independent market levels. The Underwriters are not required to engage in these activities, and if commenced, may end any of these activities at any time.

Certain of the Underwriters and their affiliates have in the past provided, and may in the future provide, investment and/or commercial banking services to the Company and its affiliates in the ordinary course of business.

It is expected that delivery of the Preferred Securities will be made on or about the date specified on the cover page of this Prospectus Supplement, which will be the fifth Business Day following the date of this Prospectus Supplement. Under Rule 15c6-1 of the Commission under the 1934 Act, trades in the secondary market generally are required to settle in three Business Days, unless the parties to any such trade expressly agree otherwise. Accordingly, the purchasers who wish to trade Preferred Securities on the date of this Prospectus Supplement or the next succeeding Business Day will be required to specify an alternate settlement cycle at the time of any such trade to prevent failed settlement. Purchasers of Preferred Securities who wish to trade Preferred Securities on the date of this Prospectus Supplement or the next succeeding Business Day should consult their own advisors.

LEGAL OPINIONS

Certain matters of Delaware law relating to the validity of the Preferred Securities will be passed upon on behalf of the Company and the Trust by Richards, Layton & Finger, P.A., Wilmington, Delaware, special Delaware counsel to the Company and the Trust. The validity of the Series D Junior Subordinated Notes, the Guarantee and certain matters relating thereto will be passed upon on behalf of the Company by Beggs & Lane, Pensacola, Florida, and by Troutman Sanders LLP, Atlanta, Georgia. Troutman Sanders LLP will also pass upon certain matters relating to United States federal income tax considerations. Certain legal matters will be passed upon for the Underwriters by Dewey Ballantine LLP, New York, New York.

PROSPECTUS

$350,000,000

Gulf Power Company

Senior Notes

Junior Subordinated Notes

Gulf Power Capital Trust III
Gulf Power Capital Trust IV

Trust Preferred Securities

Fully and unconditionally guaranteed, as set forth herein, by

Gulf Power Company

a subsidiary of The Southern Company

We will provide the specific terms of these securities in supplements to this Prospectus. You should read this Prospectus and the applicable prospectus supplement carefully before you invest.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this Prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

June 1, 2001

ABOUT THIS PROSPECTUS

This Prospectus is part of a registration statement filed with the Securities and Exchange Commission (the "Commission") using a "shelf" registration process under the Securities Act of 1933, as amended (the "1933 Act"). Under the shelf process, Gulf Power Company (the "Company") may sell, in one or more transactions,

- senior notes (the "Senior Notes")
- junior subordinated notes (the "Junior Subordinated Notes")

and Gulf Power Capital Trust III and Gulf Power Capital Trust IV (individually, a "Trust" and collectively, the "Trusts") may sell

- trust preferred securities or capital securities (the "Preferred Securities")

in one or more offerings up to a total dollar amount of $350,000,000. This Prospectus provides a general description of those securities. Each time the Company sells securities, the Company will provide a prospectus supplement that will contain specific information about the terms of that offering ("Prospectus Supplement"). The Prospectus Supplement may also add, update or change information contained in this Prospectus. You should read this Prospectus and the applicable Prospectus Supplement together with additional information under the heading "Available Information."

AVAILABLE INFORMATION

The Company and the Trusts have filed with the Commission a combined registration statement on Form S-3 (the "Registration Statement," which term encompasses any amendments thereof and exhibits thereto) under the 1933 Act. As permitted by the rules and regulations of the Commission, this Prospectus does not contain all of the information set forth in the Registration Statement and the exhibits and schedules thereto, to which reference is hereby made.

The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "1934 Act"), and in accordance therewith files reports and other information with the Commission. Such reports and other information can be inspected and copied at the public reference facilities of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, and at the Commission's Regional Offices at 500 West Madison Street, Suite 1400, Chicago, Illinois 60661 and Seven World Trade Center, 13th Floor, New York, New York 10048. Copies of such material can also be obtained at prescribed rates by writing to the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549. The Commission maintains a Web site that contains reports, proxy and information statements and other information regarding registrants including the Company that file electronically at http://www.sec.gov. In addition, reports and other material concerning the Company can be inspected at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

No separate financial statements of any Trust are included herein. The Company considers that such statements would not be material to holders of the Preferred Securities because each Trust has no independent operations and exists for the sole purpose of investing the proceeds of the sale of its Trust Securities (as defined below) in Junior Subordinated Notes.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents have been filed with the Commission pursuant to the 1934 Act and are incorporated herein by reference and made a part of this Prospectus:

(a) the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2000; and

(b) the Company's Current Report on Form 8-K dated February 28, 2001.

All documents filed by the Company with the Commission pursuant to Section 13(a), 13(c), 14 or 15(d) of the 1934 Act subsequent to the date of this Prospectus and prior to the termination of this offering shall be deemed to be incorporated herein by reference and made a part of this Prospectus from the date of filing of such documents. Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

The Company will provide without charge to each person to whom this Prospectus is delivered, on the written or oral request of any such person, a copy of any or all documents incorporated herein by reference (other than the exhibits to such documents unless such exhibits are specifically incorporated by reference). Such requests should be directed to Warren E. Tate, Secretary and Treasurer, Gulf Power Company, One Energy Place, Pensacola, Florida 32520, telephone: (850) 444-6111.

SELECTED INFORMATION

The following material, which is presented herein solely to furnish limited introductory information regarding the Company, has been selected from, or is based upon, the detailed information and financial statements appearing in the documents incorporated herein by reference or elsewhere in this Prospectus, is qualified in its entirety by reference thereto and, therefore, should be read together therewith.

Gulf Power Company

Business	Generation, transmission, distribution and sale of electric energy
Service Area	Approximately 7,400 square miles within the northwestern portion of the State of Florida
Service Area Population (1990 Census)	Approximately 740,000
Customers at December 31, 2000	370,119
Generating Capacity at December 31, 2000 (kilowatts)	2,188,150
Sources of Generation during 2000 (kilowatt-hours)	Coal (98%), Gas and Oil (2%)
Sources of Generation Estimated for 2001 (kilowatt-hours)	Coal (98%), Gas and Oil (2%)

Certain Ratios

The following table sets forth the Ratios of Earnings to Fixed Charges and Earnings to Fixed Charges Plus Preferred Dividend Requirements (Pre-Income Tax Basis) for the periods indicated.

	Year Ended December 31,				
	1996	1997	1998	1999	2000
Ratio of Earnings to Fixed Charges(1)	4.29	4.18	3.83	3.62	3.38
Ratio of Earnings to Fixed Charges Plus Preferred Dividend Requirements (Pre-Income Tax Basis)(2)	3.31	3.53	3.72	3.58	3.34

(1) This ratio is computed as follows: (i) "Earnings" have been calculated by adding to "Earnings Before Interest and Income Taxes" the debt portion of allowance for funds used during construction, and (ii) "Fixed Charges" consist of "Net Interest Charges" plus the debt portion of allowance for funds used during construction.

(2) In computing this ratio, "Preferred Dividend Requirements" represent the before tax earnings necessary to pay such dividends, computed at the effective tax rates for the applicable periods.

GULF POWER COMPANY

The Company is a corporation organized under the laws of the State of Maine on November 2, 1925, and was admitted to do business in Florida on January 15, 1926, in Mississippi on October 25, 1976 and in Georgia on November 20, 1984. The principal executive offices of the Company are located at 500 Bayfront Parkway, Pensacola, Florida 32501, and the telephone number is (850) 444-6111.

The Company is a wholly owned subsidiary of The Southern Company, a holding company registered under the Public Utility Holding Company Act of 1935, as amended. The Company is engaged, within the northwestern portion of the State of Florida, in the generation and purchase of electricity and the distribution and sale of such electricity at retail in 71 communities as well as in rural areas, and at wholesale to a nonaffiliated utility and to a municipality.

THE TRUSTS

Each Trust is a statutory business trust created under Delaware law pursuant to the filing of a certificate of trust with the Delaware Secretary of State on November 26, 1997, with respect to Gulf Power Capital Trust III, and April 25, 2001, with respect to Gulf Power Capital Trust IV. Each Trust's business is defined in a trust agreement, executed by the Company, as Depositor, and the Delaware Trustee thereunder. This trust agreement of each Trust will be amended and restated in its entirety substantially in the form filed as an exhibit to the Registration Statement of which this Prospectus forms a part (the "Trust Agreement"). Each Trust Agreement will be qualified as an indenture under the Trust Indenture Act of 1939, as amended (the "1939 Act"). The Company will own all of the common securities (the "Common Securities" and, together with the Preferred Securities, the "Trust Securities") of each Trust. The Trust Securities represent undivided beneficial interests in the assets of the respective Trusts. Each Trust exists for the exclusive purposes of (i) issuing its Trust Securities representing undivided beneficial interests in the assets of such Trust, (ii) investing the gross proceeds of its Trust Securities in a related series of Junior Subordinated Notes, and (iii) engaging in only those other activities necessary, appropriate, convenient or incidental thereto. The payment of periodic cash distributions on the Preferred Securities of each Trust and payments on liquidation and redemption with respect to the Preferred Securities of each Trust, in each case to the extent each Trust has funds legally and immediately available therefor, will be guaranteed by the Company (individually, a "Guarantee" and collectively, the "Guarantees") to the extent set forth under "Description of the Guarantees."

Each Trust's business and affairs will be conducted by its trustees, which shall be appointed by the Company as the holder of the Common Securities: two employees of the Company as Administrative Trustees; The Chase Manhattan Bank as Property Trustee; and Chase Manhattan Bank USA, National Association as Delaware Trustee (collectively, the "Securities Trustees"). The Property Trustee of each Trust will act as the indenture trustee with respect to such Trust for purposes of compliance with the provisions of the 1939 Act.

The principal place of business of each Trust shall be c/o the Company, 500 Bayfront Parkway, Pensacola, Florida 32501, telephone (850) 444-6111, Attn: Treasurer.

Reference is made to the Prospectus Supplement relating to the Preferred Securities of a Trust for further information concerning such Trust.

ACCOUNTING TREATMENT OF TRUSTS

For financial reporting purposes, the Trusts will be treated as subsidiaries of the Company and, accordingly, the accounts of the Trusts will be included in the consolidated financial statements of the Company. The Preferred Securities will be presented as a separate line item in the consolidated balance sheet of the Company, and appropriate disclosures concerning the Preferred Securities, the Guarantees and the Junior Subordinated Notes will be included in the notes to the consolidated financial statements. For financial reporting purposes, the Company will record distributions payable on the Preferred Securities as an expense.

USE OF PROCEEDS

Each Trust will invest the proceeds received from the sale of its Preferred Securities in Junior Subordinated Notes. Except as may be otherwise described in an applicable Prospectus Supplement, the net proceeds received by the Company from such investment and any proceeds received from the sale of its Senior Notes or other sales of its Junior Subordinated Notes will be used in connection with its ongoing construction program, to pay scheduled maturities and/or refundings of its securities, to repay short-term indebtedness to the extent outstanding and for other general corporate purposes.

DESCRIPTION OF THE SENIOR NOTES

Set forth below is a description of the general terms of the Senior Notes. The following description does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the Senior Note Indenture, dated as of January 1, 1998, between the Company and The Chase Manhattan Bank, as trustee (the "Senior Note Indenture Trustee"), as to be supplemented by a supplemental indenture thereto establishing the Senior Notes of each series (the Senior Note Indenture, as so supplemented, is hereinafter referred to as the "Senior Note Indenture"), the forms of which are filed as exhibits to the Registration Statement of which this Prospectus forms a part. The terms of the Senior Notes will include those stated in the Senior Note Indenture and those made a part of the Senior Note Indenture by reference to the 1939 Act. Certain capitalized terms used herein are defined in the Senior Note Indenture.

General

The Senior Notes will be issued as unsecured senior debt securities under the Senior Note Indenture and will rank *pari passu* with all other unsecured and unsubordinated debt of the Company. The Senior Notes will be effectively subordinated to all secured debt of the Company, including its first mortgage bonds, aggregating approximately $254,700,000 outstanding at December 31, 2000. The Senior Note Indenture does not limit the aggregate principal amount of Senior Notes that may be issued thereunder and provides that Senior Notes may be issued from time to time in one or more series pursuant to an indenture supplemental to the Senior Note Indenture. The Senior Note Indenture gives the Company the ability to reopen a previous issue of Senior Notes and issue additional Senior Notes of such series, unless otherwise provided.

Reference is made to the Prospectus Supplement that will accompany this Prospectus for the following terms of the series of Senior Notes being offered thereby: (i) the title of such Senior Notes; (ii) any limit on the aggregate principal amount of such Senior Notes; (iii) the date or dates on which the principal of such Senior Notes is payable; (iv) the rate or rates at which such Senior Notes shall bear interest, if any, or any method by which such rate or rates will be determined, the date or dates from which such interest will accrue, the interest payment dates on which such interest shall be payable, and the regular record date for the interest payable on any interest payment date; (v) the place or places where the principal of (and premium, if any) and interest, if any, on such Senior Notes shall be payable; (vi) the period or periods within which, the price or prices at which

and the terms and conditions on which such Senior Notes may be redeemed, in whole or in part, at the option of the Company; (vii) the obligation, if any, of the Company to redeem or purchase such Senior Notes; (viii) the denominations in which such Senior Notes shall be issuable; (ix) if other than the principal amount thereof, the portion of the principal amount of such Senior Notes which shall be payable upon declaration of acceleration of the maturity thereof; (x) any deletions from, modifications of or additions to the Events of Default or covenants of the Company as provided in the Senior Note Indenture pertaining to such Senior Notes; (xi) whether such Senior Notes shall be issued in whole or in part in the form of a Global Security; and (xii) any other terms of such Senior Notes.

The Senior Note Indenture does not contain provisions that afford holders of Senior Notes protection in the event of a highly leveraged transaction involving the Company.

Events of Default

The Senior Note Indenture provides that any one or more of the following described events with respect to the Senior Notes of any series, which has occurred and is continuing, constitutes an "Event of Default" with respect to the Senior Notes of such series:

(a) failure for 10 days to pay interest on the Senior Notes of such series, when due on an interest payment date other than at maturity or upon earlier redemption; or

(b) failure to pay principal or premium, if any, or interest on the Senior Notes of such series when due at maturity or upon earlier redemption; or

(c) failure for three Business Days to deposit any sinking fund payment when due by the terms of a Senior Note of such series; or

(d) failure to observe or perform any other covenant or warranty of the Company in the Senior Note Indenture (other than a covenant or warranty which has expressly been included therein solely for the benefit of one or more series of Senior Notes other than such series) for 90 days after written notice to the Company from the Senior Note Indenture Trustee or the holders of at least 25% in principal amount of the outstanding Senior Notes of such series; or

(e) certain events of bankruptcy, insolvency or reorganization of the Company.

The holders of not less than a majority in aggregate outstanding principal amount of the Senior Notes of any series have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Senior Note Indenture Trustee with respect to the Senior Notes of such series. If a Senior Note Indenture Event of Default occurs and is continuing with respect to the Senior Notes of any series, then the Senior Note Indenture Trustee or the holders of not less than 25% in aggregate outstanding principal amount of the Senior Notes of such series may declare the principal amount thereof due and payable immediately by notice in writing to the Company (and to the Senior Note Indenture Trustee if given by the holders), and upon any such declaration such principal amount shall become immediately due and payable. At any time after such a declaration of acceleration with respect to the Senior Notes of any series has been made and before a judgment or decree for payment of the money due has been obtained as provided in Article Five of the Senior Note Indenture, the holders of not less than a majority in aggregate outstanding principal amount of the Senior Notes of such series may rescind and annul such declaration and its consequences if the default has been cured or waived and the Company has paid or deposited with the Senior Note Indenture Trustee a sum sufficient to pay all matured installments of interest and principal due otherwise than by acceleration and all sums paid or advanced by the Senior Note Indenture Trustee, including reasonable compensation and expenses of the Senior Note Indenture Trustee.

The holders of not less than a majority in aggregate outstanding principal amount of the Senior Notes of any series may, on behalf of the holders of all the Senior Notes of such series, waive any past default with respect to such series, except (i) a default in the payment of principal or interest or (ii) a default in respect of a covenant or provision which under Article Nine of the Senior Note Indenture cannot be modified or amended thereunder without the consent of the holder of each outstanding Senior Note of such series affected thereby.

Registration and Transfer

The Company shall not be required to (i) issue, register the transfer of or exchange Senior Notes of any series during a period of 15 days immediately preceding the date notice is given identifying the Senior Notes of such series called for redemption, or (ii) register the transfer of or exchange any Senior Notes so selected for redemption, in whole or in part, except the unredeemed portion of any Senior Note being redeemed in part.

Payment and Paying Agent

Unless otherwise indicated in an applicable Prospectus Supplement, payment of principal of any Senior Notes will be made only against surrender to the Paying Agent of such Senior Notes. Principal of and interest on Senior Notes will be payable subject to any applicable laws and regulations, at the office of such Paying Agent or Paying Agents as the Company may designate from time to time, except that, at the option of the Company, payment of any interest may be made by wire transfer or by check mailed to the address of the person entitled thereto as such address shall appear in the Security Register with respect to the Senior Notes. Payment of interest on Senior Notes on any interest payment date will be made to the person in whose name the Senior Notes (or predecessor security) are registered at the close of business on the record date for such interest payment.

Unless otherwise indicated in an applicable Prospectus Supplement, the Senior Note Indenture Trustee will act as Paying Agent with respect to the Senior Notes. The Company may at any time designate additional Paying Agents or rescind the designation of any Paying Agents or approve a change in the office through which any Paying Agent acts.

All moneys paid by the Company to a Paying Agent for the payment of the principal of or interest on the Senior Notes of any series which remain unclaimed at the end of two years after such principal or interest shall have become due and payable will be repaid to the Company, and the holder of such Senior Notes will thereafter look only to the Company for payment thereof.

Modification

The Senior Note Indenture contains provisions permitting the Company and the Senior Note Indenture Trustee, with the consent of the holders of not less than a majority in principal amount of the outstanding Senior Notes of each series affected thereby, to modify the Senior Note Indenture or the rights of the holders of the Senior Notes of such series; provided, that no such modification may, without the consent of the holder of each outstanding Senior Note affected thereby, (i) change the stated maturity of the principal of, or any installment of principal of or interest on, any Senior Note, or reduce the principal amount thereof or the rate of interest thereon or any premium payable upon the redemption thereof, or change the method of calculating the rate of interest thereon, or impair the right to institute suit for the enforcement of any such payment on or after the stated maturity thereof (or, in the case of redemption, on or after the redemption date), or (ii) reduce the percentage of principal amount of the outstanding Senior Notes of any series, the consent of whose holders is required for any such supplemental indenture, or the consent of whose holders is required for any waiver (of compliance with certain provisions of the Senior Note Indenture or certain defaults thereunder and their consequences) provided for in the Senior Note Indenture, or (iii) modify any of the provisions of the Senior Note Indenture relating to supplemental indentures, waiver of past defaults, or waiver of certain covenants, except to increase any such percentage or to provide that certain other provisions of the Senior Note Indenture cannot be modified or waived without the consent of the holder of each outstanding Senior Note affected thereby.

In addition, the Company and the Senior Note Indenture Trustee may execute, without the consent of any holders of Senior Notes, any supplemental indenture for certain other usual purposes, including the creation of any new series of senior notes.

Consolidation, Merger and Sale

The Company shall not consolidate with or merge into any other corporation or convey, transfer or lease its properties and assets substantially as an entirety to any person, unless (1) such other corporation or person is a corporation organized and existing under the laws of the United States, any state thereof or the District of Columbia and such other corporation or person expressly assumes, by supplemental indenture executed and delivered to the Senior Note Indenture Trustee, the payment of the principal of (and premium, if any) and interest on all the Senior Notes and the performance of every covenant of the Senior Note Indenture on the part of the Company to be performed or observed; (2) immediately after giving effect to such transactions, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have happened and be continuing; and (3) the Company has delivered to the Senior Note Indenture Trustee an officers' certificate and an opinion of counsel, each stating that such transaction complies with the provisions of the Senior Note Indenture governing consolidation, merger, conveyance, transfer or lease and that all conditions precedent thereto have been complied with.

Information Concerning the Senior Note Indenture Trustee

The Senior Note Indenture Trustee, prior to an Event of Default with respect to Senior Notes of any series, undertakes to perform, with respect to Senior Notes of such series, only such duties as are specifically set forth in the Senior Note Indenture and, in case an Event of Default with respect to Senior Notes of any series has occurred and is continuing, shall exercise, with respect to Senior Notes of such series, the same degree of care as a prudent individual would exercise in the conduct of his or her own affairs. Subject to such provision, the Senior Note Indenture Trustee is under no obligation to exercise any of the powers vested in it by the Senior Note Indenture at the request of any holder of Senior Notes of any series, unless offered reasonable indemnity by such holder against the costs, expenses and liabilities which might be incurred thereby. The Senior Note Indenture Trustee is not required to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties if the Senior Note Indenture Trustee reasonably believes that repayment or adequate indemnity is not reasonably assured to it.

The Chase Manhattan Bank, the Senior Note Indenture Trustee, also serves as Subordinated Note Indenture Trustee, as Property Trustee and as Guarantee Trustee. The Company and certain of its affiliates maintain deposit accounts and banking relationships with The Chase Manhattan Bank. The Chase Manhattan Bank also serves as trustee under other indentures pursuant to which securities of the Company and affiliates of the Company are outstanding.

Governing Law

The Senior Note Indenture and the Senior Notes will be governed by, and construed in accordance with, the internal laws of the State of New York.

Miscellaneous

The Company will have the right at all times to assign any of its rights or obligations under the Senior Note Indenture to a direct or indirect wholly-owned subsidiary of the Company; provided, that, in the event of any such assignment, the Company will remain primarily liable for all such obligations. Subject to the foregoing, the Senior Note Indenture will be binding upon and inure to the benefit of the parties thereto and their respective successors and assigns.

DESCRIPTION OF THE JUNIOR SUBORDINATED NOTES

Set forth below is a description of the general terms of the Junior Subordinated Notes. The following description does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the Subordinated Note Indenture, dated as of January 1, 1997, between the Company and The Chase Manhattan Bank, as trustee (the "Subordinated Note Indenture Trustee"), as to be supplemented by a supplemental indenture thereto establishing the Junior Subordinated Notes of each series (the Subordinated Note Indenture, as so supplemented, is hereinafter referred to as the "Subordinated Note Indenture"), the forms of which are filed as exhibits to the Registration Statement of which this Prospectus forms a part. The terms of the Junior Subordinated Notes will include those stated in the Subordinated Note Indenture and those made a part of the Subordinated Note Indenture by reference to the 1939 Act. Certain capitalized terms used herein are defined in the Subordinated Note Indenture.

General

The Junior Subordinated Notes will be issued as unsecured junior subordinated debt securities under the Subordinated Note Indenture. The Subordinated Note Indenture does not limit the aggregate principal amount of Junior Subordinated Notes that may be issued thereunder and provides that Junior Subordinated Notes may be issued from time to time in one or more series pursuant to an indenture supplemental to the Subordinated Note Indenture. The Subordinated Note Indenture gives the Company the ability to reopen a previous issue of Junior Subordinated Notes and issue additional Junior Subordinated Notes of such series, unless otherwise provided.

Reference is made to the Prospectus Supplement that will accompany this Prospectus for the following terms of the series of Junior Subordinated Notes being offered thereby: (i) the title of such Junior Subordinated Notes; (ii) any limit on the aggregate principal amount of such Junior Subordinated Notes; (iii) the date or dates on which the principal of such Junior Subordinated Notes is payable; (iv) the rate or rates at which such Junior Subordinated Notes shall bear interest, if any, or any method by which such rate or rates will be determined, the date or dates from which such interest will accrue, the interest payment dates on which such interest shall be payable, and the regular record date for the interest payable on any interest payment date; (v) the place or places where the principal of (and premium, if any) and interest, if any, on such Junior Subordinated Notes shall be payable; (vi) the period or periods within which, the price or prices at which and the terms and conditions on which such Junior Subordinated Notes may be redeemed, in whole or in part, at the option of the Company; (vii) the obligation, if any, of the Company to redeem or purchase such Junior Subordinated Notes; (viii) the denominations in which such Junior Subordinated Notes shall be issuable; (ix) if other than the principal amount thereof, the portion of the principal amount of such Junior Subordinated Notes which shall be payable upon declaration of acceleration of the maturity thereof; (x) any deletions from, modifications of or additions to the Events of Default or covenants of the Company as provided in the Subordinated Note Indenture pertaining to such Junior Subordinated Notes; (xi) whether such Junior Subordinated Notes shall be issued in whole or in part in the form of a Global Security; (xii) the right, if any, of the Company to extend the interest payment periods of such Junior Subordinated Notes; and (xiii) any other terms of such Junior Subordinated Notes. The terms of each series of Junior Subordinated Notes issued to a Trust will correspond to those of the related Preferred Securities of such Trust as described in the Prospectus Supplement relating to such Preferred Securities.

The Subordinated Note Indenture does not contain provisions that afford holders of Junior Subordinated Notes protection in the event of a highly leveraged transaction involving the Company.

Subordination

The Junior Subordinated Notes are subordinated and junior in right of payment to all Senior Indebtedness (as defined below) of the Company. No payment of principal of (including redemption payments, if any), or premium, if any, or interest on (including Additional Interest (as defined below)) the Junior Subordinated Notes may be made if (a) any Senior Indebtedness is not paid when due and any applicable grace period with respect to such default has ended with such default not being cured or waived or otherwise ceasing to exist, or (b) the

maturity of any Senior Indebtedness has been accelerated because of a default, or (c) notice has been given of the exercise of an option to require repayment, mandatory payment or prepayment or otherwise. Upon any payment or distribution of assets of the Company to creditors upon any liquidation, dissolution, winding-up, reorganization, assignment for the benefit of creditors, marshalling of assets or liabilities, or any bankruptcy, insolvency or similar proceedings of the Company, the holders of Senior Indebtedness shall be entitled to receive payment in full of all amounts due or to become due on or in respect of all Senior Indebtedness before the holders of the Junior Subordinated Notes are entitled to receive or retain any payment or distribution. Subject to the prior payment of all Senior Indebtedness, the rights of the holders of the Junior Subordinated Notes will be subrogated to the rights of the holders of Senior Indebtedness to receive payments and distributions applicable to such Senior Indebtedness until all amounts owing on the Junior Subordinated Notes are paid in full.

The term "Senior Indebtedness" means, with respect to the Company, (i) any payment due in respect of indebtedness of the Company, whether outstanding at the date of execution of the Subordinated Note Indenture or thereafter incurred, created or assumed, (a) in respect of money borrowed (including any financial derivative, hedging or futures contract or similar instrument) and (b) evidenced by securities, debentures, bonds, notes or other similar instruments issued by the Company that, by their terms, are senior or senior subordinated debt securities including, without limitation, all obligations under its indentures with various trustees; (ii) all capital lease obligations; (iii) all obligations issued or assumed as the deferred purchase price of property, all conditional sale obligations and all obligations of the Company under any title retention agreement (but excluding trade accounts payable arising in the ordinary course of business and long-term purchase obligations); (iv) all obligations for the reimbursement of any letter of credit, banker's acceptance, security purchase facility or similar credit transaction; (v) all obligations of the type referred to in clauses (i) through (iv) above of other persons the payment of which the Company is responsible or liable as obligor, guarantor or otherwise; and (vi) all obligations of the type referred to in clauses (i) through (v) above of other persons secured by any lien on any property or asset of the Company (whether or not such obligation is assumed by the Company), except for (1) any such indebtedness that is by its terms subordinated to or *pari passu* with the Junior Subordinated Notes and (2) any unsecured indebtedness between or among the Company or its affiliates. Such Senior Indebtedness shall continue to be Senior Indebtedness and be entitled to the benefits of the subordination provisions contained in the Subordinated Note Indenture irrespective of any amendment, modification or waiver of any term of such Senior Indebtedness.

The Subordinated Note Indenture does not limit the aggregate amount of Senior Indebtedness that may be issued by the Company. As of December 31, 2000, Senior Indebtedness of the Company aggregated approximately $416,000,000.

Additional Interest

"Additional Interest" is defined in the Subordinated Note Indenture as (i) such additional amounts as may be required so that the net amounts received and retained by a holder of Junior Subordinated Notes (if the holder is a Trust) after paying taxes, duties, assessments or governmental charges of whatever nature (other than withholding taxes) imposed by the United States or any other taxing authority will not be less than the amounts the holder would have received had no such taxes, duties, assessments, or other governmental charges been imposed; and (ii) any interest due and not paid on an interest payment date, together with interest thereon from such interest payment date to the date of payment, compounded quarterly, on each interest payment date.

Certain Covenants

The Company covenants in the Subordinated Note Indenture, for the benefit of the holders of each series of Junior Subordinated Notes, that, (i) if at such time the Company shall have given notice of its election to extend an interest payment period for such series of Junior Subordinated Notes and such extension shall be continuing, (ii) if at such time the Company shall be in default with respect to its payment or other obligations under the Guarantee with respect to the Trust Securities, if any, related to such series of Junior Subordinated Notes, or (iii) if at such time an Event of Default thereunder with respect to such series of Junior Subordinated Notes shall have occurred and be continuing, (a) the Company shall not declare or pay any dividend or make any

distributions with respect to, or redeem, purchase, acquire or make a liquidation payment with respect to, any of its capital stock, and (b) the Company shall not make any payment of interest, principal or premium, if any, on or repay, repurchase or redeem any debt securities (including guarantees other than the Guarantees) issued by the Company which rank *pari passu* with or junior to the Junior Subordinated Notes. None of the foregoing, however, shall restrict (i) any of the actions described in the preceding sentence resulting from any reclassifications of the Company's capital stock or the exchange or conversion of one class or series of the Company's capital stock for another class or series of the Company's capital stock, or (ii) the purchase of fractional interests in shares of the Company's capital stock pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged.

The Subordinated Note Indenture further provides that, for so long as the Trust Securities of any Trust remain outstanding, the Company covenants (i) to directly or indirectly maintain 100% ownership of the Common Securities of such Trust; provided, however, that any permitted successor of the Company under the Subordinated Note Indenture may succeed to the Company's ownership of such Common Securities, and (ii) to use its reasonable efforts to cause such Trust (a) to remain a statutory business trust, except in connection with the distribution of Junior Subordinated Notes to the holders of Trust Securities in liquidation of such Trust, the redemption of all of the Trust Securities of such Trust, or certain mergers, consolidations or amalgamations, each as permitted by the related Trust Agreement, and (b) to otherwise continue to be classified as a grantor trust for United States federal income tax purposes.

Events of Default

The Subordinated Note Indenture provides that any one or more of the following described events with respect to the Junior Subordinated Notes of any series, which has occurred and is continuing, constitutes an "Event of Default" with respect to the Junior Subordinated Notes of such series:

(a) failure for 10 days to pay interest on the Junior Subordinated Notes of such series, including any Additional Interest (as defined in clause (ii) of the definition thereof in the Subordinated Note Indenture) in respect thereof, when due on an interest payment date other than at maturity or upon earlier redemption; provided, however, that a valid extension of the interest payment period by the Company shall not constitute a default in the payment of interest for this purpose; or

(b) failure for 10 days to pay Additional Interest (as defined in clause (i) of the definition thereof in the Subordinated Note Indenture); or

(c) failure to pay principal or premium, if any, or interest, including Additional Interest (as defined in clause (ii) of the definition thereof in the Subordinated Note Indenture), on the Junior Subordinated Notes of such series when due at maturity or upon earlier redemption; or

(d) failure for three Business Days to deposit any sinking fund payment when due by the terms of a Junior Subordinated Note of such series; or

(e) failure to observe or perform any other covenant or warranty of the Company in the Subordinated Note Indenture (other than a covenant or warranty which has expressly been included therein solely for the benefit of one or more series of Junior Subordinated Notes other than such series) for 90 days after written notice to the Company from the Subordinated Note Indenture Trustee or the holders of at least 25% in principal amount of the outstanding Junior Subordinated Notes of such series; or

(f) certain events of bankruptcy, insolvency or reorganization of the Company.

The holders of not less than a majority in aggregate outstanding principal amount of the Junior Subordinated Notes of any series have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Subordinated Note Indenture Trustee with respect to the Junior Subordinated Notes of such series. If a Subordinated Note Indenture Event of Default occurs and is continuing with respect to the Junior Subordinated Notes of any series, then the Subordinated Note Indenture Trustee or the holders of not less than 25% in aggregate outstanding principal amount of the Junior Subordinated Notes of such series may declare the principal amount thereof due and payable immediately by notice in writing to the Company (and to the

Subordinated Note Indenture Trustee if given by the holders), and upon any such declaration such principal amount shall become immediately due and payable. At any time after such a declaration of acceleration with respect to the Junior Subordinated Notes of any series had been made and before a judgment or decree for payment of the money due has been obtained as provided in Article Five of the Subordinated Note Indenture, the holders of not less than a majority in aggregate outstanding principal amount of the Junior Subordinated Notes of such series may rescind and annul such declaration and its consequences if the default has been cured or waived and the Company has paid or deposited with the Subordinated Note Indenture Trustee a sum sufficient to pay all matured installments of interest (including any Additional Interest) and principal due otherwise than by acceleration and all sums paid or advanced by the Subordinated Note Indenture Trustee, including reasonable compensation and expenses of the Subordinated Note Indenture Trustee.

A holder of Preferred Securities may institute a legal proceeding directly against the Company, without first instituting a legal proceeding against the Property Trustee or any other person or entity, for enforcement of payment to such holder of principal of or interest on the Junior Subordinated Notes of the related series having a principal amount equal to the aggregate stated liquidation amount of the Preferred Securities of such holder on or after the due dates specified in the Junior Subordinated Notes of such series.

The holders of not less than a majority in aggregate outstanding principal amount of the Junior Subordinated Notes of any series may, on behalf of the holders of all the Junior Subordinated Notes of such series, waive any past default with respect to such series, except (i) a default in the payment of principal or interest or (ii) a default in respect of a covenant or provision which under Article Nine of the Subordinated Note Indenture cannot be modified or amended thereunder without the consent of the holder of each outstanding Junior Subordinated Note of such series affected thereby.

Registration and Transfer

The Company shall not be required to (i) issue, register the transfer of or exchange Junior Subordinated Notes of any series during a period of 15 days immediately preceding the date notice is given identifying the Junior Subordinated Notes of such series called for redemption, or (ii) register the transfer of or exchange any Junior Subordinated Notes so selected for redemption, in whole or in part, except the unredeemed portion of any Junior Subordinated Note being redeemed in part.

Payment and Paying Agent

Unless otherwise indicated in an applicable Prospectus Supplement, payment of principal of any Junior Subordinated Notes will be made only against surrender to the Paying Agent of such Junior Subordinated Notes. Principal of and interest on Junior Subordinated Notes will be payable, subject to any applicable laws and regulations, at the office of such Paying Agent or Paying Agents as the Company may designate from time to time, except that, at the option of the Company, payment of any interest may be made by wire transfer or by check mailed to the address of the person entitled thereto as such address shall appear in the Security Register with respect to the Junior Subordinated Notes. Payment of interest on Junior Subordinated Notes on any interest payment date will be made to the person in whose name the Junior Subordinated Notes (or predecessor security) are registered at the close of business on the record date for such interest payment.

Unless otherwise indicated in an applicable Prospectus Supplement, the Subordinated Note Indenture Trustee will act as Paying Agent with respect to the Junior Subordinated Notes. The Company may at any time designate additional Paying Agents or rescind the designation of any Paying Agents or approve a change in the office through which any Paying Agent acts.

All moneys paid by the Company to a Paying Agent for the payment of the principal of or interest on the Junior Subordinated Notes of any series which remain unclaimed at the end of two years after such principal or interest shall have become due and payable will be repaid to the Company, and the holder of such Junior Subordinated Notes will thereafter look only to the Company for payment thereof.

Modification

The Subordinated Note Indenture contains provisions permitting the Company and the Subordinated Note Indenture Trustee, with the consent of the holders of not less than a majority in principal amount of the outstanding Junior Subordinated Notes of each series affected thereby, to modify the Subordinated Note Indenture or the rights of the holders of the Junior Subordinated Notes of such series; provided, that no such modification may, without the consent of the holder of each outstanding Junior Subordinated Note affected thereby, (i) change the stated maturity of the principal of, or any installment of principal of or interest on, any Junior Subordinated Note, or reduce the principal amount thereof or the rate of interest (including Additional Interest) thereon or any premium payable upon the redemption thereof, or change the method of calculating the rate of interest thereon, or impair the right to institute suit for the enforcement of any such payment on or after the stated maturity thereof (or, in the case of redemption, on or after the redemption date), or (ii) reduce the percentage of principal amount of the outstanding Junior Subordinated Notes of any series, the consent of whose holders is required for any such supplemental indenture, or the consent of whose holders is required for any waiver (of compliance with certain provisions of the Subordinated Note Indenture or certain defaults thereunder and their consequences) provided for in the Subordinated Note Indenture, or (iii) modify any of the provisions of the Subordinated Note Indenture relating to supplemental indentures, waiver of past defaults, or waiver of certain covenants, except to increase any such percentage or to provide that certain other provisions of the Subordinated Note Indenture cannot be modified or waived without the consent of the holder of each outstanding Junior Subordinated Note affected thereby, or (iv) modify the provisions of the Subordinated Note Indenture with respect to the subordination of the Junior Subordinated Notes in a manner adverse to such holder.

In addition, the Company and the Subordinated Note Indenture Trustee may execute, without the consent of any holders of Junior Subordinated Notes, any supplemental indenture for certain other usual purposes, including the creation of any new series of junior subordinated notes.

Consolidation, Merger and Sale

The Company shall not consolidate with or merge into any other corporation or convey, transfer or lease its properties and assets substantially as an entirety to any person, unless (1) such other corporation or person is a corporation organized and existing under the laws of the United States, any state thereof or the District of Columbia and such other corporation or person expressly assumes, by supplemental indenture executed and delivered to the Subordinated Note Indenture Trustee, the payment of the principal of (and premium, if any) and interest (including Additional Interest) on all the Junior Subordinated Notes and the performance of every covenant of the Subordinated Note Indenture on the part of the Company to be performed or observed; (2) immediately after giving effect to such transactions, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have happened and be continuing; and (3) the Company has delivered to the Subordinated Note Indenture Trustee an officers' certificate and an opinion of counsel, each stating that such transaction complies with the provisions of the Subordinated Note Indenture governing consolidation, merger, conveyance, transfer or lease and that all conditions precedent thereto have been complied with.

Information Concerning the Subordinated Note Indenture Trustee

The Subordinated Note Indenture Trustee, prior to an Event of Default with respect to Junior Subordinated Notes of any series, undertakes to perform, with respect to Junior Subordinated Notes of such series, only such duties as are specifically set forth in the Subordinated Note Indenture and, in case an Event of Default with respect to Junior Subordinated Notes of any series has occurred and is continuing, shall exercise, with respect to Junior Subordinated Notes of such series, the same degree of care as a prudent individual would exercise in the conduct of his or her own affairs. Subject to such provision, the Subordinated Note Indenture Trustee is under no obligation to exercise any of the powers vested in it by the Subordinated Note Indenture at the request of any holder of Junior Subordinated Notes of any series, unless offered reasonable indemnity by such holder against the costs, expenses and liabilities which might be incurred thereby. The Subordinated Note Indenture Trustee is not required to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties if the Subordinated Note Indenture Trustee reasonably believes that repayment or adequate indemnity is not reasonably assured to it.

The Chase Manhattan Bank, the Subordinated Note Indenture Trustee, also serves as Senior Note Indenture Trustee, as Property Trustee and as Guarantee Trustee. The Company and certain of its affiliates maintain deposit accounts and banking relationships with The Chase Manhattan Bank. The Chase Manhattan Bank also serves as trustee under other indentures pursuant to which securities of the Company and affiliates of the Company are outstanding.

Governing Law

The Subordinated Note Indenture and Junior Subordinated Notes will be governed by, and construed in accordance with, the internal laws of the State of New York.

Miscellaneous

The Company will have the right at all times to assign any of its rights or obligations under the Subordinated Note Indenture to a direct or indirect wholly-owned subsidiary of the Company; provided, that, in the event of any such assignment, the Company will remain primarily liable for all such obligations. Subject to the foregoing, the Subordinated Note Indenture will be binding upon and inure to the benefit of the parties thereto and their respective successors and assigns.

DESCRIPTION OF THE PREFERRED SECURITIES

Each Trust may issue only one series of Preferred Securities having terms described in the Prospectus Supplement relating thereto. The Trust Agreement of each Trust will authorize the Administrative Trustees, on behalf of the Trust, to issue the Preferred Securities of such Trust. The Preferred Securities of each Trust will have such terms, including distributions, redemption, voting, liquidation rights and such other preferred, deferral or other special rights or such restrictions as shall be set forth in the Trust Agreement of such Trust. Reference is made to the Prospectus Supplement relating to the Preferred Securities of a Trust for specific terms, including (i) the distinctive designation of such Preferred Securities; (ii) the number of Preferred Securities issued by such Trust; (iii) the annual distribution rate (or method of determining such rate) for Preferred Securities of such Trust and the date or dates on which such distributions shall be payable; (iv) whether distributions on such Preferred Securities shall be cumulative and, in the case of Preferred Securities having cumulative distribution rights, the date or dates, or method of determining the date or dates, from which distributions on such Preferred Securities shall be cumulative; (v) the amount or amounts that shall be paid out of the assets of such Trust to the holders of the Preferred Securities of such Trust upon voluntary or involuntary dissolution, winding-up or termination of such Trust; (vi) the obligation, if any, of such Trust to purchase or redeem such Preferred Securities and the price or prices at which, the period or periods within which, and the terms and conditions upon which such Preferred Securities shall be purchased or redeemed, in whole or in part, pursuant to such obligation; (vii) the voting rights, if any, of such Preferred Securities in addition to those required by law, including the number of votes per Preferred Security and any requirement for the approval by the holders of Preferred Securities as a condition to specified action or amendments to the Trust Agreement of such Trust; (viii) the rights, if any, to defer distributions on the Preferred Securities by extending the interest payment period on the related Junior Subordinated Notes; and (ix) any other relative rights, preferences, privileges, limitations or restrictions of such Preferred Securities not inconsistent with the Trust Agreement of such Trust or applicable law. All Preferred Securities offered hereby will be guaranteed by the Company to the extent set forth under "Description of the Guarantees." Any material United States federal income tax considerations applicable to an offering of Preferred Securities will be described in the Prospectus Supplement relating thereto.

DESCRIPTION OF THE GUARANTEES

Set forth below is a summary of information concerning the Guarantees that will be executed and delivered by the Company for the benefit of the holders of Preferred Securities of the respective Trusts from time to time. Each Guarantee will be qualified as an indenture under the 1939 Act. The Chase Manhattan Bank will act as indenture trustee under each Guarantee (the "Guarantee Trustee") for purposes of the 1939 Act. The terms of the respective Guarantees will be those set forth therein and those made part thereof by the 1939 Act. The following summary does not purport to be complete and is subject in all respects to the provisions of, and is qualified in its entirety by reference to, the Guarantees, the form of which is filed as an exhibit to the Registration Statement of which this Prospectus forms a part, and the 1939 Act. Each Guarantee will be held by the Guarantee Trustee for the benefit of holders of the Preferred Securities to which it relates.

General

Pursuant to each Guarantee, the Company will irrevocably and unconditionally agree, to the extent set forth therein, to pay in full, to the holders of the related Preferred Securities, the Guarantee Payments (as defined herein), to the extent not paid by, or on behalf of, the related Trust, regardless of any defense, right of set-off or counterclaim that the Company may have or assert against any person. The following payments or distributions with respect to the Preferred Securities of any Trust to the extent not paid or made by, or on behalf of, such Trust will be subject to the Guarantee related thereto (without duplication): (i) any accrued and unpaid distributions required to be paid on the Preferred Securities of such Trust but if and only if and to the extent that such Trust has funds legally and immediately available therefor, (ii) the redemption price, including all accrued and unpaid distributions to the date of redemption (the "Redemption Price"), with respect to any Preferred Securities called for redemption by such Trust, but if and only to the extent such Trust has funds legally and immediately available therefor, and (iii) upon a dissolution, winding-up or termination of such Trust (other than in connection with the distribution of Junior Subordinated Notes to the holders of Trust Securities of such Trust or the redemption of all of the Preferred Securities of such Trust), the lesser of (a) the aggregate of the liquidation amount and all accrued and unpaid distributions on the Preferred Securities of such Trust to the date of payment, to the extent such Trust has funds legally and immediately available therefor, and (b) the amount of assets of such Trust remaining available for distribution to holders of Preferred Securities of such Trust in liquidation of such Trust (the "Guarantee Payments"). The Company's obligation to make a Guarantee Payment may be satisfied by direct payment of the required amounts by the Company to the holders of the related Preferred Securities or by causing the related Trust to pay such amounts to such holders.

Each Guarantee will be a guarantee of the Guarantee Payments with respect to the related Preferred Securities from the time of issuance of such Preferred Securities, but will not apply to the payment of distributions and other payments on such Preferred Securities when the related Trust does not have sufficient funds legally and immediately available to make such distributions or other payments. **If the Company does not make interest payments on the Junior Subordinated Notes held by the Property Trustee under any Trust, such Trust will not make distributions on its Preferred Securities.**

Subordination

The Company's obligations under each Guarantee to make the Guarantee Payments will constitute an unsecured obligation of the Company and will rank (i) subordinate and junior in right of payment to all other liabilities of the Company, including the Junior Subordinated Notes, except those obligations or liabilities made *pari passu* or subordinate by their terms, (ii) *pari passu* with the most senior preferred or preference stock now or hereafter issued by the Company and with any guarantee now or hereafter entered into by the Company in respect of any preferred or preference securities of any affiliate of the Company, and (iii) senior to all common stock of the Company. The terms of the Preferred Securities will provide that each holder of Preferred Securities by acceptance thereof agrees to the subordination provisions and other terms of the Guarantee related thereto. The Company has outstanding preferred stock that ranks *pari passu* to the Guarantees and common stock that ranks junior to the Guarantees.

Each Guarantee will constitute a guarantee of payment and not of collection (that is, the guaranteed party may institute a legal proceeding directly against the guarantor to enforce its rights under the guarantee without first instituting a legal proceeding against any other person or entity).

Amendments and Assignment

Except with respect to any changes that do not materially and adversely affect the rights of holders of the related Preferred Securities (in which case no consent will be required), each Guarantee may be amended only with the prior approval of the holders of not less than 66⅔% in liquidation amount of such outstanding Preferred Securities. The manner of obtaining any such approval of holders of the Preferred Securities will be as set forth in an accompanying Prospectus Supplement. All guarantees and agreements contained in each Guarantee shall bind the successors, assigns, receivers, trustees and representatives of the Company and shall inure to the benefit of the holders of the related Preferred Securities then outstanding.

Termination

Each Guarantee will terminate and be of no further force and effect as to the related Preferred Securities upon full payment of the Redemption Price of all such Preferred Securities, upon distribution of Junior Subordinated Notes to the holders of such Preferred Securities, or upon full payment of the amounts payable upon liquidation of the related Trust. Each Guarantee will continue to be effective or will be reinstated, as the case may be, if at any time any holder of the related Preferred Securities must restore payment of any sums paid with respect to such Preferred Securities or under such Guarantee.

Events of Default

An event of default under each Guarantee will occur upon the failure by the Company to perform any of its payment obligations thereunder. The holders of a majority in liquidation amount of the Preferred Securities to which any Guarantee relates have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Guarantee Trustee in respect of such Guarantee or to direct the exercise of any trust or power conferred upon the Guarantee Trustee under such Guarantee. Any holder of the related Preferred Securities may institute a legal proceeding directly against the Company to enforce its rights under such Guarantee without first instituting a legal proceeding against the Guarantee Trustee or any other person or entity. The holders of a majority in liquidation amount of Preferred Securities of any series may, by vote, on behalf of the holders of all the Preferred Securities of such series, waive any past event of default and its consequences.

Information Concerning the Guarantee Trustee

The Guarantee Trustee, prior to the occurrence of any event of default with respect to any Guarantee and after the curing or waiving of all events of default with respect to such Guarantee, undertakes to perform only such duties as are specifically set forth in such Guarantee and, in case an event of default has occurred, shall exercise the same degree of care as a prudent individual would exercise in the conduct of his or her own affairs. Subject to such provisions, the Guarantee Trustee is under no obligation to exercise any of the powers vested in it by any Guarantee at the request of any holder of the related Preferred Securities, unless offered reasonable indemnity against the costs, expenses and liabilities which might be incurred thereby.

The Chase Manhattan Bank, the Guarantee Trustee, also serves as Property Trustee, as Senior Note Indenture Trustee and as Subordinated Note Indenture Trustee. The Company and certain of its affiliates maintain deposit accounts and banking relationships with The Chase Manhattan Bank. The Chase Manhattan Bank serves as trustee under other indentures pursuant to which securities of the Company and affiliates of the Company are outstanding.

Governing Law

Each Guarantee will be governed by, and construed in accordance with, the internal laws of the State of New York.

The Agreements as to Expenses and Liabilities

Pursuant to an Agreement as to Expenses and Liabilities to be entered into by the Company under each Trust Agreement, the Company will irrevocably and unconditionally guarantee to each person or entity to whom each Trust becomes indebted or liable the full payment of any indebtedness, expenses or liabilities of such Trust, other than obligations of such Trust to pay to the holders of the related Preferred Securities or other similar interests in such Trust the amounts due such holders pursuant to the terms of such Preferred Securities or such other similar interests, as the case may be.

RELATIONSHIP AMONG THE PREFERRED SECURITIES, THE JUNIOR SUBORDINATED NOTES AND THE GUARANTEES

As long as payments of interest and other payments are made when due on each series of Junior Subordinated Notes issued to a Trust, such payments will be sufficient to cover distributions and payments due on the related Trust Securities of such Trust primarily because (i) the aggregate principal amount of each series of Junior Subordinated Notes will be equal to the sum of the aggregate stated liquidation amount of the related Trust Securities; (ii) the interest rate and interest and other payment dates on each series of Junior Subordinated Notes will match the distribution rate and distribution and other payment dates for the related Preferred Securities; (iii) the Company shall pay for all costs and expenses of each Trust pursuant to the Agreements as to Expenses and Liabilities; and (iv) each Trust Agreement provides that the Securities Trustees thereunder shall not cause or permit the Trust to, among other things, engage in any activity that is not consistent with the purposes of the Trust.

Payments of distributions (to the extent funds therefor are legally and immediately available) and other payments due on the Preferred Securities (to the extent funds therefor are legally and immediately available) will be guaranteed by the Company as and to the extent set forth under "Description of the Guarantees." If the Company does not make interest payments on any series of Junior Subordinated Notes, it is not expected that the related Trust will have sufficient funds to pay distributions on its Preferred Securities. Each Guarantee is a guarantee from the time of its issuance, but does not apply to any payment of distributions unless and until the related Trust has sufficient funds legally and immediately available for the payment of such distributions.

If the Company fails to make interest or other payments on any series of Junior Subordinated Notes when due (taking into account any extension period as described in the applicable Prospectus Supplement), the Trust Agreement provides a mechanism whereby the holders of the related Preferred Securities may appoint a substitute Property Trustee. Such holders may also direct the Property Trustee to enforce its rights under the Junior Subordinated Notes of such series, including proceeding directly against the Company to enforce such Junior Subordinated Notes. If the Property Trustee fails to enforce its rights under any series of Junior Subordinated Notes, to the fullest extent permitted by applicable law, any holder of related Preferred Securities may institute a legal proceeding directly against the Company to enforce the Property Trustee's rights under such series of Junior Subordinated Notes without first instituting any legal proceeding against the Property Trustee or any other person or entity. Notwithstanding the foregoing, a holder of Preferred Securities may institute a legal proceeding directly against the Company, without first instituting a legal proceeding against the Property Trustee or any other person or entity, for enforcement of payment to such holder of principal of or interest on Junior Subordinated Notes of the related series having a principal amount equal to the aggregate stated liquidation amount of the Preferred Securities of such holder on or after the due dates specified in the Junior Subordinated Notes of such series.

If the Company fails to make payments under any Guarantee, such Guarantee provides a mechanism whereby the holders of the Preferred Securities to which such Guarantee relates may direct the Guarantee Trustee to enforce its rights thereunder. In addition, any holder of Preferred Securities may institute a legal proceeding directly against the Company to enforce the Guarantee Trustee's rights under the related Guarantee without first instituting a legal proceeding against the Guarantee Trustee or any other person or entity.

Each Guarantee, the Subordinated Note Indenture, the Junior Subordinated Notes of the related series, the related Trust Agreement and the related Agreement as to Expenses and Liabilities, as described above, constitute a full and unconditional guarantee by the Company of the payments due on the related series of Preferred Securities.

Upon any voluntary or involuntary dissolution, winding-up or termination of any Trust, unless Junior Subordinated Notes of the related series are distributed in connection therewith, the holders of Preferred Securities of such Trust will be entitled to receive, out of assets legally available for distribution to holders, a liquidation distribution in cash as described in the applicable Prospectus Supplement. Upon any voluntary or involuntary liquidation or bankruptcy of the Company, the Property Trustee, as holder of the related series of Junior Subordinated Notes, would be a subordinated creditor of the Company, subordinated in right of payment to all Senior Indebtedness, but entitled to receive payment in full of principal and interest, before any stockholders of the Company receive payments or distributions. Because the Company is guarantor under each Guarantee and has agreed to pay for all costs, expenses and liabilities of each Trust (other than the Trust's obligations to holders of the Preferred Securities) pursuant to the related Agreement as to Expenses and Liabilities, the positions of a holder of Preferred Securities and a holder of Junior Subordinated Notes of the related series relative to other creditors and to stockholders of the Company in the event of liquidation or bankruptcy of the Company would be substantially the same.

A default or event of default under any Senior Indebtedness would not constitute a default or Event of Default under the Subordinated Note Indenture. However, in the event of payment defaults under, or acceleration of, Senior Indebtedness, the subordination provisions of the Junior Subordinated Notes provide that no payments may be made in respect of the Junior Subordinated Notes until such Senior Indebtedness has been paid in full or any payment default thereunder has been cured or waived. Failure to make required payments on the Junior Subordinated Notes of any series would constitute an Event of Default under the Subordinated Note Indenture with respect to the Junior Subordinated Notes of such series except that failure to make interest payments on the Junior Subordinated Notes of such series will not be an Event of Default during an extension period as described in the applicable Prospectus Supplement.

PLAN OF DISTRIBUTION

The Company may sell the Senior Notes and the Junior Subordinated Notes and the Trusts may sell the Preferred Securities in one or more of the following ways from time to time: (i) to underwriters for resale to the public or to institutional investors; (ii) directly to institutional investors; or (iii) through agents to the public or to institutional investors. The Prospectus Supplement with respect to each series of Senior Notes, Junior Subordinated Notes or Preferred Securities will set forth the terms of the offering of such Senior Notes, Junior Subordinated Notes or Preferred Securities, including the name or names of any underwriters or agents, the purchase price of such Senior Notes, Junior Subordinated Notes or Preferred Securities and the proceeds to the Company or the applicable Trust from such sale, any underwriting discounts or agency fees and other items constituting underwriters' or agents' compensation, any initial public offering price, any discounts or concessions allowed or reallowed or paid to dealers and any securities exchange on which such Senior Notes, Junior Subordinated Notes or Preferred Securities may be listed.

If underwriters participate in the sale, such Senior Notes, Junior Subordinated Notes or Preferred Securities will be acquired by the underwriters for their own account and may be resold from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale.

Unless otherwise set forth in the Prospectus Supplement, the obligations of the underwriters to purchase any series of Senior Notes, Junior Subordinated Notes or Preferred Securities will be subject to certain conditions precedent and the underwriters will be obligated to purchase all of such series of Senior Notes, Junior Subordinated Notes or Preferred Securities, if any are purchased.

Underwriters and agents may be entitled under agreements entered into with the Company and/or the applicable Trust to indemnification against certain civil liabilities, including liabilities under the 1933 Act. Underwriters and agents may engage in transactions with, or perform services for, the Company in the ordinary course of business.

Each series of Senior Notes, Junior Subordinated Notes or Preferred Securities will be a new issue of securities and will have no established trading market. Any underwriters to whom Senior Notes, Junior Subordinated Notes or Preferred Securities are sold for public offering and sale may make a market in such Senior Notes, Junior Subordinated Notes or Preferred Securities, but such underwriters will not be obligated to do so and may discontinue any market making at any time without notice. The Senior Notes, Junior Subordinated Notes or Preferred Securities may or may not be listed on a national securities exchange.

LEGAL MATTERS

Certain matters of Delaware law relating to the validity of the Preferred Securities will be passed upon on behalf of the Company and the Trusts by Richards, Layton & Finger, Wilmington, Delaware, special Delaware counsel to the Company and the Trusts. The validity of the Senior Notes, the Junior Subordinated Notes, the Guarantees and certain matters relating thereto will be passed upon on behalf of the Company by Beggs & Lane, Pensacola, Florida, and by Troutman Sanders LLP, Atlanta, Georgia. Certain legal matters will be passed upon for the Underwriters by Dewey Ballantine LLP, New York, New York.

EXPERTS

The financial statements and schedules of the Company included in the Company's Annual Report on Form 10-K for the year ended December 31, 2000, incorporated by reference in this Prospectus, have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their reports with respect thereto, and are incorporated herein in reliance upon the authority of said firm as experts in accounting and auditing in giving said reports.

1,200,000 Trust Preferred Securities

Gulf Power Capital Trust III

7.375% Trust Preferred Securities (TRUPS®)

($25 liquidation amount per Trust Preferred Security)

fully and unconditionally guaranteed, as set forth herein, by

PROSPECTUS SUPPLEMENT

November 8, 2001

(Including Prospectus
dated June 1, 2001)

Salomon Smith Barney
UBS Warburg
Raymond James

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W SPENCER MITCHEM
ROBERT L. CRONGEYER
Of Counsel

E. DIXIE BEGGS
1908-2001

BERT H. LANE
1917-1981

November 16, 2001

Salomon Smith Barney Inc., as Representative
388 Greenwich Street
New York, New York 10013

GULF POWER CAPITAL TRUST III
7.375% TRUST PREFERRED SECURITIES

Ladies and Gentlemen:

We have acted as general counsel to Gulf Power Company (the "Company") in connection with (i) its formation of Gulf Power Capital Trust III, a Delaware statutory business trust (the "Trust"), pursuant to the Amended and Restated Trust Agreement dated as of November 1, 2001 among the Company and the trustees named therein (the "Trust Agreement"); (ii) the Trust's issuance and sale of 7.375% Trust Preferred Securities evidencing approximately 97% undivided beneficial interests in the assets of the Trust (the "Preferred Securities"); (iii) the Trust's issuance and sale of Common Securities evidencing approximately 3% undivided beneficial interests in the assets of the Trust; (iv) the Company's issuance and sale to the Trust of $30,927,850 aggregate principal amount of its Series D 7.375% Junior Subordinated Notes due September 30, 2041 (the "Notes") pursuant to a Subordinated Note Indenture dated as of January 1, 1997, by and between the Company and JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank), as trustee, as heretofore supplemented and as further supplemented by the Fourth Supplemental Indenture dated as of November 16, 2001 (collectively, the "Indenture"); and (v) its issuance of a guarantee (the "Guarantee") of the Preferred Securities pursuant to a Guarantee Agreement dated as of November 1, 2001 (the "Guarantee Agreement") between the Company and JPMorgan Chase Bank, as trustee. The Preferred Securities are being sold to you today pursuant to the terms of an Underwriting Agreement dated November 8, 2001 (the "Underwriting Agreement"), among the Company, the Trust and the underwriters named in Schedule I thereto (the "Underwriters") for whom you are acting as Representative. This opinion is being delivered to you as Representative pursuant to Section 5(c)(1) of the Underwriting Agreement.

All capitalized terms not otherwise defined herein shall have the meanings set forth in the Underwriting Agreement.

In rendering the opinions expressed below, we have examined the registration statement on Form S-3 (Nos. 333-59942, 333-59942-01 and 333-59942-02) pertaining to the Preferred Securities (the "Registration Statement") filed by the Company and the Trust under the Securities Act of 1933, as amended (the "Act"), as it became effective under the Act, and the prospectus of the Company and the Trust dated June 1, 2001, as supplemented by a final prospectus supplement dated November 8, 2001, filed with the Securities and Exchange Commission pursuant to Rule 424(b) under the Act (the "Final Supplemented Prospectus"), which pursuant to Form S-3 incorporates by reference the Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 2000, the Quarterly Reports on Form 10-Q of the Company for the quarters ended March 31, 2001, June 30, 2001 and September 30, 2001 and the Current Reports on Form 8-K of the Company dated February 28, 2001, July 31, 2001, October 5, 2001 and November 8, 2001 (the "Exchange Act Documents"), each as filed under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

In addition, we have examined, and have relied as to matters of fact upon, the documents delivered to you at the closing (except the certificates representing the Preferred Securities and the Notes, of which we have examined specimens), and we have made such other and further investigations as we deemed necessary to express the opinions hereinafter set forth. In such examination, we have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies, and the authenticity of the originals of such latter documents.

The Trust Agreement, the Indenture, the Guarantee Agreement and the Underwriting Agreement are herein referred to collectively as the "Agreements."

Based upon the foregoing, and subject to the qualifications and limitations stated herein, we are of the opinion, relying as to matters of New York law upon the opinion dated the date hereof rendered to you by Dewey Ballantine LLP, as to matters of Delaware law upon the opinion dated the date hereof rendered to you by Richards, Layton & Finger, P.A., as counsel to the Trust, and as to matters of Georgia law and the federal law of the United States upon the opinion dated the date hereof rendered to you by Troutman Sanders LLP, that:

1. The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Maine, is duly qualified to carry on its business as a foreign corporation in the States of Florida, Georgia and Mississippi and has due corporate authority to carry on the public utility business in which it is engaged, to own and operate the properties used by it in such business and to enter into and perform its obligations under the Agreements and the Notes.

2. The execution, delivery and performance by the Company of the Underwriting Agreement have been duly authorized by all necessary corporate action, and the Underwriting Agreement has been duly executed and delivered by the Company.

3. All orders, consents or other authorizations or approvals of the Florida Public Service Commission and the Commission legally required for the issuance and delivery of the Notes and the Guarantee by the Company and the issuance and sale of the Preferred Securities by the Trust have been obtained; such orders are sufficient for the issuance and delivery of the Notes and the Guarantee by the Company and the issuance and sale of the Preferred Securities by the Trust; the issuance and delivery of the Notes and the Guarantee by the Company and the issuance and sale of the Preferred Securities by the Trust conform in all material respects with the terms of such orders; and no other order, consent or other authorization or approval of any Florida or United States governmental body (other than in connection or in compliance with the provisions of the securities or "blue sky" laws of any jurisdiction, as to which we express no opinion) is legally required for the issuance and delivery of the Notes and the Guarantee by the Company and the issuance and sale of the Preferred Securities by the Trust in accordance with the terms of the Underwriting Agreement.

4. The Indenture has been duly authorized, executed and delivered by the Company and, assuming the due authorization, execution and delivery thereof by the Debt Trustee, constitutes a valid and legally binding instrument of the Company, enforceable against the Company in accordance with its terms, subject to the qualifications that the enforceability of the Company's obligations under the Indenture may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); and the Indenture conforms as to legal matters in all material respects to the description thereof in the Final Supplemented Prospectus.

5. The Notes have been duly authorized and executed by the Company and, when authenticated by the Debt Trustee in the manner provided in the Indenture and delivered against payment therefor, will constitute valid and binding obligations of the Company, enforceable against the Company in accordance with their terms, subject to the qualifications that the enforceability of the Company's obligations under the Notes may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); and the Notes conform as to legal matters in all material respects to the description thereof in the Final Supplemented Prospectus.

6. The Guarantee Agreement has been duly authorized, executed and delivered by the Company and constitutes a valid and legally binding instrument of the Company, enforceable against the Company in accordance with its terms, subject to the qualifications that the enforceability of the Company's obligations under the Guarantee Agreement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); and the Guarantee Agreement conforms as to legal matters in all material respects to the description thereof in the Final Supplemented Prospectus.

7. Each of the Indenture, the Guarantee Agreement and the Trust Agreement has been duly qualified under the Trust Indenture Act of 1939, as amended.

8. Neither the Company nor the Trust is and, after giving effect to the offering and sale of the Preferred Securities, will be an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

9. The Trust Agreement has been duly authorized, executed and delivered by the Company and, assuming due authorization, execution and delivery thereof by the trustees named therein, constitutes a valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, subject to the qualifications that the enforceability of the Company's obligations under the Trust Agreement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

10. To the best of our knowledge, all of the issued and outstanding Common Securities of the Trust are directly owned by the Company, free and clear of any security interest, mortgage, pledge, lien, encumbrance, claim or equitable right.

11. The execution, delivery and performance by the Trust of the Underwriting Agreement and the Trust Agreement; the issuance by the Trust of the Preferred Securities and the Common Securities; the consummation by the Trust of the transactions contemplated thereby; and the compliance by the Trust with its obligations thereunder do not and will not result in any violation of the Trust Agreement or related Certificate of Trust, and do not and will not conflict with, or result in a breach of any of the terms or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Trust under (A) any contract, indenture, mortgage, loan agreement, note, lease or any other agreement or instrument known to us to which the Trust is a party or by which it may

be bound or to which any of its properties may be subject (except for such conflicts, breaches or defaults or liens, charges or encumbrances that would not have a material adverse effect on the condition (financial or otherwise) of the Trust), (B) any existing applicable law, rule or regulation applicable to the Trust (other than the securities or "blue sky" laws of any jurisdiction, as to which we express no opinion) or (C) any judgment, order or decree known to us of any government, governmental instrumentality, or court, domestic or foreign, or any regulatory body or administrative agency or other governmental body having jurisdiction over the Trust or any of its properties; and to the best of our knowledge the Trust is not a party to or otherwise bound by any agreement other than those which, or the forms of which, are exhibits (or included in exhibits) to the Registration Statement.

12. The Common Securities have been duly authorized by the Trust Agreement and (subject to the terms of the Trust Agreement), when issued and delivered by the Trust to the Company against payment therefor as described in the Final Supplemented Prospectus, will be validly issued, fully paid and nonassessable undivided beneficial interests in the assets of the Trust; and the issuance of the Common Securities is not subject to preemptive or other similar rights.

13. The Preferred Securities have been duly authorized by the Trust Agreement and (subject to the terms of the Trust Agreement), when delivered to and paid for by the Underwriters pursuant to the Underwriting Agreement, will be validly issued, fully paid and nonassessable undivided beneficial interests in the assets of the Trust; the holders of the Preferred Securities will (subject to the terms of the Trust Agreement) be entitled to the same limitation of personal liability under Delaware law as is extended to stockholders of private corporations for profit organized under the general corporation law of the State of Delaware; the issuance of the Preferred Securities is not subject to preemptive or other similar rights; and the Preferred Securities conform as to legal matters in all material respects to the description thereof in the Final Supplemented Prospectus.

We have not independently verified the accuracy, completeness or fairness of the statements made or included in the Registration Statement, the Final Supplemented Prospectus or the Exchange Act Documents and take no responsibility therefor, except as and to the extent set forth in paragraphs 4, 5, 6 and 13 above. In the course of the preparation by the Company of the Registration Statement, the Final Supplemented Prospectus and the Exchange Act Documents, we participated in conferences with certain officers and employees of the Company, with other counsel to the Company, with representatives of Arthur Andersen LLP and with your counsel. Based upon our examination of the Registration Statement, the Final Supplemented Prospectus and the Exchange Act Documents, our investigations made in connection with the preparation of the Registration Statement, the Final Supplemented Prospectus and the Exchange Act Documents and our participation in the conferences referred to above, (i) we are of the opinion that the

Registration Statement, as of its effective date, and the Final Supplemented Prospectus, as of November 8, 2001, complied as to form in all material respects with the requirements of the Act and the applicable rules and regulations of the Commission thereunder and that the Exchange Act Documents, as of their respective dates of filing with the Commission, complied as to form in all material respects with the relevant requirements of the Exchange Act and the applicable rules and regulations of the Commission thereunder, except that in each case we express no opinion as to the financial statements or other financial or statistical data contained or incorporated by reference in the Registration Statement, the Final Supplemented Prospectus or the Exchange Act Documents, and (ii) nothing came to our attention which gives us reason to believe that the Registration Statement, as of its effective date (including the Exchange Act Documents on file with the Commission as of such date), contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading, or that the Final Supplemented Prospectus (including the Exchange Act Documents) contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that in each case we express no opinion or belief with respect to the financial statements or other financial or statistical data contained or incorporated by reference in the Registration Statement, the Final Supplemented Prospectus or the Exchange Act Documents or with respect to the information contained in the Final Supplemented Prospectus under the caption "Description of the Preferred Securities – Book-Entry Only Issuance – The Depository Trust Company."

We are members of the State Bar of Florida and we do not express any opinion herein concerning any law other than the law of the States of Florida and Mississippi, and, to the extent set forth herein, the laws of the States of Delaware, Georgia, Maine and New York and the federal law of the United States.

This opinion is rendered to you in connection with the above-described transaction. This opinion may not be relied upon by you for any other purpose or relied upon by or furnished to any other person without our prior written consent, except that Troutman Sanders LLP and Dewey Ballantine LLP may rely on this opinion in giving their opinions pursuant to Section 5(c) of the Underwriting Agreement insofar as such opinions relate to matters of Florida and Mississippi law.

Very truly yours,

TROUTMAN SANDERS LLP
ATTORNEYS AT LAW
A LIMITED LIABILITY PARTNERSHIP

401 9th STREET, N.W., SUITE 1000
WASHINGTON, D.C. 20004-2134
TELEPHONE: 202-274-2950
FACSIMILE: 202-274-2994

BANK OF AMERICA PLAZA
600 PEACHTREE STREET, N.E., SUITE 5200
ATLANTA, GEORGIA 30308-2216
TELEPHONE: 404-885-3000
FACSIMILE: 404-885-3900

TWO EXCHANGE SQUARE, SUITE 3503A
8 CONNAUGHT PLACE
CENTRAL, HONG KONG
TELEPHONE: 852-2533-7888
FACSIMILE: 852-2533-7898

November 16, 2001

Salomon Smith Barney Inc., as Representative
388 Greenwich Street
New York, New York 10013

GULF POWER CAPITAL TRUST III
7.375% TRUST PREFERRED SECURITIES

Ladies and Gentlemen:

We have acted as counsel to Gulf Power Company (the "Company") in connection with (i) its formation of Gulf Power Capital Trust III, a Delaware statutory business trust (the "Trust"), pursuant to the Amended and Restated Trust Agreement dated as of November 1, 2001 among the Company and the trustees named therein (the "Trust Agreement"); (ii) the Trust's issuance and sale of 7.375% Trust Preferred Securities evidencing approximately 97% undivided beneficial interests in the assets of the Trust (the "Preferred Securities"); (iii) the Trust's issuance and sale of Common Securities evidencing approximately 3% undivided beneficial interests in the assets of the Trust; (iv) the Company's issuance and sale to the Trust of $30,927,850 aggregate principal amount of its Series D 7.375% Junior Subordinated Notes due September 30, 2041 (the "Notes") pursuant to a Subordinated Note Indenture dated as of January 1, 1997, by and between the Company and JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank), as trustee, as heretofore supplemented and as further supplemented by the Fourth Supplemental Indenture dated as of November 16, 2001 (collectively, the "Indenture"); and (v) its issuance of a guarantee (the "Guarantee") of the Preferred Securities pursuant to a Guarantee Agreement dated as of November 1, 2001 (the "Guarantee Agreement") between the Company and JPMorgan Chase Bank, as trustee. The Preferred Securities are being sold to you today pursuant to the terms of an Underwriting Agreement dated November 8, 2001 (the "Underwriting Agreement"), among the Company, the Trust and the underwriters named in Schedule I thereto (the "Underwriters") for whom you are acting as Representative. This opinion is being delivered to you as Representative pursuant to Section 5(c)(2) of the Underwriting Agreement.

All capitalized terms not otherwise defined herein shall have the meanings set forth in the Underwriting Agreement.

In rendering the opinions expressed below, we have examined the registration statement on Form S-3 (Nos. 333-59942, 333-59942-01 and 333-59942-02) pertaining to the Preferred Securities (the "Registration Statement") filed by the Company and the Trust under the Securities Act of 1933, as amended (the "Act"), as it became effective under the Act, and the prospectus of the Company and the Trust dated June 1, 2001, as supplemented by a final prospectus supplement dated November 8, 2001, filed with the Securities and Exchange Commission pursuant to Rule 424(b) under the Act (the "Final Supplemented Prospectus"), which pursuant to Form S-3 incorporates by reference the Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 2000, the Quarterly Reports on Form 10-Q of the Company for the quarters ended March 31, 2001, June 30, 2001 and September 30, 2001 and the Current Reports on Form 8-K of the Company dated February 28, 2001, July 31, 2001, October 5, 2001 and November 8, 2001 (the "Exchange Act Documents"), each as filed under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

In addition, we have examined, and have relied as to matters of fact upon, the documents delivered to you at the closing (except the certificates representing the Preferred Securities and the Notes, of which we have examined specimens), and we have made such other and further investigations as we deemed necessary to express the opinions hereinafter set forth. In such examination, we have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies, and the authenticity of the originals of such latter documents.

The Trust Agreement, the Indenture, the Guarantee Agreement and the Underwriting Agreement are herein referred to collectively as the "Agreements."

Based upon the foregoing, and subject to the qualifications and limitations stated herein, we are of the opinion, relying as to matters of New York law upon the opinion dated the date hereof rendered to you by Dewey Ballantine LLP, as to matters of Delaware law upon the opinion dated the date hereof rendered to you by Richards, Layton & Finger, P.A., as counsel to the Trust, and as to matters of Florida and Mississippi law upon the opinion dated the date hereof rendered to you by Beggs & Lane, that:

1. The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Maine, is duly qualified to carry on its business as a foreign corporation in the States of Florida, Georgia and Mississippi and has due corporate authority to carry on the public utility business in which it is engaged, to own and operate the properties used by it in such business and to enter into and perform its obligations under the Agreements and the Notes.

2. The execution, delivery and performance by the Company of the Underwriting Agreement have been duly authorized by all necessary corporate action, and the Underwriting Agreement has been duly executed and delivered by the Company.

3. All orders, consents or other authorizations or approvals of the Florida Public Service Commission and the Commission legally required for the issuance and delivery of the Notes and the Guarantee by the Company and the issuance and sale of the Preferred Securities by the Trust have been obtained; such orders are sufficient for the issuance and delivery of the Notes and the Guarantee by the Company and the issuance and sale of the Preferred Securities by the Trust; the issuance and delivery of the Notes and the Guarantee by the Company and the issuance and sale of the Preferred Securities by the Trust conform in all material respects with the terms of such orders; and no other order, consent or other authorization or approval of any Florida or United States governmental body (other than in connection or in compliance with the provisions of the securities or "blue sky" laws of any jurisdiction, as to which we express no opinion) is legally required for the issuance and delivery of the Notes and the Guarantee by the Company and the issuance and sale of the Preferred Securities by the Trust in accordance with the terms of the Underwriting Agreement.

4. The Indenture has been duly authorized, executed and delivered by the Company and, assuming the due authorization, execution and delivery thereof by the Debt Trustee, constitutes a valid and legally binding instrument of the Company, enforceable against the Company in accordance with its terms, subject to the qualifications that the enforceability of the Company's obligations under the Indenture may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); and the Indenture conforms as to legal matters in all material respects to the description thereof in the Final Supplemented Prospectus.

5. The Notes have been duly authorized and executed by the Company and, when authenticated by the Debt Trustee in the manner provided in the Indenture and delivered against payment therefor, will constitute valid and binding obligations of the Company, enforceable against the Company in accordance with their terms, subject to the qualifications that the enforceability of the Company's obligations under the Notes may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); and the Notes conform as to legal matters in all material respects to the description thereof in the Final Supplemented Prospectus.

6. The Guarantee Agreement has been duly authorized, executed and delivered by the Company and constitutes a valid and legally binding instrument of the Company, enforceable

against the Company in accordance with its terms, subject to the qualifications that the enforceability of the Company's obligations under the Guarantee Agreement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); and the Guarantee Agreement conforms as to legal matters in all material respects to the description thereof in the Final Supplemented Prospectus.

7. Each of the Indenture, the Guarantee Agreement and the Trust Agreement has been duly qualified under the Trust Indenture Act of 1939, as amended.

8. Neither the Company nor the Trust is and, after giving effect to the offering and sale of the Preferred Securities, will be an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

9. The Trust Agreement has been duly authorized, executed and delivered by the Company and, assuming due authorization, execution and delivery thereof by the trustees named therein, constitutes a valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, subject to the qualifications that the enforceability of the Company's obligations under the Trust Agreement may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

10. The statements as to matters of law and legal conclusions contained in the Final Supplemented Prospectus under the caption "Certain Federal Income Tax Considerations" are correct in all material respects.

11. To the best of our knowledge, all of the issued and outstanding Common Securities of the Trust are directly owned by the Company, free and clear of any security interest, mortgage, pledge, lien, encumbrance, claim or equitable right.

12. The execution, delivery and performance by the Trust of the Underwriting Agreement and the Trust Agreement; the issuance by the Trust of the Preferred Securities and the Common Securities; the consummation by the Trust of the transactions contemplated thereby; and the compliance by the Trust with its obligations thereunder do not and will not result in any violation of the Trust Agreement or related Certificate of Trust, and do not and will not conflict with, or result in a breach of any of the terms or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or

assets of the Trust under (A) any contract, indenture, mortgage, loan agreement, note, lease or any other agreement or instrument known to us to which the Trust is a party or by which it may be bound or to which any of its properties may be subject (except for such conflicts, breaches or defaults or liens, charges or encumbrances that would not have a material adverse effect on the condition (financial or otherwise) of the Trust), (B) any existing applicable law, rule or regulation applicable to the Trust (other than the securities or "blue sky" laws of any jurisdiction, as to which we express no opinion) or (C) any judgment, order or decree known to us of any government, governmental instrumentality, or court, domestic or foreign, or any regulatory body or administrative agency or other governmental body having jurisdiction over the Trust or any of its properties; and to the best of our knowledge the Trust is not a party to or otherwise bound by any agreement other than those which, or the forms of which, are exhibits (or included in exhibits) to the Registration Statement.

13. The Common Securities have been duly authorized by the Trust Agreement and (subject to the terms of the Trust Agreement), when issued and delivered by the Trust to the Company against payment therefor as described in the Final Supplemented Prospectus, will be validly issued, fully paid and nonassessable undivided beneficial interests in the assets of the Trust; and the issuance of the Common Securities is not subject to preemptive or other similar rights.

14. The Preferred Securities have been duly authorized by the Trust Agreement and (subject to the terms of the Trust Agreement), when delivered to and paid for by the Underwriters pursuant to the Underwriting Agreement, will be validly issued, fully paid and nonassessable undivided beneficial interests in the assets of the Trust; the holders of the Preferred Securities will (subject to the terms of the Trust Agreement) be entitled to the same limitation of personal liability under Delaware law as is extended to stockholders of private corporations for profit organized under the general corporation law of the State of Delaware; the issuance of the Preferred Securities is not subject to preemptive or other similar rights; and the Preferred Securities conform as to legal matters in all material respects to the description thereof in the Final Supplemented Prospectus.

We have not independently verified the accuracy, completeness or fairness of the statements made or included in the Registration Statement, the Final Supplemented Prospectus or the Exchange Act Documents and take no responsibility therefor, except as and to the extent set forth in paragraphs 4, 5, 6, 10 and 14 above. In the course of the preparation by the Company of the Registration Statement, the Final Supplemented Prospectus and the Exchange Act Documents, we participated in conferences with certain officers and employees of the Company, with other counsel to the Company, with representatives of Arthur Andersen LLP and with your counsel. Based upon our examination of the Registration Statement, the Final Supplemented Prospectus and the Exchange Act Documents, our investigations made in connection with the

preparation of the Registration Statement, the Final Supplemented Prospectus and the Exchange Act Documents and our participation in the conferences referred to above, (i) we are of the opinion that the Registration Statement, as of its effective date, and the Final Supplemented Prospectus, as of November 8, 2001, complied as to form in all material respects with the requirements of the Act and the applicable rules and regulations of the Commission thereunder and that the Exchange Act Documents, as of their respective dates of filing with the Commission, complied as to form in all material respects with the relevant requirements of the Exchange Act and the applicable rules and regulations of the Commission thereunder, except that in each case we express no opinion as to the financial statements or other financial or statistical data contained or incorporated by reference in the Registration Statement, the Final Supplemented Prospectus or the Exchange Act Documents, and (ii) nothing came to our attention which gives us reason to believe that the Registration Statement, as of its effective date (including the Exchange Act Documents on file with the Commission as of such date), contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading, or that the Final Supplemented Prospectus (including the Exchange Act Documents) contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that in each case we express no opinion or belief with respect to the financial statements or other financial or statistical data contained or incorporated by reference in the Registration Statement, the Final Supplemented Prospectus or the Exchange Act Documents or with respect to the information contained in the Final Supplemented Prospectus under the caption "Description of the Preferred Securities – Book-Entry Only Issuance – The Depository Trust Company."

We are members of the State Bar of Georgia and we do not express any opinion herein concerning any law other than the law of the State of Georgia and the federal law of the United States and, to the extent set forth herein, the laws of the States of Delaware, Florida, Maine, Mississippi and New York.

This opinion is rendered to you in connection with the above-described transaction. This opinion may not be relied upon by you for any other purpose or relied upon by or furnished to any other person without our prior written consent, except that Beggs & Lane may rely on this opinion in giving its opinion pursuant to Section 5(c) of the Underwriting Agreement insofar as such opinion relates to matters of Georgia law and federal law of the United States and Dewey Ballantine LLP may rely on this opinion in giving its opinion pursuant to Section 5(c) of the Underwriting Agreement insofar as such opinion relates to matters of Georgia law.

Very truly yours,

Troutman Sanders LLP

RICHARDS, LAYTON & FINGER
A PROFESSIONAL ASSOCIATION
ONE RODNEY SQUARE
P.O. BOX 551
WILMINGTON, DELAWARE 19899
(302) 651-7700
FAX (302) 651-7701
WWW.RLF.COM

November 16, 2001

Salomon Smith Barney Inc.
388 Greenwich Street
New York, NY 10013

Re: Gulf Power Capital Trust III

Ladies and Gentlemen:

We have acted as special Delaware counsel for Gulf Power Company, a Maine corporation (the "Company"), and Gulf Power Capital Trust III, a Delaware business trust (the "Trust"), in connection with the matters set forth herein. This opinion is being furnished to you pursuant to Section 5(c)(3) of the Underwriting Agreement, dated November 8, 2001 (the "Underwriting Agreement"), among the Company, the Trust, and Salomon Smith Barney Inc., as Representative for the Underwriters listed in Schedule I thereto.

For purposes of giving the opinions hereinafter set forth, our examination of documents has been limited to the examination of originals or copies of the following:

(a) The Certificate of Trust of the Trust, dated November 26, 1997 (the "Certificate"), as filed in the office of the Secretary of State of the State of Delaware (the "Secretary of State") on November 26, 1997;

(b) The Trust Agreement of the Trust, dated as of November 26, 1997, among the Company and the trustee of the Trust named therein;

(c) The Amended and Restated Trust Agreement dated as of November 1, 2001 (including Exhibits A and C), among the Company, the trustees of the Trust named therein, and the holders, from time to time, of the undivided beneficial interests in the assets of the Trust (the "Trust Agreement");

(d) The Underwriting Agreement;

(e) The Prospectus, dated June 1, 2001 (the "Prospectus"), as supplemented by the Prospectus Supplement dated November 8, 2001 (the "Prospectus Supplement"), relating to the 7.375% Trust Preferred Securities of the Trust representing preferred undivided beneficial interests in the assets of the Trust (each, a "Preferred Security" and collectively, the "Preferred Securities"); and

(f) A Certificate of Good Standing for the Trust, dated November 16, 2001, obtained from the Secretary of State.

Initially capitalized terms used herein and not otherwise defined are used as defined in the Trust Agreement.

For purposes of this opinion, we have not reviewed any documents other than the documents listed in paragraphs (a) through (f) above. In particular, we have not reviewed any document (other than the documents listed in paragraphs (a) through (f) above) that is referred to in or incorporated by reference into the documents reviewed by us. We have assumed that there exists no provision in any document that we have not reviewed that is inconsistent with the opinions stated herein. We have conducted no independent factual investigation of our own but rather have relied solely upon the foregoing documents, the statements and information set forth therein and the additional matters recited or assumed herein, all of which we have assumed to be true, complete and accurate in all material respects.

With respect to all documents examined by us, we have assumed (i) the authenticity of all documents submitted to us as authentic originals, (ii) the conformity with the originals of all documents submitted to us as copies or forms, and (iii) the genuineness of all signatures.

For purposes of this opinion, we have assumed (i) the Trust Agreement constitutes the entire agreement among the parties thereto with respect to the subject matter thereof, including with respect to the creation, operation and termination of the Trust, and the Trust Agreement and the Certificate are in full force and effect and have not been amended, (ii) except to the extent provided in paragraph 1 below, the due organization or due formation or due creation, as the case may be, and valid existence in good standing of each party to the documents examined by us under the laws of the jurisdiction governing its organization or formation or creation, (iii) the legal capacity of natural persons who are parties to the documents examined by us, (iv) except to the extent provided in paragraph 2 below, the power and authority of each of the parties to the documents examined by us to execute and deliver, and to perform its obligations under, such documents, (v) except to the extent provided in paragraph 4 below, the

due authorization, execution and delivery by all parties thereto of all documents examined by us, (vi) the receipt by each Person to whom a Trust Security is to be issued by the Trust (collectively, the "Trust Security Holders") of a Trust Securities Certificate for such Trust Security and the payment for the Trust Security acquired by it, in accordance with the Trust Agreement, the Prospectus and the Prospectus Supplement, and (vii) the issuance and sale of the Trust Securities to the Trust Security Holders in accordance with the Trust Agreement, the Prospectus and the Prospectus Supplement. We have not participated in the preparation of the Prospectus or the Prospectus Supplement.

This opinion is limited to the laws of the State of Delaware (excluding the securities laws of the State of Delaware), and we have not considered and express no opinion on the laws of any other jurisdiction, including federal laws and rules and regulations relating thereto. Our opinions are rendered only with respect to Delaware laws and rules, regulations and orders thereunder which are currently in effect.

Based upon the foregoing, and upon our examination of such questions of law and statutes of the State of Delaware as we have considered necessary or appropriate, and subject to the assumptions, qualifications, limitations and exceptions set forth herein, we are of the opinion that:

1. The Trust has been duly created and is validly existing in good standing as a business trust under the Delaware Business Trust Act, 12 Del. C. § 3801, et seq. (the "Business Trust Act"), and all filings required under the laws of the State of Delaware with respect to the creation and valid existence of the Trust as a business trust have been made.

2. Under the Business Trust Act and the Trust Agreement, the Trust has the trust power and authority to (i) own property and conduct its business, all as described in the Prospectus and the Prospectus Supplement, (ii) execute and deliver, and to perform its obligations under, the Underwriting Agreement, (iii) issue and perform its obligations under the Trust Securities, and (iv) perform its obligations under the Trust Agreement.

3. The Trust Securities have been duly authorized by the Trust Agreement and will be duly and validly issued undivided beneficial interests in the assets of the Trust. Subject to the qualifications set forth in paragraph 6 below, the Preferred Securities are fully paid and nonassessable undivided beneficial interests in the assets of the Trust. Under the Business Trust Act and the Trust Agreement, the Trust Securities are not subject to any preemptive or other similar rights.

4. Under the Business Trust Act and the Trust Agreement, the Underwriting Agreement has been duly authorized by all necessary trust action on the part of the Trust.

5. No authorization, approval, consent or order of any Delaware court or Delaware governmental authority or Delaware agency is required to be obtained by the Trust solely as result of the issuance and sale of the Preferred Securities.

6. The Persons to whom Preferred Securities are to be issued by the Trust (collectively, the "Preferred Security Holders"), as beneficial owners of the Trust, will be entitled to the same limitation of personal liability extended to stockholders of private corporations for profit organized under the General Corporation Law of the State of Delaware. We note that the Preferred Security Holders may be obligated, pursuant to the Trust Agreement, to (i) provide indemnity and/or security in connection with and pay taxes or governmental charges arising from transfers or exchanges of Preferred Securities Certificates and the issuance of replacement Preferred Securities Certificates and (ii) provide security or indemnity in connection with requests of or directions to the Property Trustee to exercise its rights and powers under the Trust Agreement. We also note that the Company, in its capacity as Depositor and not in its capacity as a Holder, has undertaken certain payment obligations as set forth in the Trust Agreement.

7. The Trust Agreement constitutes a valid and binding obligation of the Company, and is enforceable against the Company, in accordance with its terms.

8. The issuance and sale by the Trust of the Trust Securities, the execution, delivery and performance by the Trust of the Underwriting Agreement, the consummation by the Trust of the transactions contemplated by the Underwriting Agreement and the Trust Agreement and compliance by the Trust with its obligations thereunder do not violate (i) any of the provisions of the Certificate or the Trust Agreement or (ii) any applicable Delaware law or Delaware administrative regulation.

9. We have reviewed the statements in the Prospectus under the caption "The Trusts" and the statements in the Prospectus Supplement under the caption "Gulf Power Capital Trust III" and, insofar as they contain statements of Delaware law, such statements are fairly presented.

The opinion expressed in paragraph 7 above is subject, as to enforcement, to the effect upon the Trust Agreement of (i) bankruptcy, insolvency, moratorium, receivership, reorganization, liquidation, fraudulent conveyance and other similar laws relating to or affecting the rights and remedies of creditors generally, (ii) principles of equity, including applicable law relating to fiduciary duties (regardless of whether considered and applied in a proceeding in equity or at law), and (iii) the effect of applicable public policy on the enforcement of provisions related to indemnification. In addition, in connection with the opinion expressed in paragraph 7 above, to the extent that Section 10.05 of the Trust Agreement provides that the Trust Agreement is governed by New York law, we express no opinion concerning Section 10.05 of the Trust Agreement or the effect of Section 10.05 of the Trust Agreement on the Trust Agreement.

We consent to your relying as to matters of Delaware law upon this opinion in connection with the Underwriting Agreement. We consent to the law firms of Beggs & Lane, Troutman Sanders LLP and Dewey Ballantine LLP relying as to matters of Delaware law upon this opinion in connection with opinions to be rendered by them pursuant to the Underwriting Agreement. Except as stated above, without our prior written consent, this opinion may not be furnished or quoted to, or relied upon by, any other Person for any purpose.

Very truly yours,

Richards, Layton & Finger PA

CDK/pm

File No. 70-8461

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM U-1
APPLICATION OR DECLARATION
under
The Public Utility Holding Company Act of 1935

EXHIBIT D. 10.

ALABAMA POWER COMPANY
600 North 18th Street
Birmingham, Alabama 35291

GULF POWER COMPANY
500 Bayfront Parkway
Pensacola, Florida 32501

GEORGIA POWER COMPANY
333 Piedmont Avenue, N.E.
Atlanta, Georgia 30308

MISSISSIPPI POWER COMPANY
2992 West Beach
Gulfport, Mississippi 39501

SAVANNAH ELECTRIC AND POWER COMPANY
600 Bay Street, East
Savannah, Georgia 31401

(Name of company or companies filing this statement
and addresses of principal executive offices)

THE SOUTHERN COMPANY

(Name of top registered holding company parent of each
applicant or declarant)

Art P. Beattie, Vice President,
Secretary and Treasurer
Alabama Power Company
600 North 18th Street
Birmingham, Alabama 35291

Warren E. Tate, Secretary and Treasurer
Gulf Power Company
500 Bayfront Parkway
Pensacola, Florida 32501

Judy M. Anderson, Vice President
and Corporate Secretary
Georgia Power Company
333 Piedmont Avenue, N.E.
Atlanta, Georgia 30308

W. Edgar Gilmore, Secretary
and Treasurer
Mississippi Power Company
2992 West Beach
Gulfport, Mississippi 39501

Kirby R. Willis, Vice President
and Chief Financial Officer
Savannah Electric and Power Company
600 Bay Street, East
Savannah, Georgia 31401

(Names and addresses of agents for service)

The Commission is requested to mail signed copies of all orders,
notices and communications to:

W. L. Westbrook
Financial Vice President
The Southern Company
64 Perimeter Center East
Atlanta, Georgia 30346

John F. Young
Vice President
Southern Company Services, Inc.
One Wall Street, 42nd Floor
New York, New York 10005

John D. McLanahan, Esq.
Troutman Sanders
600 Peachtree Street, N.E., Suite 5200
Atlanta, Georgia 30308-2216

INFORMATION REQUIRED

ITEM 1. DESCRIPTION OF PROPOSED TRANSACTIONS.

A. Alabama Power Company ("Alabama"), Georgia Power Company ("Georgia"), Gulf Power Company ("Gulf"), Mississippi Power Company ("Mississippi") and Savannah Electric and Power Company ("Savannah") are wholly-owned subsidiaries of The Southern Company ("Southern"), a registered holding company under the Public Utility Holding Company Act of 1935, as amended (the "Act"). Alabama, Georgia, Gulf, Mississippi and Savannah are sometimes hereinafter referred to individually as an "Operating Affiliate" and collectively as the "Operating Affiliates." Each Operating Affiliate proposes to organize a separate special purpose subsidiary as either (a) a limited liability company under the Limited Liability Company Act (the "LLC Act") of the State of Alabama in the case of Alabama, of the State of Georgia in the case of Georgia and Savannah, of the State of Florida or Maine in the case of Gulf, of the State of Mississippi in the case of Mississippi, or of the State of Delaware or other jurisdiction considered advantageous in the case of any of the Operating Affiliates, or (b) a limited partnership under the Revised Uniform Limited Partnership Act of the State of Alabama in the case of Alabama, of the State of Georgia in the case of Georgia and Savannah, of the State of Florida or Maine in the case of Gulf, of the State of Mississippi in the case of Mississippi, or of the State of Delaware or other jurisdiction considered advantageous in the case of any of the Operating Affiliates. The special purpose subsidiaries to be so organized

by the Operating Affiliates are hereinafter referred to individually as a "Special Purpose Subsidiary" and collectively as the "Special Purpose Subsidiaries." In the event that any Operating Affiliate organizes its Special Purpose Subsidiary as a limited liability company, such Operating Affiliate may also organize a second special purpose wholly-owned subsidiary under the General Corporation Law of the State of Alabama, the State of Georgia, the State of Florida or Maine, the State of Mississippi, or the State of Delaware or other jurisdiction, as the case may be ("Investment Sub"), for the purpose of acquiring and holding Special Purpose Subsidiary common stock so as to comply with the requirement under the applicable LLC Act that a limited liability company have at least two members. In the event that any Operating Affiliate organizes its Special Purpose Subsidiary as a limited partnership, such Operating Affiliate also may organize an Investment Sub for the purpose of acting as the general partner of such Special Purpose Subsidiary and may acquire, either directly or indirectly through such Investment Sub, a limited partnership interest in such Special Purpose Subsidiary to ensure that such Special Purpose Subsidiary will at all times have a limited partner to the extent required by applicable law.

The respective Special Purpose Subsidiaries then will issue and sell at any time or from time to time in one or more series through December 31, 1997 up to $175 million aggregate par or stated value or liquidation preference of preferred securities described hereinbelow (the "Preferred Securities"), with a par or

stated value or liquidation preference of up to $100 per security, in the case of Alabama; up to $300 million aggregate par or stated value or liquidation preference of Preferred Securities, with a par or stated value or liquidation preference of up to $100 per security, in the case of Georgia; up to $15 million aggregate par or stated value or liquidation preference of Preferred Securities, with a par or stated value or liquidation preference of up to $100 per security, in the case of Gulf; up to $15 million aggregate par or stated value or liquidation preference of Preferred Securities, with a par or stated value or liquidation preference of up to $100 per security, in the case of Mississippi; and up to $10 million aggregate par or stated value or liquidation preference of Preferred Securities, with a par or stated value or liquidation preference of up to $100 per security, in the case of Savannah.

B. Each Operating Affiliate and/or its respective Investment Sub will acquire all of the common stock or all of the general partnership interests, as the case may be, of its Special Purpose Subsidiary for an amount up to 21% of the total equity capitalization from time to time of such Special Purpose Subsidiary (the aggregate of such investment by an Operating Affiliate and its Investment Sub being herein referred to in either case as the "Equity Contribution"). Each Operating Affiliate may issue and sell to its Special Purpose Subsidiary, at any time or from time to time in one or more series, subordinated debentures, promissory notes or other debt

instruments (individually, a "Note" and collectively, the "Notes") governed by an indenture or other document, and such Special Purpose Subsidiary will apply both the Equity Contribution made to it and the proceeds from the sale of Preferred Securities by it from time to time to purchase Notes of such Operating Affiliate. Alternatively, each Operating Affiliate may enter into a loan agreement or agreements with its Special Purpose Subsidiary under which such Special Purpose Subsidiary will loan to the Operating Affiliate (individually, a "Loan" and collectively, the "Loans") both the Equity Contribution to such Special Purpose Subsidiary and the proceeds from the sale of the Preferred Securities by such Special Purpose Subsidiary from time to time, and each Operating Affiliate will issue to its Special Purpose Subsidiary Notes evidencing such borrowings.

C. Each Operating Affiliate may also guarantee (individually, a "Guaranty" and collectively, the "Guaranties") (i) payment of dividends or distributions on the Preferred Securities of its Special Purpose Subsidiary if and to the extent such Special Purpose Subsidiary has declared dividends or distributions out of funds legally available therefor, (ii) payments to the Preferred Securities holders of amounts due upon liquidation of such Special Purpose Subsidiary or redemption of the Preferred Securities of such Special Purpose Subsidiary and (iii) certain additional amounts that may be payable in respect of such Preferred Securities.

D. Each Note will have a term (including any extension) of up to 50 years. Prior to maturity, each Operating Affiliate will pay only interest on its Notes at a rate equal to the dividend or distribution rate on the related series of Preferred Securities, which dividend or distribution rate may be either a fixed rate or an adjustable rate to be determined on a periodic basis by auction or remarketing procedures, in accordance with a formula or formulae based upon certain reference rates, or by other predetermined methods. Such interest payments will constitute each respective Special Purpose Subsidiary's only income and will be used by it to pay monthly dividends or distributions on the Preferred Securities issued by it and dividends or distributions on the common stock or the general partnership interests of such Special Purpose Subsidiary. Dividend payments or distributions on the Preferred Securities will be made monthly, will be cumulative and must be made to the extent that the Special Purpose Subsidiary issuing such Preferred Securities has legally available funds and cash sufficient for such purposes. However, each Operating Affiliate will have the right to defer payment of interest on its Notes for up to five years, provided that if dividends or distributions on the Preferred Securities of any series are not paid for up to 18 consecutive months, then the holders of the Preferred Securities of such series may have the right to appoint a trustee, special general partner or other special representative to enforce the Special Purpose Subsidiary's rights under the related Note and Guaranty. Each

Special Purpose Subsidiary will have the parallel right to defer dividend payments or distributions on the related series of Preferred Securities for up to five years. The dividend or distribution rates, payment dates, redemption and other similar provisions of each series of Preferred Securities will be substantially identical to the interest rates, payment dates, redemption and other provisions of the Note issued by the Operating Affiliate with respect thereto.

E. The Notes and related Guaranties of each Operating Affiliate will be subordinate to all other existing and future indebtedness for borrowed money of such Operating Affiliate and will have no cross-default provisions with respect to other indebtedness of such Operating Affiliate -- i.e., a default under any other outstanding indebtedness of any Operating Affiliate will not result in a default under any Note or Guaranty of such Operating Affiliate. However, each Operating Affiliate may not declare and pay dividends on its outstanding preferred or common stock unless all payments then due under its Notes and Guaranties (without giving effect to the Operating Affiliate's deferral rights discussed above) have been made.

F. It is expected that each Operating Affiliate's interest payments on the Notes issued by it will be deductible for federal income tax purposes and that its Special Purpose Subsidiary will be treated as a partnership for federal income tax purposes. Consequently, holders of the Preferred Securities and each Operating Affiliate (and its respective Investment Sub) will be

deemed to have received partnership distributions in respect of their dividends or distributions from the respective Special Purpose Subsidiary and will not be entitled to any "dividends received deduction" under the Internal Revenue Code. The Preferred Securities of any series, however, may be redeemable at the option of the Special Purpose Subsidiary issuing such series (with the consent or at the direction of the related Operating Affiliate) at a price equal to their par or stated value or liquidation preference, plus any accrued and unpaid dividends or distributions, (i) at any time after a specified date not later than 10 years from their date of issuance, or (ii) upon the occurrence of certain events, among them that (x) such Special Purpose Subsidiary is required to withhold or deduct certain amounts in connection with dividend, distribution or other payments or is subject to federal income tax with respect to interest received on the Notes issued to such Special Purpose Subsidiary, or (y) it is determined that the interest payments by such Operating Affiliate on its Notes are not deductible by the Operating Affiliate for income tax purposes, or (z) such Special Purpose Subsidiary becomes subject to regulation as an "investment company" under the Investment Company Act of 1940, as amended. The Preferred Securities of any series may also be subject to mandatory redemption upon the occurrence of certain events. Each Operating Affiliate also may have the right in certain cases to exchange the Preferred Securities of its Special

Purpose Subsidiary for the Notes or other junior subordinated debt of such Operating Affiliate.

In the event that any Special Purpose Subsidiary is required to withhold or deduct certain amounts in connection with dividend, distribution or other payments, such Special Purpose Subsidiary may also have the obligation to "gross up" such payments so that the holders of the Preferred Securities issued by such Special Purpose Subsidiary will receive the same payment after such withholding or deduction as they would have received if no such withholding or deduction were required. In such event, the related Operating Affiliate's obligations under its Note and Guaranty may also cover such "gross up" obligation. In addition, if any Special Purpose Subsidiary is required to pay taxes with respect to income derived from interest payments on the Notes issued to it, the related Operating Affiliate may be required to pay such additional interest on the Notes as shall be necessary in order that net amounts received and retained by such Special Purpose Subsidiary, after the payment of such taxes, shall result in the Special Purpose Subsidiary's having such funds as it would have had in the absence of such payment of taxes.

G. In the event of any voluntary or involuntary liquidation, dissolution or winding up of any Special Purpose Subsidiary, the holders of the Preferred Securities of such Special Purpose Subsidiary will be entitled to receive, out of the assets of such Special Purpose Subsidiary available for

distribution to its shareholders or partners, before any distribution of assets to the common shareholders or general partner of such Special Purpose Subsidiary, an amount equal to the par or stated value or liquidation preference of such Preferred Securities plus any accrued and unpaid dividends or distributions.

H. The constituent instruments of each Special Purpose Subsidiary, including its Limited Liability Company Agreement or Limited Partnership Agreement, as the case may be, will provide, among other things, that such Special Purpose Subsidiary's activities will be limited to the issuance and sale of Preferred Securities from time to time and the lending to its respective Operating Affiliate or Investment Sub of (i) the proceeds thereof and (ii) the Equity Contribution to such Special Purpose Subsidiary, and certain other related activities. Accordingly, it is proposed that no Special Purpose Subsidiary's constituent instruments include any interest or dividend coverage or capitalization ratio restrictions on its ability to issue and sell Preferred Securities as each such issuance will be supported by an Operating Affiliate Note and Guaranty and such restrictions would therefore not be relevant or necessary for any Special Purpose Subsidiary to maintain an appropriate capital structure.

Each Special Purpose Subsidiary's constituent instruments will further state that its common stock or general partnership interests are not transferable (except to certain permitted successors), that its business and affairs will be managed and

controlled by the respective Operating Affiliate and/or its Investment Sub (or permitted successor), and that such Operating Affiliate (or permitted successor) will pay all expenses of its Special Purpose Subsidiary.

I. The Operating Affiliates believe that the proposed Preferred Securities programs will provide substantial benefits over traditional perpetual preferred stock issuances. While the Operating Affiliates expect that the Preferred Securities will carry a somewhat higher "dividend" rate than a perpetual preferred issue, the expected tax deductibility of interest payments on the related Notes will afford increased cash flow and net income and then ultimately lower customer rates. Moreover, the Operating Affiliates are informed that the market for securities comparable to the Preferred Securities currently is broader than that for perpetual preferred stocks, thus affording potential benefits in the form of more relatively competitive pricing conditions. At the same time, the Operating Affiliates understand that the financial markets will view the financing that each Operating Affiliate obtains through the Preferred Securities program as having essentially the same equity characteristics as would be the case if such Operating Affiliate were to issue traditional perpetual preferred stock. The Operating Affiliates also understand that the rating agencies will view the financing that each Operating Affiliate obtains through the Preferred Securities program as having equity characteristics somewhere between sinking fund preferred stock

and traditional perpetual preferred stock. Indeed, based on an assumed dividend rate of about 8 1/4% for an Operating Affiliate perpetual preferred issue and an assumed 8 3/4% dividend rate for the Preferred Securities, the Operating Affiliates believe that over the assumed 30 year life of a $100 million Preferred Securities issue approximately $36.6 million of savings, on a net present value basis, would be achieved. The Preferred Securities will be carried in the non-debt capitalization section of the respective Operating Affiliates' balance sheets. The Notes, so long as they are inter-company obligations, will not appear on the respective Operating Affiliates' balance sheets.

J. **Compliance with Rule 54.** Under Rule 54, in determining whether to approve the issue or sale of a security by a registered holding company for purposes other than the acquisition of an "exempt wholesale generator" or "foreign utility company", or other transactions by such registered holding company or its subsidiaries other than with respect to "exempt wholesale generators" or "foreign utility companies", the Commission shall not consider the effect of the capitalization or earnings of any subsidiary which is an "exempt wholesale generator" or a "foreign utility company" upon the registered holding company system if Rules 53(a), (b) and (c) are satisfied. In that regard, assuming the adoption of the matters contemplated in this application, all of the conditions set forth in Rule 53(a) are and will be satisfied and none of the conditions set forth in Rule 53(b) exists or, as a result thereof, will exist.

Rule 53(a)(1): Assuming full utilization of $500 million of proceeds of the sale of Common Stock (as authorized in HCAR No. 25980) and/or the use of up to $500 million of the proceeds of short-term borrowings and/or commercial paper sales (as authorized in HCAR No. 26004), to make investments in "exempt wholesale generators" and "foreign utility companies," or the guaranty by Southern of up to $500 million of securities of any "exempt wholesale generators" or "foreign utility companies" (as authorized by HCAR No. 25980), the combination of which may not exceed $500 million, Southern's "aggregate investment" in such entities would be approximately 27.4% of "consolidated retained earnings," as defined in Rule 53(a)(1)(ii), of Southern, determined as follows: At June 30, 1994, Southern had invested, directly or indirectly, an aggregate of $413.3 million in "exempt wholesale generators" and "foreign utility companies," [1] and had utilized for this purpose approximately $97.7 million of the authorized proceeds of common stock, debt and/or guarantees. The average of the consolidated retained earnings of Southern reported on Form 10-K or Form 10-Q, as applicable, for the four consecutive quarters ended June 30, 1994, is $2.975 billion. Southern's "aggregate investment," on a pro forma basis, expressed as a percentage of "consolidated retained earnings," is

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[1] These investments were in companies or partnerships that are "exempt wholesale generators," as defined in Section 32, operating or constructing facilities in Hawaii and Virginia, and in "foreign utility companies," as defined in Section 33, operating in The Grand Bahamas, Chile and Argentina.

approximately 27.4% ($413.3 million + $402.3 million divided by $2.975 billion).

Rule 53(a)(2): Southern maintains books and records enabling it to identify investments in and earnings from each "exempt wholesale generator" and "foreign utility company" in which it directly or indirectly holds an interest. In addition, each domestic "exempt wholesale generator" in which Southern holds an interest maintains its books and records and prepares its financial statements in conformity with U.S. generally accepted accounting principles ("GAAP"). The books and records and financial statements of each "foreign utility company" in which Southern holds an interest (including those that are "majority-owned subsidiaries" and those that are not) are maintained and prepared in conformity with GAAP. All of such books and records and financial statements will be made available to the Commission, in English, upon request.

Rule 53(a)(3): No more than 2% of the employees of Southern's operating utility subsidiaries will, at any one time, directly or indirectly, render services to "exempt wholesale generators" and "foreign utility companies." Based on current staffing levels of Southern's domestic operating utility subsidiaries (such companies currently employ, in the aggregate, approximately 27,000 salaried and hourly employees), no more than 540 employees of these companies, in the aggregate, determined on a full-time-equivalent basis, will be utilized at any one time in rendering services directly or indirectly to "exempt wholesale

generators" and "foreign utility companies." In a separate proceeding (File No. 70-7932) certain of Southern's subsidiaries are requesting authority to render services to "exempt wholesale generators" and "foreign utility companies," as required by Rule 53(a).

Rule 53(a)(4): Southern is simultaneously submitting a copy of this Application or Declaration, and will submit copies of any Rule 24 certificates required hereunder, as well as a copy of Southern's Form U5S, to the Federal Energy Regulatory Commission and to the appropriate public service commission(s) having jurisdiction over the retail rates of Southern's operating utility subsidiaries.

In addition, Southern states that the provisions of Rule 53(a) are not made inapplicable to the authorization herein requested by reason of the provisions of Rule 53(b).

Rule 53(b)(1): Neither Southern nor any subsidiary of Southern is the subject of any pending bankruptcy or similar proceeding.

Rule 53(b)(2): Southern's average consolidated retained earnings for the four most recent quarterly periods ($2.975 billion) represented an increase of approximately $51 million in the average consolidated retained earnings for the previous four quarterly periods ($2.924 billion).

Rule 53(b)(3): In the previous fiscal year, Southern did not report any operating losses attributable to its direct or

indirect investments in "exempt wholesale generators" and "foreign utility companies.

K. Each Operating Affiliate, individually, expects to apply the net proceeds of the Loans to the repayment of outstanding short-term debt, for construction purposes, and for other general corporate purposes, including the redemption or other retirement of outstanding senior securities. Each Operating Affiliate, individually, represents that it will not so redeem its outstanding securities unless the estimated present value savings derived from the difference between interest or dividend payments on a new issue of comparable securities and those securities refunded is on an after-tax basis greater than the estimated present value of all redemption, tendering and issuing costs, assuming an appropriate discount rate. Such discount rate will be based on meeting each Operating Affiliate's long-term capital structure goals, with appropriate adjustments for income taxes.

ITEM 2. FEES, COMMISSIONS AND EXPENSES.

The estimated fees, commissions and expenses to be incurred in connection herewith will be filed by amendment.

ITEM 3. APPLICABLE STATUTORY PROVISIONS.

A. The acquisition by each Operating Affiliate of shares of the capital stock or partnership interests of its Special Purpose Subsidiary and shares of the capital stock of its

respective Investment Sub, the acquisition by each Operating Affiliate's respective Investment Sub of shares of the capital stock or partnership interests of Special Purpose Subsidiary, and the acquisition by Special Purpose Subsidiary of the Notes and Guaranties are subject to Sections 9(a), 10 and 12(b) of the Act and Rule 45 thereunder.

B. The issuance and sale of the Preferred Securities by the Special Purpose Subsidiaries are subject to Sections 6(a) and 7 of the Act and Rule 54 thereunder.

C. Each Operating Affiliate considers that the issuance of its Notes and Guaranties to Special Purpose Subsidiary will be exempt from Sections 6(a) and 7 of the Act by virtue of Rule 45(b)(1) thereunder.

ITEM 4. REGULATORY APPROVALS

A. The issuance of the respective Notes by Alabama, Georgia, Gulf and Savannah has or will have been authorized by the Alabama Public Service Commission in the case of Alabama, the Georgia Public Service Commission in the case of Georgia and Savannah and the Florida Public Service Commission in the case of Gulf.

B. No other state commission (except as aforesaid) has jurisdiction with respect to the subject transactions and no federal commission other than the Securities and Exchange Commission has jurisdiction with respect thereto. The Operating Affiliates consider that the Special Purpose Subsidiaries will be

exempt from regulation under the Investment Company Act of 1940, as amended, pursuant to the "finance company" exemption afforded by Rule 3a-5 under such Act.

ITEM 5. PROCEDURE.

It is hereby requested that the Commission's order be issued as soon as the rules allow, and that there be no thirty-day waiting period between the issuance of the Commission's order and the date on which it is to become effective. The Operating Affiliates hereby waive a recommended decision by a hearing officer or other responsible officer of the Commission and hereby consent that the Division of Investment Management may assist in the preparation of the Commission's decision and/or order in this matter unless such Division opposes the matters covered hereby.

ITEM 6. EXHIBITS AND FINANCIAL STATEMENTS.

A. Exhibits:

A-1 Form of Certificate of Formation of Special Purpose Subsidiary -- to be filed by amendment.

A-2 Form of Limited Liability Company Agreement of Special Purpose Subsidiary -- to be filed by amendment.

A-3 Form of Limited Partnership Agreement of Special Purpose Subsidiary -- to be filed by amendment.

B-1 Form of Indenture or Loan Agreement -- to be filed by amendment.

B-2 Form of Note to be issued by each Operating Affiliate to its respective Special Purpose Subsidiary -- to be filed by amendment.

B-3 Form of Guaranty -- to be filed by amendment.

B-4 Form of Underwriting Agreement -- to be filed by amendment.

C Registration Statement under the Securities Act of 1933, as amended, relating to the various securities which are the subject hereof -- to be filed by amendment.

F-1 Opinion of Balch & Bingham, counsel for Alabama -- to be filed by amendment.

F-2 Opinion of Troutman Sanders, counsel for Georgia -- to be filed by amendment.

F-3 Opinion of Beggs & Lane, counsel for Gulf -- to be filed by amendment.

F-4 Opinion of Eaton and Cottrell, P.A., counsel for Mississippi -- to be filed by amendment.

F-5 Opinion of Bouhan, Williams & Levy, counsel for Savannah -- to be filed by amendment.

G Estimated sources of funds -- to be filed by amendment.

H Proposed form of notice.

B. Financial Statements -- to be filed by amendment.

ITEM 7. INFORMATION AS TO ENVIRONMENTAL EFFECTS.

A. As described in Item 1, the proposed transactions are of a routine and strictly financial nature in the ordinary course of the respective Operating Affiliates' businesses. Accordingly, the Commission's action in this matter will not constitute any major federal action significantly affecting the quality of the human environment.

B. No other federal agency has prepared or is preparing an environmental impact statement with respect to the proposed transactions.

SIGNATURES

Pursuant to the requirements of the Public Utility Holding Company Act of 1935, the undersigned companies have duly caused this statement to be signed on their behalf by the undersigned thereunto duly authorized.

Date: August 29, 1994

ALABAMA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GEORGIA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GULF POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

MISSISSIPPI POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

SAVANNAH ELECTRIC AND POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO 1
TO
FORM U-1
APPLICATION OR DECLARATION
under
The Public Utility Holding Company Act of 1935

ALABAMA POWER COMPANY
600 North 18th Street
Birmingham, Alabama 35291

GULF POWER COMPANY
500 Bayfront Parkway
Pensacola, Florida 32501

GEORGIA POWER COMPANY
333 Piedmont Avenue, N.E.
Atlanta, Georgia 30308

MISSISSIPPI POWER COMPANY
2992 West Beach
Gulfport, Mississippi 39501

SAVANNAH ELECTRIC AND POWER COMPANY
600 Bay Street, East
Savannah, Georgia 31401

(Name of company or companies filing this statement
and addresses of principal executive offices)

THE SOUTHERN COMPANY

(Name of top registered holding company parent of each
applicant or declarant)

Art P. Beattie, Vice President,
Secretary and Treasurer
Alabama Power Company
600 North 18th Street
Birmingham, Alabama 35291

Warren E. Tate, Secretary
and Treasurer
Gulf Power Company
500 Bayfront Parkway
Pensacola, Florida 32501

Judy M. Anderson, Vice President
and Corporate Secretary
Georgia Power Company
333 Piedmont Avenue, N.E.
Atlanta, Georgia 30308

Thomas A. Fanning, Vice President,
Secretary and Treasurer
Mississippi Power Company
2992 West Beach
Gulfport, Mississippi 39501

Kirby R. Willis, Vice President
and Chief Financial Officer
Savannah Electric and Power Company
600 Bay Street, East
Savannah, Georgia 31401

(Names and addresses of agents for service)

The Commission is requested to mail signed copies of all orders,
notices and communications to:

W. L. Westbrook
Financial Vice President
The Southern Company
64 Perimeter Center East
Atlanta, Georgia 30346

John F. Young
Vice President
Southern Company Services, Inc.
One Wall Street, 42nd Floor
New York, New York 10005

John D. McLanahan, Esq.
Troutman Sanders
600 Peachtree Street, N.E., Suite 5200
Atlanta, Georgia 30308-2216

ITEM 6. EXHIBITS AND FINANCIAL STATEMENTS.

A. Exhibits:

A-1 - Certificate of Limited Partnership of Georgia Power Capital, L.P.

A-2 - Form of Amended and Restated Agreement of Limited Partnership of Georgia Power Capital, L.P.

A-3 - Form of Action of Georgia Power Company, as General Partner of Georgia Power Capital, L.P., creating fixed rate Preferred Securities.

B-1 - Form of Indenture between Georgia Power Company and Trust Company Bank.

B-2 - Form of Supplemental Indenture between Georgia Power Company and Trust Company Bank.

B-3 - Form of Guarantee Agreement of Georgia Power Company with respect to Preferred Securities.

B-4 - Form of Underwriting Agreement.

C-1 - Registration Statement under the Securities Act of 1933.

B. Financial Statements.

Balance sheet of Georgia at September 30, 1994. (Designated in Georgia's Form 10-Q for the quarter ended September 30, 1994, File No. 1-6468.)

Statements of Income of Georgia for the twelve months ended September 30, 1994. (Designated in Georgia's Form 10-Q for the quarter ended September 30, 1994, File No. 1-6468.)

SIGNATURES

Pursuant to the requirements of the Public Utility Holding Company Act of 1935, the undersigned companies have duly caused this amendment to be signed on their behalf by the undersigned thereunto duly authorized.

Date: November 16, 1994

ALABAMA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GEORGIA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GULF POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

MISSISSIPPI POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

SAVANNAH ELECTRIC AND POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

File No. 70-8461

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO 2
TO
FORM U-1
APPLICATION OR DECLARATION
under
The Public Utility Holding Company Act of 1935

ALABAMA POWER COMPANY
600 North 18th Street
Birmingham, Alabama 35291

GULF POWER COMPANY
500 Bayfront Parkway
Pensacola, Florida 32501

GEORGIA POWER COMPANY
333 Piedmont Avenue, N.E.
Atlanta, Georgia 30308

MISSISSIPPI POWER COMPANY
2992 West Beach
Gulfport, Mississippi 39501

SAVANNAH ELECTRIC AND POWER COMPANY
600 Bay Street, East
Savannah, Georgia 31401

(Name of company or companies filing this statement
and addresses of principal executive offices)

THE SOUTHERN COMPANY

(Name of top registered holding company parent of each
applicant or declarant)

Art P. Beattie, Vice President,
Secretary and Treasurer
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500 Bayfront Parkway
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and Corporate Secretary
Georgia Power Company
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Atlanta, Georgia 30308

Thomas A. Fanning, Vice President,
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Mississippi Power Company
2992 West Beach
Gulfport, Mississippi 39501

Kirby R. Willis, Vice President
and Chief Financial Officer
Savannah Electric and Power Company
600 Bay Street, East
Savannah, Georgia 31401

(Names and addresses of agents for service)

The Commission is requested to mail signed copies of all orders,
notices and communications to:

W. L. Westbrook
Financial Vice President
The Southern Company
64 Perimeter Center East
Atlanta, Georgia 30346

John F. Young
Vice President
Southern Company Services, Inc.
One Wall Street, 42nd Floor
New York, New York 10005

John D. McLanahan, Esq.
Troutman Sanders
600 Peachtree Street, N.E., Suite 5200
Atlanta, Georgia 30308-2216

ITEM 1. DESCRIPTION OF PROPOSED TRANSACTIONS.

Item 1 is hereby amended by adding thereto the following:

Georgia proposes to organize its Special Purpose Subsidiary, Georgia Power Capital, L.P. ("Georgia Power Capital"), as a limited partnership under the Delaware Revised Uniform Limited Partnership Act. Georgia will be the sole general partner of Georgia Power Capital and, in such capacity, will agree to pay its costs and expenses. Georgia further proposes to organize an Investment Sub, Georgia Power LP Holdings Corp. ("Georgia Power Holdings"), as a Georgia corporation. It is proposed that such Investment Sub will serve as a limited partner of Georgia Power Capital but, upon the issuance of the Series A Preferred Securities described herein, will have no interest in the profits and dividends or in the assets of Georgia Power Capital. The sole purpose of Georgia Power Holdings is to ensure that Georgia Power Capital will at all times have a limited partner as required by applicable Delaware law.

It is proposed that Georgia Power Capital will issue 4,000,000 of its 9% Cumulative Monthly Income Preferred Securities, Series A (the "Series A Preferred Securities"), with a liquidation preference of $25 per Series A Preferred Security and an aggregate liquidation preference of $100,000,000. The proceeds realized by Georgia Power Capital from the sale of the Series A Preferred Securities, together with Georgia's capital contribution to Georgia Power Capital in the amount of $3,100,000, will be loaned to Georgia, such loan to be evidenced

by $103,100,000 aggregate principal amount of Georgia's 9% Junior Subordinated Deferrable Interest Debentures, Series A, due December 19, 2024 (the "Series A Junior Subordinated Debentures").

It is proposed that Georgia Power Capital will issue and sell the Series A Preferred Securities pursuant to an underwriting agreement among Georgia Power Capital, Georgia and a group of underwriters headed by Goldman, Sachs & Co. Pursuant to such underwriting agreement, such underwriters will purchase the Series A Preferred Securities from Georgia Power Capital at a purchase price of $25 per Series A Preferred Security (an aggregate of $100,000,000). In addition, in view of the fact that the proceeds of the sale of the Series A Preferred Securities will be loaned to Georgia, Georgia will agree to pay to the underwriters, as compensation for their services, $.7875 per Series A Preferred Security; provided, that such compensation will be $.50 per Series A Preferred Security sold to certain institutions.

Cash distributions on the Series A Preferred Securities will be cumulative from the date of original issuance at an annual rate of 9% of the liquidation preference of $25 per Series A Preferred Security and will be payable monthly in arrears on the last day of each calendar month of each year ("Dividends"). Dividends in arrears for more than one month will bear interest thereon at the rate per annum of 9% thereof. The Series A Junior Subordinated Debentures will similarly bear interest at the rate

of 9% per annum, payable monthly in arrears. Georgia will have the right from time to time to defer the payment of interest on the Series A Junior Subordinated Debentures for a period not exceeding 60 consecutive months, at the end of each of which extension periods all accrued and unpaid interest (together with interest thereon at the rate of 9% per annum) will be due and payable. As a consequence of any such extension of the interest payment period on the Series A Junior Subordinated Debentures, monthly Dividends on the Series A Preferred Securities would be correspondingly deferred.

Georgia will guarantee (the "Guarantee") the following payments with respect to the Series A Preferred Securities to the extent not paid by Georgia Power Capital:

(i) any accrued and unpaid Dividends that are required to be paid on the Series A Preferred Securities to the extent Georgia Power Capital shall have sufficient cash on hand to permit such payment and funds legally available therefor,

(ii) the redemption price, including all accrued and unpaid Dividends, payable out of funds legally available therefor, with respect to any Series A Preferred Securities called for redemption by Georgia Power Capital, and

(iii) upon a liquidation of Georgia Power Capital, the lesser of (a) the aggregate of the liquidation preference and all accrued and unpaid Dividends on the Series A Preferred Securities to the date of payment and (b) the

amount of assets of Georgia Power Capital remaining available for distribution to holders of Series A Preferred Securities in liquidation of Georgia Power Capital, payable in kind.

The Series A Preferred Securities will be redeemable at the option of Georgia Power Capital, in whole or in part, from time to time, on or after December 19, 1999, at $25 per Series A Preferred Security plus accrued and unpaid Dividends thereon to the date fixed for redemption, payable in cash. Upon any such redemption of Series A Preferred Securities in accordance with the terms thereof, the Series A Junior Subordinated Debentures will become due and payable in a principal amount equal to the aggregate stated liquidation preference of the Series A Preferred Securities so redeemed.

In addition, upon the occurrence of certain special events arising from a change in law or a change in legal interpretation or other specified circumstances relating to tax matters and the Investment Company Act of 1940, as amended, Georgia shall elect to either (i) cause Georgia Power Capital to redeem the Series A Preferred Securities in whole at the redemption price as aforesaid, or (ii) dissolve Georgia Power Capital and, after satisfaction of creditors as required by applicable Delaware law, cause Series A Junior Subordinated Debentures to be distributed to the holders of the Series A Preferred Securities in liquidation of Georgia Power Capital. In the case of such a special event relating to tax matters, Georgia may alternatively

elect to cause the Series A Preferred Securities to remain outstanding.

It is considered that the record is now complete with respect to the issuance by Georgia Power Capital of the Series A Preferred Securities and the related issuance by Georgia of the Series A Junior Subordinated Debentures and the Guarantee as described herein. Accordingly, an order with respect to such transactions is hereby requested. It is hereby requested that jurisdiction be reserved with respect to the other transactions proposed in these proceedings.

ITEM 2. FEES, COMMISSIONS AND EXPENSES.

The estimated fees and expenses to be incurred by Georgia in connection herewith are as follows:

Filing fees - Securities and Exchange Commission	
Registration Statement	$34,483
Form U-1	2,000
Charges of Trustee	13,500
Listing on New York Stock Exchange	44,300
Printing charges	30,000
Rating Agency Fees	
Moody's Investors Service, Inc.	22,500
Standard & Poor's Corporation	7,500
Duff and Phelps, Inc.	10,000
Services of Southern Company Services, Inc.	30,000
Fees and Expenses of counsel	125,000
Blue sky fees and expenses	2,500
Fees of accountants, Arthur Andersen LLP	50,000
Miscellaneous	8,217
TOTAL	$380,000

ITEM 6. EXHIBITS AND FINANCIAL STATEMENTS.

A. Exhibits:

C-2 - Amendment No. 1 to Registration Statement under the Securities Act of 1933.

F-2 - Opinion of Troutman Sanders, counsel for Georgia.

SIGNATURES

Pursuant to the requirements of the Public Utility Holding Company Act of 1935, the undersigned companies have duly caused this amendment to be signed on their behalf by the undersigned thereunto duly authorized.

Date: December 14, 1994

ALABAMA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GEORGIA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GULF POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

MISSISSIPPI POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

SAVANNAH ELECTRIC AND POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

File No. 70-8461

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO 3
TO
FORM U-1
APPLICATION OR DECLARATION
under
The Public Utility Holding Company Act of 1935

ALABAMA POWER COMPANY
600 North 18th Street
Birmingham, Alabama 35291

GULF POWER COMPANY
500 Bayfront Parkway
Pensacola, Florida 32501

GEORGIA POWER COMPANY
333 Piedmont Avenue, N.E.
Atlanta, Georgia 30308

MISSISSIPPI POWER COMPANY
2992 West Beach
Gulfport, Mississippi 39501

SAVANNAH ELECTRIC AND POWER COMPANY
600 Bay Street, East
Savannah, Georgia 31401

(Name of company or companies filing this statement and addresses of principal executive offices)

THE SOUTHERN COMPANY

(Name of top registered holding company parent of each applicant or declarant)

Art P. Beattie, Vice President,
Secretary and Treasurer
Alabama Power Company
600 North 18th Street
Birmingham, Alabama 35291

Warren E. Tate, Secretary
and Treasurer
Gulf Power Company
500 Bayfront Parkway
Pensacola, Florida 32501

Judy M. Anderson, Vice President
and Corporate Secretary
Georgia Power Company
333 Piedmont Avenue, N.E.
Atlanta, Georgia 30308

Thomas A. Fanning, Vice President,
Secretary and Treasurer
Mississippi Power Company
2992 West Beach
Gulfport, Mississippi 39501

Kirby R. Willis, Vice President
and Chief Financial Officer
Savannah Electric and Power Company
600 Bay Street, East
Savannah, Georgia 31401

(Names and addresses of agents for service)

The Commission is requested to mail signed copies of all orders, notices and communications to:

W. L. Westbrook
Financial Vice President
The Southern Company
64 Perimeter Center East
Atlanta, Georgia 30346

John F. Young
Vice President
Southern Company Services, Inc.
One Wall Street, 42nd Floor
New York, New York 10005

John D. McLanahan, Esq.
Troutman Sanders
600 Peachtree Street, N.E., Suite 5200
Atlanta, Georgia 30308-2216

ITEM 1. DESCRIPTION OF PROPOSED TRANSACTIONS.

Item 1 is hereby amended by adding thereto the following:

"The proceeds from the sale of the Series A Preferred Securities (as defined in Amendment No. 2 to this proceeding) will be loaned by Georgia Power Capital to Georgia, such loan to be evidenced by the Series A Junior Subordinated Debentures (as defined in said Amendment No. 2) and ultimately will be used by Georgia for general corporate purposes, including repayment of outstanding short-term debt. None of such proceeds will be used by Georgia or any associate company thereof for the acquisition of an interest in an "exempt wholesale generator" or a "foreign utility company" as defined in Sections 32 and 33, respectively, of the Act."

SIGNATURES

Pursuant to the requirements of the Public Utility Holding Company Act of 1935, the undersigned companies have duly caused this amendment to be signed on their behalf by the undersigned thereunto duly authorized.

Date: December 15, 1994

ALABAMA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GEORGIA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GULF POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

MISSISSIPPI POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

SAVANNAH ELECTRIC AND POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO. 4
TO
FORM U-1
APPLICATION OR DECLARATION
under
The Public Utility Holding Company Act of 1935

ALABAMA POWER COMPANY
600 North 18th Street
Birmingham, Alabama 35291

GULF POWER COMPANY
500 Bayfront Parkway
Pensacola, Florida 32501

GEORGIA POWER COMPANY
333 Piedmont Avenue, N.E.
Atlanta, Georgia 30308

MISSISSIPPI POWER COMPANY
2992 West Beach
Gulfport, Mississippi 39501

SAVANNAH ELECTRIC AND POWER COMPANY
600 Bay Street, East
Savannah, Georgia 31401

(Name of company or companies filing this statement and addresses of principal executive offices)

THE SOUTHERN COMPANY

(Name of top registered holding company parent of each applicant or declarant)

Art P. Beattie, Vice President,
Secretary and Treasurer
Alabama Power Company
600 North 18th Street
Birmingham, Alabama 35291

Warren E. Tate, Secretary
and Treasurer
Gulf Power Company
500 Bayfront Parkway
Pensacola, Florida 32501

Judy M. Anderson, Vice President
and Corporate Secretary
Georgia Power Company
333 Piedmont Avenue, N.E.
Atlanta, Georgia 30308

Michael W. Southern, Vice
President, Secretary and Treasurer
Mississippi Power Company
2992 West Beach
Gulfport, Mississippi 39501

Kirby R. Willis, Vice President, Treasurer
and Chief Financial Officer
Savannah Electric and Power Company
600 Bay Street, East
Savannah, Georgia 31401

(Names and addresses of agents for service)

The Commission is requested to mail signed copies of all orders, notices and communications to:

W. L. Westbrook
Financial Vice President
The Southern Company
64 Perimeter Center East
Atlanta, Georgia 30346

John D. McLanahan, Esq.
Troutman Sanders LLP
600 Peachtree Street, N.E.
Suite 5200
Atlanta, Georgia 30308-2216

ITEM 1. DESCRIPTION OF PROPOSED TRANSACTIONS.

Item 1 is hereby amended by adding thereto the following:

Each Operating Affiliate proposes that, in addition to a Special Purpose Subsidiary organized as either a limited liability company or a limited partnership, such Special Purpose Subsidiary may be organized as a trust (a "Trust"). Except as described below, the proposed Preferred Securities transactions effected through a Trust will be carried out in the same manner, will have the same terms and conditions, and will be subject to the same rules and regulations as the proposed Preferred Securities transactions effected through a Special Purpose Subsidiary organized as a limited liability company or limited partnership.

Each Operating Affiliate further proposes that, in addition to, or as an alternative to, any tax-advantaged preferred equity financing transaction through a Special Purpose Subsidiary, it may issue Notes of such Operating Affiliate directly to investors without an intervening Special Purpose Subsidiary. Such Notes will be unsecured and subordinated obligations of the Operating Affiliate.

A. In the case of a Trust, the Operating Affiliate will establish the Trust by depositing its Equity Contribution with an independent trustee (the "Trustee") under a declaration of trust or trust agreement. It is contemplated that, at the closing of a Preferred Securities offering, the Trust simultaneously will (i) issue to investors for cash a senior class of trust certificates constituting the Preferred Securities (as defined in connection

with the other types of Special Purpose Subsidiaries), (ii) purchase from the Operating Affiliate a Note, and (iii) pay for the Note by delivering to the Operating Affiliate the cash proceeds of the Preferred Securities received from investors and a junior trust certificate representing the Equity Contribution (the "Junior Certificate").

The holders of the Preferred Securities and the Junior Certificate will receive as distributions on payment dates their pro rata shares of payments received by the Trust on the Note, except that, in the event of default or partial payment by the Operating Affiliate on the Note, the payment entitlement of the Operating Affiliate as holder of the Junior Certificate will be subordinated to the payment entitlement of the investors as holders of the Preferred Securities. Similarly, if on liquidation of the Trust, the proceeds from the sale or other liquidation of the Trust's assets were not sufficient to fully satisfy the payment entitlements of the Preferred Securities and the Junior Certificate with respect to principal, the payment entitlement with respect to principal of the Operating Affiliate as holder of the Junior Certificate will be subordinated to the payment entitlement of the investors as holders of the Preferred Securities. The Trust Agreement will provide that holders of Preferred Securities will have only the rights expressly granted to them by the Trust Agreement, including the right to receive distributions and certain consensual rights expressly provided.

The Operating Affiliate, as grantor of the Trust, will select the Trustee. Additionally, unless and until there is a

default on the Note, (i) the Operating Affiliate will have the right to replace the Trustee, subject to any Trustee eligibility requirements set forth in the Trust Agreement, and (ii) consensual rights exercised by holders of Preferred Securities generally will be exercised by the Operating Affiliate, subject to certain protections for holders of Preferred Securities. If a default under the Note occurs, the holders of Preferred Securities would have the right to replace the Trustee. The Trustee would be required under the Trust Agreement to enforce the Trust's rights under the Note.

As in the case of a limited liability company or limited partnership as a Special Purpose Subsidiary, the Note issued to the Trust will have a stated maturity (including any extension) of up to 50 years and will not be convertible into any other securities or assets of either the Operating Affiliate or the Trust. The payment terms of the Note will be like those in a Preferred Securities offering through a limited liability company or limited partnership (including, for example, the Operating Affiliate's right to defer interest payments on the Note for up to five years), and it is proposed that distributions with respect to Preferred Securities (and interest payments on the related Note) may be payable on any periodic basis (monthly, quarterly, semi-annually, etc.). The Trust Agreement may provide that the Operating Affiliate will guarantee distributions by the Trustee to holders of Preferred Securities subject to the Trustee having sufficient funds available for such distributions from payments received on the Note, and the Operating Affiliate, as

grantor under the Trust Agreement, may agree to pay the expenses of the Trust.

It is contemplated that, for Federal income tax purposes, the Trust will be treated as a passive grantor trust and not as a partnership. Accordingly, as in the case of a limited liability company or limited partnership Special Purpose Subsidiary, the Trust will not be subject to tax and the Operating Affiliate and investors holding Preferred Securities will be treated as the owners of the Trust and will be required to include in income their proportionate shares of the income of the Trust. However, the information reporting procedure for a Trust would differ from the procedures used when the Special Purpose Subsidiary is a limited liability company or a limited partnership. Investors would receive tax reporting information from their brokers on an IRS Form 1099, rather than the Schedule K-1.

It is anticipated that the Trust will be exempt from status as an "investment company" under the Investment Company Act of 1940, as amended, in reliance on the finance subsidiary rule (Rule 3a-5).

B. As stated above, each Operating Affiliate further proposes that such Operating Affiliate may issue and sell its Notes directly to investors, rather than utilizing a Special Purpose Subsidiary as a financing vehicle.

SIGNATURES

Pursuant to the requirements of the Public Utility Holding Company Act of 1935, the undersigned companies have duly caused this amendment to be signed on their behalf by the undersigned thereunto duly authorized.

Date: October 10, 1995

ALABAMA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GEORGIA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GULF POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

MISSISSIPPI POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

SAVANNAH ELECTRIC AND POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO. 5
(Post-Effective No. 2)
TO
FORM U-1
APPLICATION OR DECLARATION
under
The Public Utility Holding Company Act of 1935

ALABAMA POWER COMPANY
600 North 18th Street
Birmingham, Alabama 35291

GULF POWER COMPANY
500 Bayfront Parkway
Pensacola, Florida 32501

GEORGIA POWER COMPANY
333 Piedmont Avenue, N.E.
Atlanta, Georgia 30308

MISSISSIPPI POWER COMPANY
2992 West Beach
Gulfport, Mississippi 39501

SAVANNAH ELECTRIC AND POWER COMPANY
600 Bay Street, East
Savannah, Georgia 31401

(Name of company or companies filing this statement and addresses of principal executive offices)

THE SOUTHERN COMPANY

(Name of top registered holding company parent of each applicant or declarant)

Art P. Beattie, Vice President,
Secretary and Treasurer
Alabama Power Company
600 North 18th Street
Birmingham, Alabama 35291

Warren E. Tate, Secretary
and Treasurer
Gulf Power Company
500 Bayfront Parkway
Pensacola, Florida 32501

Judy M. Anderson, Vice President
and Corporate Secretary
Georgia Power Company
333 Piedmont Avenue, N.E.
Atlanta, Georgia 30308

Michael W. Southern, Vice
President, Secretary and Treasurer
Mississippi Power Company
2992 West Beach
Gulfport, Mississippi 39501

Kirby R. Willis, Vice President, Treasurer
and Chief Financial Officer
Savannah Electric and Power Company
600 Bay Street, East
Savannah, Georgia 31401

(Names and addresses of agents for service)

The Commission is requested to mail signed copies of all orders, notices and communications to:

W. L. Westbrook
Financial Vice President
The Southern Company
64 Perimeter Center East
Atlanta, Georgia 30346

John D. McLanahan, Esq.
Troutman Sanders LLP
600 Peachtree Street, N.E.
Suite 5200
Atlanta, Georgia 30308-2216

The Application or Declaration, as previously amended in this proceeding, is further amended by withdrawing Amendment No. 4.

SIGNATURES

Pursuant to the requirements of the Public Utility Holding Company Act of 1935, the undersigned companies have duly caused this amendment to be signed on their behalf by the undersigned thereunto duly authorized.

Date: October 25, 1995

ALABAMA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GEORGIA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GULF POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

MISSISSIPPI POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

SAVANNAH ELECTRIC AND POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

File No. 70-8461

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO. 6
(Post-Effective No. 3)
TO
FORM U-1
APPLICATION OR DECLARATION
under
The Public Utility Holding Company Act of 1935

ALABAMA POWER COMPANY
600 North 18th Street
Birmingham, Alabama 35291

GULF POWER COMPANY
500 Bayfront Parkway
Pensacola, Florida 32501

GEORGIA POWER COMPANY
333 Piedmont Avenue, N.E.
Atlanta, Georgia 30308

MISSISSIPPI POWER COMPANY
2992 West Beach
Gulfport, Mississippi 39501

SAVANNAH ELECTRIC AND POWER COMPANY
600 East Bay Street
Savannah, Georgia 31401

(Name of company or companies filing this statement and addresses of principal executive offices)

THE SOUTHERN COMPANY

(Name of top registered holding company parent of each applicant or declarant)

Art P. Beattie, Vice President,
Secretary and Treasurer
Alabama Power Company
600 North 18th Street
Birmingham, Alabama 35291

Warren E. Tate, Secretary
and Treasurer
Gulf Power Company
500 Bayfront Parkway
Pensacola, Florida 32501

Judy M. Anderson, Vice President
and Corporate Secretary
Georgia Power Company
333 Piedmont Avenue, N.E.
Atlanta, Georgia 30308

Michael W. Southern, Vice
President, Secretary and Treasurer
Mississippi Power Company
2992 West Beach
Gulfport, Mississippi 39501

Kirby R. Willis, Vice President, Treasurer
and Chief Financial Officer
Savannah Electric and Power Company
600 East Bay Street
Savannah, Georgia 31401

(Names and addresses of agents for service)

The Commission is requested to mail signed copies of all orders, notices and communications to:

W. L. Westbrook
Financial Vice President
The Southern Company
270 Peachtree Street, NW
Atlanta, Georgia 30303

John D. McLanahan, Esq.
Troutman Sanders LLP
600 Peachtree Street, N.E.
Suite 5200
Atlanta, Georgia 30308-2216

ITEM 1. DESCRIPTION OF PROPOSED TRANSACTIONS.

Item 1 is hereby amended by adding thereto the following:

"Alabama proposes, in addition to a Special Purpose Subsidiary organized as either a limited liability company or a limited partnership, to organize its Special Purpose Subsidiary as a trust, Alabama Power Capital Trust I ("Alabama Power Capital"). The proposed Preferred Securities transactions effected through Alabama Power Capital will be carried out in the same manner, will have the same terms and conditions, and will be subject to the same rules and regulations as the proposed Preferred Securities transactions effected through a Special Purpose Subsidiary organized as a limited liability company or limited partnership.

Alabama Power Capital is a statutory business trust formed under Delaware law pursuant to the filing of a certificate of trust with the Delaware Secretary of State on November 8, 1995. Alabama Power Capital's business is defined in a trust agreement, executed by Alabama, as Depositor, and the Delaware Trustee (the "Trustee") thereunder, filed as Exhibit A-1 hereto. Alabama, as grantor of Alabama Capital, selected Chemical Bank as the Trustee. It is proposed that this trust agreement will be amended and restated in its entirety, substantially in the form of Exhibit A-2 hereto, on the date of the offering (the "Trust Agreement"). Alabama Power Capital exists for the exclusive purposes of (i) issuing the Trust Preferred Securities (as defined below) and the Trust Common Securities (as defined below)(the Trust Preferred Securities and the Trust Common Securities herein called the "Trust Securities") which represent

the undivided beneficial interests in the assets of Alabama Power Capital, (ii) investing the gross proceeds of the Trust Securities in the Junior Subordinated Notes (as defined below) and (iii) engaging in only those other activities necessary, appropriate, convenient or incidental thereto. Alabama Power Capital has a term of approximately thirty (30) years, but may terminate earlier.

It is proposed that Alabama Power Capital will issue 3,880,000 of its Trust Preferred Securities (the "Trust Preferred Securities"), with a liquidation preference of $25 per Trust Preferred Security and an aggregate liquidation preference of $97,000,000. It is contemplated that the interest rate to be borne by the Trust Preferred Securities (which shall also be the rate for the Trust Common Securities and Junior Subordinated Notes) will be a fixed rate which shall not be above an annual rate of 10% of the liquidation preference of $25 per Trust Preferred Security (the "Interest Rate"). It is proposed that Alabama Power Capital will issue its Trust Common Securities, registered in the name of Alabama, in an aggregate amount of $3,000,000 (the "Trust Common Securities") to Alabama. The proceeds realized by Alabama Power Capital from the sale of the Trust Preferred Securities, together with Alabama's payment to Alabama Power Capital in the amount of $3,000,000 for the Trust Common Securities, will be loaned to Alabama, such loan to be evidenced by $100,000,000 aggregate principal amount of Alabama's Series A Junior Subordinated Notes (the "Junior Subordinated Notes"). It is proposed that the Junior Subordinated Notes will

mature not more than thirty (30) years from the first day of the month in which they are initially issued. It is also proposed that the Junior Subordinated Notes will not be convertible into any other securities or assets of Alabama or Alabama Capital Trust.

The holders of the Trust Preferred Securities and the Trust Common Securities will receive as distributions on payment dates their pro rata shares of payments received by Alabama Power Capital on the Junior Subordinated Notes, except that, in the event of default or partial payment by Alabama on the Junior Subordinated Notes, the payment entitlement of Alabama as holder of the Trust Common Securities will be subordinated to the payment entitlement of the investors as holders of the Trust Preferred Securities. Similarly, if on liquidation of Alabama Power Capital, the proceeds from the sale or other liquidation of Alabama Power Capital's assets were not sufficient to fully satisfy the payment entitlements of the Trust Preferred Securities and the Trust Common Securities with respect to principal, the payment entitlement with respect to principal of Alabama as holder of the Trust Common Securities will be subordinated to the payment entitlement of the investors as holders of the Trust Preferred Securities. The Trust Agreement will provide that holders of Trust Preferred Securities will have only the rights expressly granted to them by the Trust Agreement, including the right to receive distributions and certain consensual rights expressly provided.

It is proposed that Alabama Power Capital will issue and

sell the Trust Preferred Securities pursuant to an underwriting agreement, substantially in the form of Exhibit B-4 hereto, among Alabama Power Capital, Alabama and a group of underwriters headed by Lehman Brothers Inc. Pursuant to such underwriting agreement, such underwriters will purchase the Trust Preferred Securities from Alabama Power Capital at a purchase price of $25 per Trust Preferred Security (an aggregate of $97,000,000). In addition, in view of the fact that the proceeds of the sale of the Trust Preferred Securities will be loaned to Alabama, Alabama will agree to pay to the underwriters, as compensation for their services, a maximum of $.7875 per Trust Preferred Security; provided, that such compensation will not exceed $.50 per Trust Preferred Security sold to certain institutions.

Cash distributions on the Trust Securities will be cumulative from the date of original issuance at the Interest Rate and will be payable quarterly in arrears as described in the Trust Agreement. Such distributions in arrears for more than one quarter will bear interest thereon at the Interest Rate. The Junior Subordinated Notes will similarly bear interest at the Interest Rate, payable quarterly in arrears. Alabama will have the right from time to time to defer the payment of interest on the Junior Subordinated Notes for a period not exceeding 20 consecutive quarters, at the end of each of which extension periods all accrued and unpaid interest (together with interest thereon at the Interest Rate) will be due and payable. As a consequence of any such extension of the interest payment period on the Junior Subordinated Notes, quarterly distributions on the

Trust Preferred Securities would be correspondingly deferred.

Alabama will guarantee (the "Guarantee") the following payments with respect to the Trust Preferred Securities to the extent not paid by Alabama Power Capital:

(i) any accrued and unpaid distributions that are required to be paid on the Trust Preferred Securities but if and only if and to the extent Alabama Power Capital shall have funds legally and immediately available therefor,

(ii) the redemption price, including all accrued and unpaid distributions to the date of redemption, with respect to any Trust Preferred Securities called for redemption by Alabama Power Capital but if and only to the extent that Alabama Power Capital has funds legally and immediately available therefor, and

(iii) upon a dissolution, winding-up or termination of Alabama Power Capital (other than in connection with the distribution of Junior Subordinated Notes to the holders of Trust Preferred Securities (as described below) or the redemption of all the Trust Preferred Securities), the lesser of (a) the aggregate of the liquidation amount and all accrued and unpaid distributions on the Trust Preferred Securities to the date of payment, to the extent Alabama Power Capital has funds legally and immediately

available therefor, and (b) the amount of assets of Alabama Power Capital remaining available for distribution to holders of Trust Preferred Securities in liquidation of Alabama Power Capital.

The Trust Securities are subject to mandatory redemption upon repayment of the Junior Subordinated Notes at maturity or upon their earlier redemption. The Junior Subordinated Notes may be redeemed, in whole or in part, at the option of Alabama at any time on or after five (5) years from the date of their issuance. In addition, upon the occurrence of certain special events arising from a change in law or a change in legal interpretation or other specified circumstances relating to tax matters and the Investment Company Act of 1940, as amended, Alabama shall elect to either (i) redeem the Junior Subordinated Notes (and thus cause the redemption of the Trust Securities), or (ii) dissolve Alabama Power Capital and, after satisfaction of creditors as required by applicable Delaware law, cause Junior Subordinated Notes to be distributed to the holders of the Trust Preferred Securities in liquidation of Alabama Power Capital. In the case of such a special event, the Trust shall have the opportunity to eliminate such special event within ninety (90) days after the occurrence thereof by taking some ministerial action, such as filing a form or making an election, or pursuing some other reasonable measure, which would have no adverse effect on Alabama Power Capital, Alabama, or the holders of the Trust Preferred Securities.

Unless an event of default occurs and is continuing under the Trust Agreement, (i) Alabama will have the right to replace the Trustee, subject to any Trustee eligibility requirements set forth in the Trust Agreement, and (ii) consensual rights exercised by holders of the Trust Preferred Securities generally will be exercised by Alabama, subject to certain protections for holders of the Trust Preferred Securities. If an event of default occurs and is continuing under the Trust Agreement, the holders of the Trust Preferred Securities would have the right to replace the Trustee. The Trustee would be required under the Trust Agreement to enforce Alabama Power Capital's rights under the Junior Subordinated Notes.

It is contemplated that, for Federal income tax purposes, Alabama Power Capital will be treated as a passive grantor trust and not as a partnership. Accordingly, as in the case of a limited liability company or limited partnership Special Purpose Subsidiary, Alabama Power Capital will not be subject to tax and Alabama and investors holding Trust Preferred Securities will be treated as the owners of Alabama Power Capital and will be required to include in income their proportionate shares of the income of Alabama Power Capital. However, the information reporting procedure for Alabama Power Capital would differ from the procedures used when the Special Purpose Subsidiary is a limited liability company or a limited partnership. Investors would receive tax reporting information from their brokers on an IRS Form 1099, rather than the Schedule K-1.

It is anticipated that Alabama Power Capital will be

exempt from status as an "investment company" under the Investment Company Act of 1940, as amended, in reliance on the finance subsidiary rule (Rule 3a-5).

The proceeds from the sale of the Trust Preferred Securities will be loaned by Alabama Power Capital to Alabama, such loan to be evidenced by the Junior Subordinated Notes and ultimately will be used by Alabama for general corporate purposes, including repayment of outstanding short-term debt. None of such proceeds will be used by Alabama or any associate company thereof for the acquisition of an interest in an "exempt wholesale generator" or a "foreign utility company" as defined in Sections 32 and 33, respectively, of the Act.

It is considered that the record is now complete with respect to the issuance by Alabama Power Capital of the Trust Preferred Securities and the related issuance by Alabama of the Junior Subordinated Notes and the Guarantee as described herein. Accordingly, an order with respect to such transactions is hereby requested. It is hereby requested that jurisdiction be reserved with respect to the other transactions proposed in these proceedings."

ITEM 2. FEES, COMMISSIONS AND EXPENSES.

The estimated fees and expenses to be incurred by Alabama in connection herewith are as follows:

Filing fees - Securities and Exchange Commission	$ 33,450
Fees and Expenses of Trustees	30,000
Listing on New York Stock Exchange	44,300
Printing charges	30,000
Rating Agency Fees	40,000
Services of Southern Company Services, Inc.	30,000
Fees and Expenses of counsel	125,000
Blue sky fees and expenses	2,500
Fees of accountants, Arthur Andersen LLP	25,000
Miscellaneous	4,750
TOTAL	$365,000

ITEM 3. APPLICABLE STATUTORY PROVISIONS.

Item 3 is hereby amended by adding the following thereto:

"Rule 54 Analysis. Under Rule 54, in determining whether to approve the issue or sale of a security by a registered holding company for purposes other than the acquisition of an "exempt wholesale generator" or "foreign utility company", or other transactions by such registered holding company or its subsidiaries other than with respect to "exempt wholesale generators" or "foreign utility companies," the Commission shall not consider the effect of the capitalization or earnings of any subsidiary which is an "exempt wholesale generator" or a "foreign utility company" upon the registered holding company system if the "safe harbor" conditions of Rule 53 are satisfied.

Southern currently meets all of the "safe harbor" conditions of Rule 53. Southern's "aggregate investment" in "exempt wholesale generators" and "foreign utility companies" at October 31, 1995 was approximately $1.250 billion, representing approximately 38.0% of Southern's "consolidated retained earnings," as defined in Rule 53(a)(1)(ii), for the four quarters

ended September 30, 1995 ($3.292 billion). Furthermore, Southern has and will continue to comply with the record keeping requirements of Rule 53(a)(2) concerning affiliated "exempt wholesale generators" and "foreign utility companies." In addition, as required by Rule 53(a)(3), no more than 2% of the employees of Southern's operating utility subsidiaries will, at any one time, directly or indirectly, render services to "exempt wholesale generators" and "foreign utility companies." Finally, since none of the circumstances described in Rule 53(b) exists, the provisions of Rule 53(a) are not made inapplicable by Rule 53(b)."

ITEM 6. EXHIBITS AND FINANCIAL STATEMENTS.

A. Exhibits:

A-1 - Trust Agreement of Alabama Power Capital Trust I. (Designated in Form S-3 File No. 33-64125, as Exhibit 4(c).)

A-2 - Form of Amended and Restated Trust Agreement. (Designated in Form S-3 File No. 33-64125, as Exhibit 4(d).)

B-1 - Form of Subordinated Note Indenture between Alabama Power Company and Chemical Bank, as Trustee. (Designated in Form S-3 File No. 33-64125, as Exhibit 4(a).)

B-2 - Form of Supplemental Indenture to Subordinated Note Indenture between Alabama Power Company and Chemical Bank, as Trustee. (Designated in Form S-3 File No. 33-64125, as Exhibit 4(b).)

B-3 - Form of Guarantee with respect to Preferred Securities. (Designated in Form S-3 File No. 33-64125, as Exhibit 4(g).)

B-4 - Form of Underwriting Agreement. (Designated in Form S-3 File No. 33-64125, as Exhibit 1.)

C-1 - Registration Statement under the Securities Act of 1933. (Filed electronically November 9, 1995, File No. 33-64125.)

C-2 - Amendment No. 1 to Registration Statement under the Securities Act of 1933. (Filed electronically January 11, 1996, File No. 33-64125.)

F-1 - Opinion of Balch & Bingham, counsel for Alabama.

B. Financial Statements.

Balance sheet of Alabama at September 30, 1995. (Designated in Alabama's Form 10-Q for the quarter ended September 30, 1995, File No. 1-3164.)

Statements of Income of Georgia for the twelve months ended September 30, 1995. (Designated in Alabama's Form 10-Q for the quarter ended September 30, 1995, File No. 1-3164.)

SIGNATURES

Pursuant to the requirements of the Public Utility Holding Company Act of 1935, the undersigned companies have duly caused this amendment to be signed on their behalf by the undersigned thereunto duly authorized.

Date: January 16, 1996

ALABAMA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GEORGIA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GULF POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

MISSISSIPPI POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

SAVANNAH ELECTRIC AND POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

File No. 70-8461

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO. 7
(Post-Effective No. 4)
TO
FORM U-1
APPLICATION OR DECLARATION
under
The Public Utility Holding Company Act of 1935

ALABAMA POWER COMPANY
600 North 18th Street
Birmingham, Alabama 35291

GULF POWER COMPANY
500 Bayfront Parkway
Pensacola, Florida 32501

GEORGIA POWER COMPANY
333 Piedmont Avenue, N.E.
Atlanta, Georgia 30308

MISSISSIPPI POWER COMPANY
2992 West Beach
Gulfport, Mississippi 39501

SAVANNAH ELECTRIC AND POWER COMPANY
600 East Bay Street
Savannah, Georgia 31401

(Name of company or companies filing this statement
and addresses of principal executive offices)

THE SOUTHERN COMPANY

(Name of top registered holding company parent of each
applicant or declarant)

Art P. Beattie, Vice President,
Secretary and Treasurer
Alabama Power Company
600 North 18th Street
Birmingham, Alabama 35291

Warren E. Tate, Secretary
and Treasurer
Gulf Power Company
500 Bayfront Parkway
Pensacola, Florida 32501

Judy M. Anderson, Vice President
and Corporate Secretary
Georgia Power Company
333 Piedmont Avenue, N.E.
Atlanta, Georgia 30308

Michael W. Southern, Vice
President, Secretary and Treasurer
Mississippi Power Company
2992 West Beach
Gulfport, Mississippi 39501

Kirby R. Willis, Vice President, Treasurer
and Chief Financial Officer
Savannah Electric and Power Company
600 East Bay Street
Savannah, Georgia 31401

(Names and addresses of agents for service)

The Commission is requested to mail signed copies of all orders,
notices and communications to:

W. L. Westbrook
Financial Vice President
The Southern Company
270 Peachtree Street, NW
Atlanta, Georgia 30303

John D. McLanahan, Esq.
Troutman Sanders LLP
600 Peachtree Street, N.E.
Suite 5200
Atlanta, Georgia 30308-2216

ITEM 1. DESCRIPTION OF PROPOSED TRANSACTIONS.

The third paragraph added to Item 1 by Amendment No. 6 (Post-Effective No. 3) is hereby deleted and replaced with the following:

"It is proposed that Alabama Power Capital will issue 3,880,000 of its Trust Preferred Securities (the "Trust Preferred Securities"), with a liquidation preference of $25 per Trust Preferred Security and an aggregate liquidation preference of $97,000,000. It is contemplated that the interest rate to be borne by the Trust Preferred Securities (which shall also be the rate for the Trust Common Securities and Junior Subordinated Notes) will be a fixed rate which shall not be above an annual rate of 10% of the liquidation preference of $25 per Trust Preferred Security (the "Interest Rate"). It is proposed that Alabama Power Capital will issue its Trust Common Securities, registered in the name of Alabama, in an aggregate amount of $3,000,000 (the "Trust Common Securities") to Alabama. The proceeds realized by Alabama Power Capital from the sale of the Trust Preferred Securities, together with Alabama's payment to Alabama Power Capital in the amount of $3,000,000 for the Trust Common Securities, will be loaned to Alabama, such loan to be evidenced by $100,000,000 aggregate principal amount of Alabama's Series A Junior Subordinated Notes (the "Junior Subordinated Notes"). The Junior Subordinated Notes will mature thirty (30) years from the initial regularly scheduled interest payment date with respect thereto (March 31, 2026). It is also proposed that the Junior Subordinated Notes will not be convertible into any other securities or assets of Alabama or Alabama Capital Trust."

The eighth paragraph added to Item 1 by Amendment No. 6 (Post-Effective No. 3) is hereby deleted and replaced with the following:

The Trust Securities are subject to mandatory redemption upon repayment of the Junior Subordinated Notes at maturity or upon their earlier redemption. The Junior Subordinated Notes may be redeemed, in whole or in part, at the option of Alabama at any time on or after five (5) years from the initial regularly scheduled interest payment date with respect thereto (March 31, 2001). In addition, upon the occurrence of certain special events arising from a change in law or a change in legal interpretation or other specified circumstances relating to tax matters and the Investment Company Act of 1940, as amended, Alabama shall elect to either (i) redeem the Junior Subordinated Notes (and thus cause the redemption of the Trust Securities), or (ii) dissolve Alabama Power Capital and, after satisfaction of creditors as required by applicable Delaware law, cause Junior Subordinated Notes to be distributed to the holders of the Trust Preferred Securities in liquidation of Alabama Power Capital. In the case of such a special event, the Trust shall have the opportunity to eliminate such special event within ninety (90) days after the occurrence thereof by taking some ministerial action, such as filing a form or making an election, or pursuing some other reasonable measure, which would have no adverse effect on Alabama Power Capital, Alabama, or the holders of the Trust Preferred Securities.

SIGNATURES

Pursuant to the requirements of the Public Utility Holding Company Act of 1935, the undersigned companies have duly caused this amendment to be signed on their behalf by the undersigned thereunto duly authorized.

Date: January 22, 1996

ALABAMA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GEORGIA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GULF POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

MISSISSIPPI POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

SAVANNAH ELECTRIC AND POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO. 8
(Post-Effective No. 5)
TO
FORM U-1
APPLICATION OR DECLARATION
under
The Public Utility Holding Company Act of 1935

ALABAMA POWER COMPANY
600 North 18th Street
Birmingham, Alabama 35291

GULF POWER COMPANY
500 Bayfront Parkway
Pensacola, Florida 32501

GEORGIA POWER COMPANY
333 Piedmont Avenue, N.E.
Atlanta, Georgia 30308

MISSISSIPPI POWER COMPANY
2992 West Beach
Gulfport, Mississippi 39501

SAVANNAH ELECTRIC AND POWER COMPANY
600 East Bay Street
Savannah, Georgia 31401

(Name of company or companies filing this statement
and addresses of principal executive offices)

THE SOUTHERN COMPANY

(Name of top registered holding company parent of each
applicant or declarant)

Art P. Beattie, Vice President,
Secretary and Treasurer
Alabama Power Company
600 North 18th Street
Birmingham, Alabama 35291

Warren E. Tate, Secretary
and Treasurer
Gulf Power Company
500 Bayfront Parkway
Pensacola, Florida 32501

Judy M. Anderson, Vice President
and Corporate Secretary
Georgia Power Company
333 Piedmont Avenue, N.E.
Atlanta, Georgia 30308

Michael W. Southern, Vice
President, Secretary and Treasurer
Mississippi Power Company
2992 West Beach
Gulfport, Mississippi 39501

Kirby R. Willis, Vice President, Treasurer
and Chief Financial Officer
Savannah Electric and Power Company
600 East Bay Street
Savannah, Georgia 31401

(Names and addresses of agents for service)

The Commission is requested to mail signed copies of all orders,
notices and communications to:

W. L. Westbrook
Financial Vice President
The Southern Company
270 Peachtree Street, NW
Atlanta, Georgia 30303

John D. McLanahan, Esq.
Troutman Sanders LLP
600 Peachtree Street, N.E.
Suite 5200
Atlanta, Georgia 30308-2216

ITEM 1. DESCRIPTION OF PROPOSED TRANSACTIONS.

The Application or Declaration, as previously amended in this proceeding, is hereby further amended by adding the following thereto:

"It is now proposed that the aggregate par or stated value or liquidation preference of Preferred Securities that may be issued by the respective Special Purpose Subsidiaries of the Operating Affiliates be increased to $250,000,000 in the case of Alabama; $500,000,000 in the case of Georgia; $60,000,000 in the case of Gulf; $60,000,000 in the case of Mississippi; and $35,000,000 in the case of Savannah. The foregoing amounts for Alabama and Georgia are in addition to amounts previously issued and sold pursuant to authorization in this proceeding. See HCAR Nos. 26187 (December 15,1994) and 26452 (January 17, 1996). It is further proposed that the authority hereunder be extended through December 31, 2001."

SIGNATURES

Pursuant to the requirements of the Public Utility Holding Company Act of 1935, the undersigned companies have duly caused this amendment to be signed on their behalf by the undersigned thereunto duly authorized.

Date: June 18, 1996

ALABAMA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GEORGIA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GULF POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

MISSISSIPPI POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

SAVANNAH ELECTRIC AND POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

File No. 70-8461

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO. 9
(Post-Effective No. 6)
TO
FORM U-1
APPLICATION OR DECLARATION
under
The Public Utility Holding Company Act of 1935

ALABAMA POWER COMPANY
600 North 18th Street
Birmingham, Alabama 35291

GULF POWER COMPANY
500 Bayfront Parkway
Pensacola, Florida 32501

GEORGIA POWER COMPANY
333 Piedmont Avenue, N.E.
Atlanta, Georgia 30308

MISSISSIPPI POWER COMPANY
2992 West Beach
Gulfport, Mississippi 39501

SAVANNAH ELECTRIC AND POWER COMPANY
600 East Bay Street
Savannah, Georgia 31401

(Name of company or companies filing this statement and addresses of principal executive offices)

THE SOUTHERN COMPANY

(Name of top registered holding company parent of each applicant or declarant)

Art P. Beattie, Vice President,
Secretary and Treasurer
Alabama Power Company
600 North 18th Street
Birmingham, Alabama 35291

Warren E. Tate, Secretary
and Treasurer
Gulf Power Company
500 Bayfront Parkway
Pensacola, Florida 32501

Judy M. Anderson, Vice President
and Corporate Secretary
Georgia Power Company
333 Piedmont Avenue, N.E.
Atlanta, Georgia 30308

Michael W. Southern, Vice
President, Secretary and Treasurer
Mississippi Power Company
2992 West Beach
Gulfport, Mississippi 39501

Kirby R. Willis, Vice President, Treasurer
and Chief Financial Officer
Savannah Electric and Power Company
600 East Bay Street
Savannah, Georgia 31401

(Names and addresses of agents for service)

The Commission is requested to mail signed copies of all orders, notices and communications to:

W. L. Westbrook
Financial Vice President
The Southern Company
270 Peachtree Street, NW
Atlanta, Georgia 30303

John D. McLanahan, Esq.
Troutman Sanders LLP
600 Peachtree Street, N.E.
Suite 5200
Atlanta, Georgia 30308-2216

ITEM 1. DESCRIPTION OF PROPOSED TRANSACTIONS.

Item 1 is hereby amended by adding thereto the following:

"Georgia proposes, in addition to a Special Purpose Subsidiary organized as either a limited liability company or a limited partnership, to organize its Special Purpose Subsidiaries as trusts, Georgia Power Capital Trust I, Georgia Power Capital Trust II and Georgia Power Capital Trust III (individually, a "Trust" and collectively, the "Trusts").

Each of the Trusts is a statutory business trust formed under Delaware law pursuant to the filing of its respective certificate of trust with the Delaware Secretary of State on June 14, 1996, each as amended by a certificate of amendment to its certificate of trust on July 23, 1996. Each Trust's business is defined in a separate trust agreement, each such trust agreement executed by Georgia, as Depositor, and the Delaware Trustee (the "Trustee") thereunder and filed as Exhibits A-1, A-2 and A-3 hereto. It is proposed that each trust agreement will be amended and restated in its entirety, substantially in the forms of Exhibits A-4, A-5 and A-6 hereto, on the date of the offering by such Trust (the "Trust Agreement"). Each of the Trusts exists for the exclusive purposes of (i) issuing its Trust Preferred Securities (as defined below) and its Trust Common Securities (as defined below)(the Trust Preferred Securities and the Trust Common Securities of each Trust being herein referred to as the "Trust Securities" of such Trust) which represent the undivided beneficial interests in the assets of such Trust, (ii) investing the gross proceeds of its Trust Securities in a series of Junior Subordinated Notes (as defined below) of Georgia and (iii) engaging in only those other activities necessary, appropriate, convenient or incidental thereto. The term of each of the Trusts will be set forth in the related Trust Agreement.

It is proposed that each of the Trusts will issue only one series of Trust Preferred Securities (the "Trust Preferred Securities"). The aggregate liquidation amount of the Trust

Preferred Securities issued by the Trusts hereunder will not exceed $400,000,000. The distribution rate to be borne by the Trust Preferred Securities of each of the Trusts will not exceed 12.5% per annum (expressed as a percentage of liquidation amount) and shall also be the distribution rate for the respective Trust Common Securities and the interest rate for the related Junior Subordinated Notes (the "Securities Rate"). It is proposed that each of the Trusts will issue its Trust Common Securities (the "Trust Common Securities"), registered in the name of Georgia, to Georgia. The Trust Common Securities of each Trust will represent approximately 3% undivided beneficial interests in the assets of the Trust. The proceeds realized by each of the Trusts from the sale of its Trust Preferred Securities, together with Georgia's payment to such Trust for its Trust Common Securities, will be loaned to Georgia, such loan to be evidenced by a related series of Georgia's Junior Subordinated Notes (the "Junior Subordinated Notes") equal in aggregate principal amount to the aggregate liquidation amount of such Trust's Trust Securities. It is proposed that the Junior Subordinated Notes will have maturities of up to 50 years and will not be convertible into any other securities or assets of Georgia or of any of the Trusts.

The holders of Trust Preferred Securities and Trust Common Securities of each of the Trusts will receive as distributions on payment dates their pro rata shares of payments received by such Trust on its Junior Subordinated Notes, except that, in the event of default by Georgia on such Junior Subordinated Notes, the payment entitlement of Georgia as holder of the Trust Common Securities of such Trust will be subordinated to the payment entitlement of the investors as holders of such Trust Preferred Securities. Each respective Trust Agreement will provide that holders of Trust Preferred Securities will have only the rights expressly granted to them by such Trust Agreement, including the right to receive

distributions and certain consensual rights expressly provided.

It is proposed that each of the Trusts will issue and sell its Trust Preferred Securities pursuant to a separate underwriting agreement among such Trust, Georgia and the underwriters thereunder. Pursuant to such underwriting agreement, the underwriters will purchase the Trust Preferred Securities from such Trust at an aggregate purchase price equal to the aggregate liquidation amount of such Trust Preferred Securities. In addition, in view of the fact that the proceeds of the sale of the Trust Preferred Securities will be loaned to Georgia, Georgia will agree to pay the underwriters' compensation for their services in an amount not exceeding 4% of the aggregate liquidation amount of such Trust Preferred Securities.

Cash distributions on the respective Trust Securities will be cumulative from the date of original issuance of such Trust Securities at the applicable Securities Rate and will be payable periodically in arrears as described in the related Trust Agreement. Such distributions in arrears for more than one such period will bear interest thereon at the Securities Rate. Each related series of Junior Subordinated Notes will similarly bear interest at the Securities Rate. Georgia will have the right from time to time to defer the payment of interest on such Junior Subordinated Notes for a period specified in the related Supplemental Indenture, at the end of each of which extension periods all accrued and unpaid interest (together with interest thereon at the Securities Rate) will be due and payable. As a consequence of any such extension of the interest payment period on the Junior Subordinated Notes, periodic distributions on the Trust Preferred Securities would be correspondingly deferred.

Georgia will guarantee (the "Guarantee") the following payments with respect to

the Trust Preferred Securities of each Trust to the extent not paid by the respective Trust:

(i) any accrued and unpaid distributions that are required to be paid on the Trust Preferred Securities but if and only if and to the extent such Trust shall have funds legally and immediately available therefor,

(ii) the redemption price, including all accrued and unpaid distributions to the date of redemption, with respect to any Trust Preferred Securities called for redemption by such Trust but if and only to the extent that such Trust has funds legally and immediately available therefor, and

(iii) upon a dissolution, winding-up or termination of such Trust (other than in connection with the distribution of Junior Subordinated Notes to the holders of its Trust Preferred Securities (as described below) or the redemption of all of the Trust Preferred Securities of such Trust), the lesser of (a) the aggregate of the liquidation amount and all accrued and unpaid distributions on its Trust Preferred Securities to the date of payment, to the extent such Trust has funds legally and immediately available therefor, and (b) the amount of assets of such Trust remaining available for distribution to holders of its Trust Preferred Securities in liquidation of such Trust.

Each issue of the Trust Securities is subject to mandatory redemption upon repayment of the related Junior Subordinated Notes at maturity or upon their earlier redemption. Each series of the Junior Subordinated Notes may be redeemed, in whole or in

part, at the option of Georgia at any time on or after the date set forth in the related Supplemental Indenture. In addition, upon the occurrence of certain special events arising from a change in law or a change in legal interpretation or other specified circumstances relating to tax matters and the Investment Company Act of 1940, as amended, Georgia shall have the option to redeem the Junior Subordinated Notes (and thus cause the redemption of the Trust Securities). Georgia will also have the right at any time to terminate a Trust and cause the related Junior Subordinated Notes to be distributed to the holders of the Trust Preferred Securities of such Trust in liquidation thereof.

It is contemplated that, for Federal income tax purposes, each of the Trusts will be treated as a passive grantor trust and not as a partnership. Accordingly, as in the case of a limited liability company or limited partnership Special Purpose Subsidiary, none of the Trusts will be subject to tax and Georgia and investors holding Trust Preferred Securities will be treated as the owners of the respective Trust and will be required to include in income their proportionate shares of the income of such Trust. However, the information reporting procedure for the Trusts would differ from the procedures used when the Special Purpose Subsidiary is a limited liability company or a limited partnership. Investors would receive tax reporting information from their brokers on an IRS Form 1099, rather than the Schedule K-1.

It is anticipated that each of the Trusts will be exempt from status as an "investment company" under the Investment Company Act of 1940, as amended, in reliance on the finance subsidiary rule (Rule 3a-5).

The proceeds from the sale of its Trust Preferred Securities will be loaned by each of the Trusts to Georgia, such loan to be evidenced by the respective Junior

Subordinated Notes and ultimately will be used by Georgia for general corporate purposes, including repayment of outstanding short-term debt. None of such proceeds will be used by Georgia or any associate company thereof for the acquisition of an interest in an "exempt wholesale generator" or a "foreign utility company" as defined in Sections 32 and 33, respectively, of the Act.

It is considered that the record is now complete with respect to the issuance by each of the Trusts of its Trust Preferred Securities and the related issuance by Georgia of the related series of Junior Subordinated Notes and the Guarantees as described herein. Accordingly, an order with respect to such transactions is hereby requested. It is hereby requested that jurisdiction be reserved with respect to the other transactions proposed in these proceedings."

ITEM 2. FEES, COMMISSIONS AND EXPENSES.

The estimated fees and expenses to be incurred by Georgia in connection herewith are as follows:

	Initial Issuance	Each Additional Issuance
Filing fees - Securities and Exchange Commission	$ 137,932	–
Fees and Expenses of Trustees	9,500	9,500
Listing on New York Stock Exchange	86,300	–
Printing charges	30,000	10,000
Rating Agency Fees	107,000	65,000
Services of Southern Company Services, Inc.	30,000	15,000
Fees and Expenses of counsel	40,000	25,000
Blue sky fees and expenses	3,500	3,500
Fees of accountants, Arthur Andersen LLP	42,000	24,000
Miscellaneous	14,000	8,000
TOTAL	$ 500,232	$ 160,000

ITEM 3. APPLICABLE STATUTORY PROVISIONS.

Item 3 is hereby amended by adding thereto the following:

"Rule 54 Analysis: The proposed transaction is also subject to Rule 54, which provides that, in determining whether to approve an application which does not relate to any "exempt wholesale generator" ("EWG") or "foreign utility company" ("FUCO"), the Commission shall not consider the effect of the capitalization or earnings of any such EWG or FUCO which is a subsidiary of a registered holding company if the requirements of Rule 53(a), (b) and (c) are satisfied.

The Southern Company ("Southern") currently meets all of the conditions of Rule 53(a). At July 31, 1996, Southern's "aggregate investment," as defined in Rule 53(a)(1), in EWGs and FUCOs was approximately $864,800,000, or about 24.6% of Southern's "consolidated retained earnings," also as defined in Rule 53(a)(1), for the four quarters ended June 30, 1996 ($3,523.2 million). In addition, Southern has complied and will continue to comply with the record-keeping requirements of Rule 53(a)(2), the limitation under Rule 53(a)(3) on the use of Operating Company personnel to render services to EWGs and FUCOs, and the requirements of Rule 53(a)(4) concerning the submission of copies of certain filings under the Act to retail rate regulatory commissions. Accordingly, since the requirements of Rule 53(a) are currently met and none of the circumstances described in Rule 53(b) has occurred, the provisions of Rule 53(c) are currently inapplicable.

Moreover, even if the effect of the capitalization and earnings of EWGs and FUCOs in which Southern has an ownership interest upon the Southern holding company system were considered, there is no basis for the Commission to withhold or deny approval for the proposal made in this Application-Declaration. The action requested in the instant

filing (*viz.* approval for certain financing transactions by Georgia) would not, by itself, or even considered in conjunction with the effect of the capitalization and earnings of Southern's EWGs and FUCOs, have a material adverse effect on the financial integrity of the Southern system, or an adverse impact on Southern's public-utility subsidiaries, their customers, or the ability of State commissions to protect such public-utility customers."

ITEM 6. EXHIBITS AND FINANCIAL STATEMENTS.

A. Exhibits:

A-1 - Trust Agreement of Georgia Power Capital Trust I. (Designated in Form S-3 File Nos. 333-06037, 333-06037-01, 333-06037-02, and 333-06037-03, as Exhibit 4.4-A.)

A-2 - Trust Agreement of Georgia Power Capital Trust II. (Designated in Form S-3 File Nos. 333-06037, 333-06037-01, 333-06037-02, and 333-06037-03, as Exhibit 4.4-B.)

A-3 - Trust Agreement of Georgia Power Capital Trust III. (Designated in Form S-3 File Nos. 333-06037, 333-06037-01, 333-06037-02, and 333-06037-03, as Exhibit 4.4-C.)

A-4 - Form of Amended and Restated Trust Agreement for Georgia Power Capital Trust I. (Designated in Form S-3 File Nos. 333-06037, 333-06037-01, 333-06037-02, and 333-06037-03, as Exhibit 4.5-A.)

A-5 - Form of Amended and Restated Trust Agreement for Georgia Power Capital Trust II. (Designated in Form S-3 File Nos. 333-06037, 333-06037-01, 333-06037-02, and 333-06037-03, as Exhibit 4.5-B.)

A-6 - Form of Amended and Restated Trust Agreement for Georgia Power Capital Trust III. (Designated in Form S-3 File Nos. 333-06037, 333-06037-01, 333-06037-02, and 333-06037-03, as Exhibit 4.5-C.)

B-1 - Form of Subordinated Note Indenture between Georgia Power Company and The Chase Manhattan Bank, as Trustee. (Designated in Form S-3 File Nos. 333-06037, 333-06037-01, 333-06037-02, and 333-06037-03, as Exhibit 4.1.)

B-2 - Form of Supplemental Indenture to Subordinated Note Indenture between Georgia Power Company and The Chase Manhattan Bank, as Trustee. (Designated in Form S-3 File Nos. 333-06037, 333-06037-01, 333-06037-02, and 333-06037-03, as Exhibit 4.2.)

B-3 - Forms of Guarantee with respect to Preferred Securities of Georgia Power Capital Trust I, Georgia Power Capital Trust II and Georgia Power Capital Trust III. (Designated in Form S-3 File Nos. 333-06037, 333-06037-01, 333-06037-02, and 333-06037-03, as Exhibits 4.8-A, 4.8-B and 4.8-C.)

C-1 - Registration Statement under the Securities Act of 1933. (Filed electronically June 14, 1996, File Nos. 333-06037, 333-06037-01, 333-06037-02, and 333-06037-03.)

C-2 - Amendment No. 1 to Registration Statement under the Securities Act of 1933. (Filed electronically August 16, 1996, File Nos. 333-06037, 333-06037-01, 333-06037-02, and 333-06037-03.)

B. Financial Statements.

Balance sheet of Georgia at June 30, 1996. (Designated in Georgia's Form 10-Q for the quarter ended June 30, 1996, File No. 1-6468.)

Statements of Income of Georgia for the periods ended June 30, 1996. (Designated in Georgia's Form 10-Q for the quarter ended June 30, 1996, File No. 1-6468.)

SIGNATURES

Pursuant to the requirements of the Public Utility Holding Company Act of 1935, the undersigned companies have duly caused this amendment to be signed on their behalf by the undersigned thereunto duly authorized.

Date: August 23, 1996

ALABAMA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GEORGIA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GULF POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

MISSISSIPPI POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

[Signatures continued on next page]

SAVANNAH ELECTRIC AND POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO. 10
(Post-Effective No. 7)
TO
FORM U-1
APPLICATION OR DECLARATION
under
The Public Utility Holding Company Act of 1935

ALABAMA POWER COMPANY
600 North 18th Street
Birmingham, Alabama 35291

GULF POWER COMPANY
500 Bayfront Parkway
Pensacola, Florida 32501

GEORGIA POWER COMPANY
333 Piedmont Avenue, N.E.
Atlanta, Georgia 30308

MISSISSIPPI POWER COMPANY
2992 West Beach
Gulfport, Mississippi 39501

SAVANNAH ELECTRIC AND POWER COMPANY
600 East Bay Street
Savannah, Georgia 31401

(Name of company or companies filing this statement and addresses of principal executive offices)

THE SOUTHERN COMPANY

(Name of top registered holding company parent of each applicant or declarant)

Art P. Beattie, Vice President, Secretary and Treasurer
Alabama Power Company
600 North 18th Street
Birmingham, Alabama 35291

Warren E. Tate, Secretary and Treasurer
Gulf Power Company
500 Bayfront Parkway
Pensacola, Florida 32501

Judy M. Anderson, Vice President and Corporate Secretary
Georgia Power Company
333 Piedmont Avenue, N.E.
Atlanta, Georgia 30308

Michael W. Southern, Vice President, Secretary and Treasurer
Mississippi Power Company
2992 West Beach
Gulfport, Mississippi 39501

Kirby R. Willis, Vice President, Treasurer and Chief Financial Officer
Savannah Electric and Power Company
600 East Bay Street
Savannah, Georgia 31401

(Names and addresses of agents for service)

The Commission is requested to mail signed copies of all orders, notices and communications to:

W. L. Westbrook
Financial Vice President
The Southern Company
270 Peachtree Street, NW
Atlanta, Georgia 30303

John D. McLanahan, Esq.
Troutman Sanders LLP
600 Peachtree Street, N.E.
Suite 5200
Atlanta, Georgia 30308-2216

ITEM 1. DESCRIPTION OF PROPOSED TRANSACTIONS.

Item 1 is hereby amended by adding thereto the following:

"Alabama proposes, in addition to a Special Purpose Subsidiary organized as either a limited liability company or a limited partnership, to organize its Special Purpose Subsidiaries as trusts, Alabama Power Capital Trust II, Alabama Power Capital Trust III and Alabama Power Capital Trust IV (individually, a "Trust" and collectively, the "Trusts").

Each of the Trusts is a statutory business trust formed under Delaware law pursuant to the filing of its respective certificate of trust with the Delaware Secretary of State on November 27, 1996. Each Trust's business is defined in a separate trust agreement, each such trust agreement executed by Alabama, as Depositor, and the Delaware Trustee (the "Trustee") thereunder and filed as Exhibits A-1, A-2 and A-3 hereto. It is proposed that each trust agreement will be amended and restated in its entirety, substantially in the forms of Exhibits A-4, A-5 and A-6 hereto, on the date of the offering by such Trust (the "Trust Agreement"). Each of the Trusts exists for the exclusive purposes of (i) issuing its Trust Preferred Securities (as defined below) and its Trust Common Securities (as defined below)(the Trust Preferred Securities and the Trust Common Securities of each Trust being herein referred to as the "Trust Securities" of such Trust) which represent the undivided beneficial interests in the assets of such Trust, (ii) investing the gross proceeds of its Trust Securities in a series of Junior Subordinated Notes (as defined below) of Alabama and (iii) engaging in only those other activities necessary, appropriate, convenient or incidental thereto. The term of each of the Trusts will be set forth in the related Trust Agreement.

It is proposed that each of the Trusts will issue only one series of Trust Preferred Securities (the "Trust Preferred Securities"). The aggregate liquidation amount of the Trust

Preferred Securities issued by the Trusts hereunder will not exceed $250,000,000. The distribution rate to be borne by the Trust Preferred Securities of each of the Trusts will not exceed 12.5% per annum (expressed as a percentage of liquidation amount) and shall also be the distribution rate for the respective Trust Common Securities and the interest rate for the related Junior Subordinated Notes (the "Securities Rate"). It is proposed that each of the Trusts will issue its Trust Common Securities (the "Trust Common Securities"), registered in the name of Alabama, to Alabama. The Trust Common Securities of each Trust will represent approximately 3% undivided beneficial interests in the assets of the Trust. The proceeds realized by each of the Trusts from the sale of its Trust Preferred Securities, together with Alabama's payment to such Trust for its Trust Common Securities, will be loaned to Alabama, such loan to be evidenced by a related series of Alabama's Junior Subordinated Notes (the "Junior Subordinated Notes") equal in aggregate principal amount to the aggregate liquidation amount of such Trust's Trust Securities. It is proposed that the Junior Subordinated Notes will have maturities of up to 50 years and will not be convertible into any other securities or assets of Alabama or of any of the Trusts.

The holders of Trust Preferred Securities and Trust Common Securities of each of the Trusts will receive as distributions on payment dates their pro rata shares of payments received by such Trust on its Junior Subordinated Notes, except that, in the event of default by Alabama on such Junior Subordinated Notes, the payment entitlement of Alabama as holder of the Trust Common Securities of such Trust will be subordinated to the payment entitlement of the investors as holders of such Trust Preferred Securities. Each respective Trust Agreement will provide that holders of Trust Preferred Securities will have only the rights expressly granted to them by such

Trust Agreement, including the right to receive distributions and certain consensual rights expressly provided.

It is proposed that each of the Trusts will issue and sell its Trust Preferred Securities pursuant to a separate underwriting agreement among such Trust, Alabama and the underwriters thereunder. Pursuant to such underwriting agreement, the underwriters will purchase the Trust Preferred Securities from such Trust at an aggregate purchase price equal to the aggregate liquidation amount of such Trust Preferred Securities. In addition, in view of the fact that the proceeds of the sale of the Trust Preferred Securities will be loaned to Alabama, Alabama will agree to pay the underwriters' compensation for their services in an amount not exceeding 4% of the aggregate liquidation amount of such Trust Preferred Securities.

Cash distributions on the respective Trust Securities will be cumulative from the date of original issuance of such Trust Securities at the applicable Securities Rate and will be payable periodically in arrears as described in the related Trust Agreement. Such distributions in arrears for more than one such period will bear interest thereon at the Securities Rate. Each related series of Junior Subordinated Notes will similarly bear interest at the Securities Rate. Alabama will have the right from time to time to defer the payment of interest on such Junior Subordinated Notes for a period specified in the related Supplemental Indenture, at the end of each of which extension periods all accrued and unpaid interest (together with interest thereon at the Securities Rate) will be due and payable. As a consequence of any such extension of the interest payment period on the Junior Subordinated Notes, periodic distributions on the Trust Preferred Securities would be correspondingly deferred.

Alabama will guarantee (the "Guarantee") the following payments with respect to the Trust Preferred Securities of each Trust to the extent not paid by the respective Trust:

(i) any accrued and unpaid distributions that are required to be paid on the Trust Preferred Securities but if and only if and to the extent such Trust shall have funds legally and immediately available therefor,

(ii) the redemption price, including all accrued and unpaid distributions to the date of redemption, with respect to any Trust Preferred Securities called for redemption by such Trust but if and only to the extent that such Trust has funds legally and immediately available therefor, and

(iii) upon a dissolution, winding-up or termination of such Trust (other than in connection with the distribution of Junior Subordinated Notes to the holders of its Trust Preferred Securities (as described below) or the redemption of all of the Trust Preferred Securities of such Trust), the lesser of (a) the aggregate of the liquidation amount and all accrued and unpaid distributions on its Trust Preferred Securities to the date of payment, to the extent such Trust has funds legally and immediately available therefor, and (b) the amount of assets of such Trust remaining available for distribution to holders of its Trust Preferred Securities in liquidation of such Trust.

Each issue of the Trust Securities is subject to mandatory redemption upon repayment of the related Junior Subordinated Notes at maturity or upon their earlier redemption. Each series

of the Junior Subordinated Notes may be redeemed, in whole or in part, at the option of Alabama at any time on or after the date set forth in the related Supplemental Indenture. In addition, upon the occurrence of certain special events arising from a change in law or a change in legal interpretation or other specified circumstances relating to tax matters and the Investment Company Act of 1940, as amended, Alabama shall have the option to redeem the Junior Subordinated Notes (and thus cause the redemption of the Trust Securities). Alabama will also have the right at any time to terminate a Trust and cause the related Junior Subordinated Notes to be distributed to the holders of the Trust Preferred Securities of such Trust in liquidation thereof.

It is contemplated that, for Federal income tax purposes, each of the Trusts will be treated as a passive grantor trust and not as a partnership. Accordingly, as in the case of a limited liability company or limited partnership Special Purpose Subsidiary, none of the Trusts will be subject to tax and Alabama and investors holding Trust Preferred Securities will be treated as the owners of the respective Trust and will be required to include in income their proportionate shares of the income of such Trust. However, the information reporting procedure for the Trusts would differ from the procedures used when the Special Purpose Subsidiary is a limited liability company or a limited partnership. Investors would receive tax reporting information from their brokers on an IRS Form 1099, rather than the Schedule K-1.

It is anticipated that each of the Trusts will be exempt from status as an "investment company" under the Investment Company Act of 1940, as amended, in reliance on the finance subsidiary rule (Rule 3a-5).

The proceeds from the sale of its Trust Preferred Securities will be loaned by each of the Trusts to Alabama, such loan to be evidenced by the respective Junior Subordinated Notes

and ultimately will be used by Alabama in connection with its ongoing construction program, to pay scheduled maturities and/or refundings of its securities, to repay short-term indebtedness to the extent outstanding and for other general corporate purposes None of such proceeds will be used by Alabama or any associate company thereof for the acquisition of an interest in an "exempt wholesale generator" or a "foreign utility company" as defined in Sections 32 and 33, respectively, of the Act.

It is considered that the record is now complete with respect to the issuance by each of the Trusts of its Trust Preferred Securities and the related issuance by Alabama of the related series of Junior Subordinated Notes and the Guarantees as described herein. Accordingly, an order with respect to such transactions is hereby requested. It is hereby requested that jurisdiction be reserved with respect to the other transactions proposed in these proceedings."

ITEM 2. FEES, COMMISSIONS AND EXPENSES.

The estimated fees and expenses to be incurred by Alabama in connection herewith are as follows:

	Initial Issuance	Each Additional Issuance
Filing fees - Securities and Exchange Commission	$ 121,213	–
Fees and Expenses of Trustees	9,500	9,500
Listing on New York Stock Exchange	86,300	–
Printing charges	30,000	10,000
Rating Agency Fees	107,000	65,000
Services of Southern Company Services, Inc.	30,000	15,000
Fees and Expenses of counsel	90,000	55,000
Blue sky fees and expenses	3,500	3,500
Fees of accountants, Arthur Andersen LLP	42,000	25,000
Miscellaneous	15,487	7,000
TOTAL	$ 535,000	$ 190,000

ITEM 3. APPLICABLE STATUTORY PROVISIONS.

Item 3 is hereby amended by adding thereto the following:

"Rule 54 Analysis: The proposed transaction is also subject to Rule 54, which provides that, in determining whether to approve an application which does not relate to any "exempt wholesale generator" ("EWG") or "foreign utility company" ("FUCO"), the Commission shall not consider the effect of the capitalization or earnings of any such EWG or FUCO which is a subsidiary of a registered holding company if the requirements of Rule 53(a), (b) and (c) are satisfied.

The Southern Company ("Southern") currently meets all of the conditions of Rule 53(a). At December 31, 1996, Southern's "aggregate investment," as defined in Rule 53(a)(1), in EWGs and FUCOs was approximately $922,341,743, or about 25.61% of Southern's "consolidated retained earnings," also as defined in Rule 53(a)(1), for the four quarters ended September 30, 1996 ($3,601 million). In addition, Southern has complied and will continue to comply with the record-keeping requirements of Rule 53(a)(2), the limitation under Rule 53(a)(3) on the use of Operating Company personnel to render services to EWGs and FUCOs, and the requirements of Rule 53(a)(4) concerning the submission of copies of certain filings under the Act to retail rate regulatory commissions. Accordingly, since the requirements of Rule 53(a) are currently met and none of the circumstances described in Rule 53(b) has occurred, the provisions of Rule 53(c) are currently inapplicable.

Moreover, even if the effect of the capitalization and earnings of EWGs and FUCOs in which Southern has an ownership interest upon the Southern holding company system were considered, there is no basis for the Commission to withhold or deny approval for the proposal

made in this Application-Declaration. The action requested in the instant filing (*viz.* approval for certain financing transactions by Alabama) would not, by itself, or even considered in conjunction with the effect of the capitalization and earnings of Southern's EWGs and FUCOs, have a material adverse effect on the financial integrity of the Southern system, or an adverse impact on Southern's public-utility subsidiaries, their customers, or the ability of State commissions to protect such public-utility customers."

ITEM 6. EXHIBITS AND FINANCIAL STATEMENTS.

A. Exhibits:

A-1 - Trust Agreement of Alabama Power Capital Trust II. (Designated in Form S-3 File Nos. 333-17333, 333-17333-01, 333-17333-02, and 333-17333-03, as Exhibit 4.4-A.)

A-2 - Trust Agreement of Alabama Power Capital Trust III. (Designated in Form S-3 File Nos. 333-17333, 333-17333-01, 333-17333-02, and 333-17333-03, as Exhibit 4.4-B.)

A-3 - Trust Agreement of Alabama Power Capital Trust IV. (Designated in Form S-3 File Nos. 333-17333, 333-17333-01, 333-17333-02, and 333-17333-03, as Exhibit 4.4-C.)

A-4 - Form of Amended and Restated Trust Agreement for Alabama Power Capital Trust II. (Designated in Form S-3 File Nos. 333-17333, 333-17333-01, 333-17333-02, and 333-17333-03, as Exhibit 4.5-A.)

A-5 - Form of Amended and Restated Trust Agreement for Alabama Power Capital Trust III. (Designated in Form S-3 File Nos. 333-17333, 333-17333-01, 333-17333-02, and 333-17333-03, as Exhibit 4.5-B.)

A-6 - Form of Amended and Restated Trust Agreement for Alabama Power Capital Trust IV. (Designated in Form S-3 File Nos. 333-17333, 333-17333-01, 333-17333-02, and 333-17333-03, as Exhibit 4.5-C.)

B-1 - Form of Subordinated Note Indenture between Alabama Power Company and The Chase Manhattan Bank, as Trustee. (Designated in Form S-3 File Nos. 333-17333, 333-17333-01, 333-17333-02, and 333-17333-03, as Exhibit 4.1.)

B-2 - Form of Supplemental Indenture to Subordinated Note Indenture between Alabama Power Company and The Chase Manhattan Bank, as Trustee. (Designated in Form S-3 File Nos. 333-17333, 333-17333-01, 333-17333-02, and 333-17333-03, as Exhibit 4 2.)

B-3 - Forms of Guarantee with respect to Preferred Securities of Alabama Power Capital Trust II, Alabama Power Capital Trust III and Alabama Power Capital Trust IV. (Designated in Form S-3 File Nos. 333-17333, 333-17333-01, 333-17333-02, and 333-17333-03, as Exhibits 4.8-A, 4.8-B and 4.8-C.)

C-1 - Registration Statement under the Securities Act of 1933. (Filed electronically December 5, 1996, File Nos. 333-17333, 333-17333-01, 333-17333-02, and 333-17333-03.)

B. Financial Statements.

Balance sheet of Alabama at September 30, 1996. (Designated in Alabama's Form 10-Q for the quarter ended September 30, 1996, File No. 1-3164.)

Statements of Income of Alabama for the periods ended September 30, 1996. (Designated in Alabama's Form 10-Q for the quarter ended September 30, 1996, File No. 1-3164.)

SIGNATURES

Pursuant to the requirements of the Public Utility Holding Company Act of 1935, the undersigned companies have duly caused this amendment to be signed on their behalf by the undersigned thereunto duly authorized.

Date: January 10, 1997

ALABAMA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GEORGIA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GULF POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

MISSISSIPPI POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

[Signatures continued on next page]

SAVANNAH ELECTRIC AND POWER COMPANY

By: _____

Wayne Boston, Assistant Secretary

File No. 70-8481

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO. 11
(Post-Effective No. 8)
TO
FORM U-1
APPLICATION OR DECLARATION
under
The Public Utility Holding Company Act of 1935

ALABAMA POWER COMPANY
600 North 18th Street
Birmingham, Alabama 35291

GULF POWER COMPANY
500 Bayfront Parkway
Pensacola, Florida 32501

GEORGIA POWER COMPANY
333 Piedmont Avenue, N.E.
Atlanta, Georgia 30308

MISSISSIPPI POWER COMPANY
2992 West Beach
Gulfport, Mississippi 39501

SAVANNAH ELECTRIC AND POWER COMPANY
600 East Bay Street
Savannah, Georgia 31401

(Name of company or companies filing this statement and addresses of principal executive offices)

THE SOUTHERN COMPANY

(Name of top registered holding company parent of each applicant or declarant)

Art P. Beattie, Vice President,
Secretary and Treasurer
Alabama Power Company
600 North 18th Street
Birmingham, Alabama 35291

Warren E. Tate, Secretary
and Treasurer
Gulf Power Company
500 Bayfront Parkway
Pensacola, Florida 32501

Judy M. Anderson, Vice President
and Corporate Secretary
Georgia Power Company
333 Piedmont Avenue, N.E.
Atlanta, Georgia 30308

Michael W. Southern, Vice
President, Secretary and Treasurer
Mississippi Power Company
2992 West Beach
Gulfport, Mississippi 39501

Kirby R. Willis, Vice President, Treasurer
and Chief Financial Officer
Savannah Electric and Power Company
600 East Bay Street
Savannah, Georgia 31401

(Names and addresses of agents for service)

The Commission is requested to mail signed copies of all orders, notices and communications to:

W. L. Westbrook
Financial Vice President
The Southern Company
270 Peachtree Street, NW
Atlanta, Georgia 30303

John D. McLanahan, Esq.
Troutman Sanders LLP
600 Peachtree Street, N.E.
Suite 5200
Atlanta, Georgia 30308-2216

ITEM 1. DESCRIPTION OF PROPOSED TRANSACTIONS.

Item 1 is hereby amended by adding thereto the following:

"Gulf proposes, in addition to a Special Purpose Subsidiary organized as either a limited liability company or a limited partnership, to organize its Special Purpose Subsidiaries as trusts, Gulf Power Capital Trust I and Gulf Power Capital Trust II (individually, a "Trust" and collectively, the "Trusts").

Each of the Trusts is a statutory business trust formed under Delaware law pursuant to the filing of its respective certificate of trust with the Delaware Secretary of State on December 26, 1996. Each Trust's business is defined in a separate trust agreement, each such trust agreement executed by Gulf, as Depositor, and the Delaware Trustee (the "Trustee") thereunder and filed as Exhibits A-1 and A-2 hereto. It is proposed that each trust agreement will be amended and restated in its entirety, substantially in the forms of Exhibits A-3 and A-4 hereto, on the date of the offering by such Trust (the "Trust Agreement"). Each of the Trusts exists for the exclusive purposes of (i) issuing its Trust Preferred Securities (as defined below) and its Trust Common Securities (as defined below)(the Trust Preferred Securities and the Trust Common Securities of each Trust being herein referred to as the "Trust Securities" of such Trust) which represent the undivided beneficial interests in the assets of such Trust, (ii) investing the gross proceeds of its Trust Securities in a series of Junior Subordinated Notes (as defined below) of Gulf and (iii) engaging in only those other activities necessary, appropriate, convenient or incidental thereto. The term of each of the Trusts will be set forth in the related Trust Agreement.

It is proposed that each of the Trusts will issue only one series of Trust Preferred Securities (the "Trust Preferred Securities"). The aggregate liquidation amount of the Trust Preferred Securities issued by the Trusts hereunder will not exceed $60,000,000. The distribution rate to be borne by the Trust Preferred Securities of each of the Trusts will not exceed 12.5% per annum (expressed as a percentage of liquidation amount) and shall also be the distribution rate for the respective Trust Common Securities and the interest rate for the related Junior Subordinated Notes (the "Securities Rate"). It is proposed that each of the Trusts will issue its Trust Common Securities (the "Trust Common Securities"), registered in the name of Gulf, to Gulf. The Trust Common Securities of each Trust will represent approximately 3% undivided beneficial interests in the assets of the Trust. The proceeds realized by each of the Trusts from the sale of its Trust Preferred Securities, together with Gulf's payment to such Trust for its Trust Common Securities, will be loaned to Gulf, such loan to be evidenced by a related series of Gulf's Junior Subordinated Notes (the "Junior Subordinated Notes") equal in aggregate principal amount to the aggregate liquidation amount of such Trust's Trust Securities. It is proposed that the Junior Subordinated Notes will have maturities of up to 50 years and will not be convertible into any other securities or assets of Gulf or of any of the Trusts.

The holders of Trust Preferred Securities and Trust Common Securities of each of the Trusts will receive as distributions on payment dates their pro rata shares of payments received by such Trust on its Junior Subordinated Notes, except that, in the event of default by Gulf on such Junior Subordinated Notes, the payment

entitlement of Gulf as holder of the Trust Common Securities of such Trust will be subordinated to the payment entitlement of the investors as holders of such Trust Preferred Securities. Each respective Trust Agreement will provide that holders of Trust Preferred Securities will have only the rights expressly granted to them by such Trust Agreement, including the right to receive distributions and certain consensual rights expressly provided.

It is proposed that each of the Trusts will issue and sell its Trust Preferred Securities pursuant to a separate underwriting agreement among such Trust, Gulf and the underwriters thereunder. Pursuant to such underwriting agreement, the underwriters will purchase the Trust Preferred Securities from such Trust at an aggregate purchase price equal to the aggregate liquidation amount of such Trust Preferred Securities. In addition, in view of the fact that the proceeds of the sale of the Trust Preferred Securities will be loaned to Gulf, Gulf will agree to pay the underwriters' compensation for their services in an amount not exceeding 4% of the aggregate liquidation amount of such Trust Preferred Securities.

Cash distributions on the respective Trust Securities will be cumulative from the date of original issuance of such Trust Securities at the applicable Securities Rate and will be payable periodically in arrears as described in the related Trust Agreement. Such distributions in arrears for more than one such period will bear interest thereon at the Securities Rate. Each related series of Junior Subordinated Notes will similarly bear interest at the Securities Rate. Gulf will have the right from time to time to defer the payment of interest on such Junior Subordinated Notes for a period specified in the

related Supplemental Indenture, at the end of each of which extension periods all accrued and unpaid interest (together with interest thereon at the Securities Rate) will be due and payable. As a consequence of any such extension of the interest payment period on the Junior Subordinated Notes, periodic distributions on the Trust Preferred Securities would be correspondingly deferred.

Gulf will guarantee (the "Guarantee") the following payments with respect to the Trust Preferred Securities of each Trust to the extent not paid by the respective Trust:

(i) any accrued and unpaid distributions that are required to be paid on the Trust Preferred Securities but if and only if and to the extent such Trust shall have funds legally and immediately available therefor,

(ii) the redemption price, including all accrued and unpaid distributions to the date of redemption, with respect to any Trust Preferred Securities called for redemption by such Trust but if and only to the extent that such Trust has funds legally and immediately available therefor, and

(iii) upon a dissolution, winding-up or termination of such Trust (other than in connection with the distribution of Junior Subordinated Notes to the holders of its Trust Preferred Securities (as described below) or the redemption of all of the Trust Preferred Securities of such Trust), the lesser of (a) the

aggregate of the liquidation amount and all accrued and unpaid distributions on its Trust Preferred Securities to the date of payment, to the extent such Trust has funds legally and immediately available therefor, and (b) the amount of assets of such Trust remaining available for distribution to holders of its Trust Preferred Securities in liquidation of such Trust.

Each issue of the Trust Securities is subject to mandatory redemption upon repayment of the related Junior Subordinated Notes at maturity or upon their earlier redemption. Each series of the Junior Subordinated Notes may be redeemed, in whole or in part, at the option of Gulf at any time on or after the date set forth in the related Supplemental Indenture. In addition, upon the occurrence of certain special events arising from a change in law or a change in legal interpretation or other specified circumstances relating to tax matters and the Investment Company Act of 1940, as amended, Gulf shall have the option to redeem the Junior Subordinated Notes (and thus cause the redemption of the Trust Securities). Gulf will also have the right at any time to terminate a Trust and cause the related Junior Subordinated Notes to be distributed to the holders of the Trust Preferred Securities of such Trust in liquidation thereof.

It is contemplated that, for Federal income tax purposes, each of the Trusts will be treated as a passive grantor trust and not as a partnership. Accordingly, as in the case of a limited liability company or limited partnership Special Purpose Subsidiary, none of the Trusts will be subject to tax and Gulf and investors holding

Trust Preferred Securities will be treated as the owners of the respective Trust and will be required to include in income their proportionate shares of the income of such Trust. However, the information reporting procedure for the Trusts would differ from the procedures used when the Special Purpose Subsidiary is a limited liability company or a limited partnership. Investors would receive tax reporting information from their brokers on an IRS Form 1099, rather than the Schedule K-1.

It is anticipated that each of the Trusts will be exempt from status as an "investment company" under the Investment Company Act of 1940, as amended, in reliance on the finance subsidiary rule (Rule 3a-5).

The proceeds from the sale of its Trust Preferred Securities will be loaned by each of the Trusts to Gulf, such loan to be evidenced by the respective Junior Subordinated Notes and ultimately will be used by Gulf in connection with its ongoing construction program, to pay scheduled maturities and/or refundings of its securities, to repay short-term indebtedness to the extent outstanding and for other general corporate purposes. None of such proceeds will be used by Gulf or any associate company thereof for the acquisition of an interest in an "exempt wholesale generator" or a "foreign utility company" as defined in Sections 32 and 33, respectively, of the Act.

It is considered that the record is now complete with respect to the issuance by each of the Trusts of its Trust Preferred Securities and the related issuance by Gulf of the related series of Junior Subordinated Notes and the Guarantees as described herein. Accordingly, an order with respect to such transactions is hereby requested. It

is hereby requested that jurisdiction be reserved with respect to the other transactions proposed in these proceedings."

ITEM 2. FEES, COMMISSIONS AND EXPENSES.

The estimated fees and expenses to be incurred by Gulf in connection herewith are as follows:

	Initial Issuance	Each Additional Issuance
Florida Documentary Stamp Tax	$210,000	–
Florida intangible personal property tax	9,000	–
Filing fees - Securities and Exchange Commission	18,182	–
Fees and Expenses of Trustees	9,500	9,500
Listing on New York Stock Exchange	30,900	–
Printing charges	40,000	10,000
Rating Agency Fees	36,100	20,000
Services of Southern Company Services, Inc.	40,000	10,000
Fees and Expenses of counsel	65,000	35,000
Blue sky fees and expenses	3,500	3,500
Fees of accountants, Arthur Andersen LLP	35,000	25,000
Miscellaneous	12,818	12,000
Total	$510,000	$125,000

ITEM 3. APPLICABLE STATUTORY PROVISIONS.

Item 3 is hereby amended by adding thereto the following:

"Rule 54 Analysis: The proposed transaction is also subject to Rule 54, which provides that, in determining whether to approve an application which does not relate to any "exempt wholesale generator" ("EWG") or "foreign utility company" ("FUCO"), the Commission shall not consider the effect of the capitalization or earnings of any such EWG or FUCO which is a subsidiary of a registered holding company if the requirements of Rule 53(a), (b) and (c) are satisfied.

The Southern Company ("Southern") currently meets all of the conditions of Rule 53(a), except for clause (1). Currently, Southern's "aggregate investment," as defined in Rule 53(a)(1), in EWGs and FUCOs is approximately $2.3 billion, or about 63% of Southern's "consolidated retained earnings," also as defined in Rule 53(a)(1), for the four quarters ended September 30, 1996 ($3,601 million). With respect to Rule 53(a)(1), however, the Commission has determined that Southern's financing of investments in EWGs and FUCOs in an amount greater than the amount that would otherwise be allowed by Rule 53(a)(1) would not have either of the adverse effects set forth in Rule 53(c). See The Southern Company, Holding Company Act Release Nos. 26501 and 26646, dated April 1, 1996 and January 15, 1997, respectively.

In addition, Southern has complied and will continue to comply with the record-keeping requirements of Rule 53(a)(2), the limitation under Rule 53(a)(3) on the use of Operating Company personnel to render services to EWGs and FUCOs, and the requirements of Rule 53(a)(4) concerning the submission of copies of certain filings under the Act to retail rate regulatory commissions. Further, none of the circumstances described in Rule 53(b) has occurred.

Moreover, even if the effect of the capitalization and earnings of EWGs and FUCOs in which Southern has an ownership interest upon the Southern holding company system were considered, there is no basis for the Commission to withhold or deny approval for the proposal made in this Application-Declaration. The action requested in the instant filing (*viz.* approval for certain financing transactions by Gulf) would not, by itself, or even considered in conjunction with the effect of the

capitalization and earnings of Southern's EWGs and FUCOs, have a material adverse effect on the financial integrity of the Southern system, or an adverse impact on Southern's public-utility subsidiaries, their customers, or the ability of State commissions to protect such public-utility customers."

ITEM 6. EXHIBITS AND FINANCIAL STATEMENTS.

A. Exhibits:

A-1 - Trust Agreement of Gulf Power Capital Trust I. (Designated in Form S-3 File Nos. 333-19271, 333-19271-01 and 333-19271-02, as Exhibit 4.4-A.)

A-2 - Trust Agreement of Gulf Power Capital Trust II. (Designated in Form S-3 File Nos. 333-19271, 333-19271-01 and 333-19271-02, as Exhibit 4.4-B.)

A-3 - Forms of Amended and Restated Trust Agreements for Gulf Power Capital Trust I. (Designated in Form S-3 File Nos. 333-19271, 333-19271-01 and 333-19271-02, as Exhibits 4.5-A and 4.5-C.)

A-4 - Forms of Amended and Restated Trust Agreements for Gulf Power Capital Trust II. (Designated in Form S-3 File Nos. 333-19271, 333-19271-01 and 333-19271-02, as Exhibits 4.5-B and 4.5-D.)

B-1 - Form of Subordinated Note Indenture between Gulf Power Company and The Chase Manhattan Bank, as Trustee. (Designated in Form S-3 File Nos. 333-19271, 333-19271-01 and 333-19271-02, as Exhibit 4.1.)

B-2 - Forms of Supplemental Indenture to Subordinated Note Indenture between Gulf Power Company and The Chase Manhattan Bank, as Trustee. (Designated in Form S-3 File Nos. 333-19271, 333-19271-01 and 333-19271-02, as Exhibit 4.2-A and 4.2-B.)

B-3 - Forms of Guarantee with respect to Preferred Securities of Gulf Power Capital Trust I and Gulf Power Capital Trust II. (Designated in Form S-3 File Nos. 333-19271, 333-19271-01 and 333-19271-02, as Exhibits 4.8-A, 4.8-B, 4.8-C and 4.8-D.)

C-1 - Registration Statement under the Securities Act of 1933. (Filed electronically January 3, 1997, File Nos. 333-19271, 333-19271-01 and 333-19271-02.)

B. Financial Statements.

Balance sheet of Gulf at September 30, 1996. (Designated in Gulf's Form 10-Q for the quarter ended September 30, 1996, File No. 0-2429.)

Statements of Income of Gulf for the periods ended September 30, 1996. (Designated in Gulf's Form 10-Q for the quarter ended September 30, 1996, File No. 0-2429.)

SIGNATURES

Pursuant to the requirements of the Public Utility Holding Company Act of 1935, the undersigned companies have duly caused this amendment to be signed on their behalf by the undersigned thereunto duly authorized.

Date: January 27, 1997

ALABAMA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GEORGIA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

[Signatures continued on next page]

GULF POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

MISSISSIPPI POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

SAVANNAH ELECTRIC AND POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

File No. 70-8461

SECURITIES AND EXCHANGE COMMISSION
Washington, D C. 20549

AMENDMENT NO. 12
(Post-Effective No. 9)
TO
FORM U-1
APPLICATION OR DECLARATION
under
The Public Utility Holding Company Act of 1935

ALABAMA POWER COMPANY
600 North 18th Street
Birmingham, Alabama 35291

GULF POWER COMPANY
500 Bayfront Parkway
Pensacola, Florida 32501

GEORGIA POWER COMPANY
333 Piedmont Avenue, N.E.
Atlanta, Georgia 30308

MISSISSIPPI POWER COMPANY
2992 West Beach
Gulfport, Mississippi 39501

SAVANNAH ELECTRIC AND POWER COMPANY
600 East Bay Street
Savannah, Georgia 31401

(Name of company or companies filing this statement and addresses of principal executive offices)

THE SOUTHERN COMPANY

(Name of top registered holding company parent of each applicant or declarant)

Art P. Beattie, Vice President,
Secretary and Treasurer
Alabama Power Company
600 North 18th Street
Birmingham, Alabama 35291

Warren E. Tate, Secretary
and Treasurer
Gulf Power Company
500 Bayfront Parkway
Pensacola, Florida 32501

Judy M. Anderson, Vice President
and Corporate Secretary
Georgia Power Company
333 Piedmont Avenue, N.E.
Atlanta, Georgia 30308

Michael W. Southern, Vice
President, Secretary and Treasurer
Mississippi Power Company
2992 West Beach
Gulfport, Mississippi 39501

Kirby R. Willis, Vice President, Treasurer
and Chief Financial Officer
Savannah Electric and Power Company
600 East Bay Street
Savannah, Georgia 31401

(Names and addresses of agents for service)

The Commission is requested to mail signed copies of all orders, notices and communications to:

W. L. Westbrook
Financial Vice President
The Southern Company
270 Peachtree Street, NW
Atlanta, Georgia 30303

John D. McLanahan, Esq.
Troutman Sanders LLP
600 Peachtree Street, N.E.
Suite 5200
Atlanta, Georgia 30308-2216

ITEM 1. DESCRIPTION OF PROPOSED TRANSACTIONS

Item 1 is hereby amended by adding thereto the following:

"Mississippi proposes, in addition to a Special Purpose Subsidiary organized as either a limited liability company or a limited partnership, to organize its Special Purpose Subsidiaries as trusts, Mississippi Power Capital Trust I and Mississippi Power Capital Trust II (individually, a "Trust" and collectively, the "Trusts").

Each of the Trusts is a statutory business trust formed under Delaware law pursuant to the filing of its respective certificate of trust with the Delaware Secretary of State on January 24, 1997. Each Trust's business is defined in a separate trust agreement, each such trust agreement executed by Mississippi, as Depositor, and the Delaware Trustee (the "Trustee") thereunder and filed as Exhibits A-1 and A-2 hereto. It is proposed that each trust agreement will be amended and restated in its entirety, substantially in the forms of Exhibits A-3 and A-4 hereto, on the date of the offering by such Trust (the "Trust Agreement"). Each of the Trusts exists for the exclusive purposes of (i) issuing its Trust Preferred Securities (as defined below) and its Trust Common Securities (as defined below)(the Trust Preferred Securities and the Trust Common Securities of each Trust being herein referred to as the "Trust Securities" of such Trust) which represent the undivided beneficial interests in the assets of such Trust, (ii) investing the gross proceeds of its Trust Securities in a series of Junior Subordinated Notes (as defined below) of Mississippi and (iii) engaging in only those other activities necessary, appropriate, convenient or incidental thereto. The term of each of the Trusts will be set forth in the related Trust Agreement.

It is proposed that each of the Trusts will issue only one series of Trust Preferred Securities (the "Trust Preferred Securities"). The aggregate liquidation amount of the Trust Preferred Securities issued by the Trusts hereunder will not exceed $55,000,000. The distribution rate to be borne by the Trust Preferred Securities of each of the Trusts will not exceed 12.5% per annum (expressed as a percentage of liquidation amount) and shall also be the distribution rate for the respective Trust Common Securities and the interest rate for the related Junior Subordinated Notes (the "Securities Rate"). It is proposed that each of the Trusts will issue its Trust Common Securities (the "Trust Common Securities"), registered in the name of Mississippi, to Mississippi. The Trust Common Securities of each Trust will represent approximately 3% undivided beneficial interests in the assets of the Trust. The proceeds realized by each of the Trusts from the sale of its Trust Preferred Securities, together with Mississippi's payment to such Trust for its Trust Common Securities, will be loaned to Mississippi, such loan to be evidenced by a related series of Mississippi's Junior Subordinated Notes (the "Junior Subordinated Notes") equal in aggregate principal amount to the aggregate liquidation amount of such Trust's Trust Securities. It is proposed that the Junior Subordinated Notes will have maturities of up to 50 years and will not be convertible into any other securities or assets of Mississippi or of any of the Trusts.

The holders of Trust Preferred Securities and Trust Common Securities of each of the Trusts will receive as distributions on payment dates their pro rata shares of payments received by such Trust on its Junior Subordinated Notes, except that, in

the event of default by Mississippi on such Junior Subordinated Notes, the payment entitlement of Mississippi as holder of the Trust Common Securities of such Trust will be subordinated to the payment entitlement of the investors as holders of such Trust Preferred Securities. Each respective Trust Agreement will provide that holders of Trust Preferred Securities will have only the rights expressly granted to them by such Trust Agreement, including the right to receive distributions and certain consensual rights expressly provided.

It is proposed that each of the Trusts will issue and sell its Trust Preferred Securities pursuant to a separate underwriting agreement among such Trust, Mississippi and the underwriters thereunder. Pursuant to such underwriting agreement, the underwriters will purchase the Trust Preferred Securities from such Trust at an aggregate purchase price equal to the aggregate liquidation amount of such Trust Preferred Securities. In addition, in view of the fact that the proceeds of the sale of the Trust Preferred Securities will be loaned to Mississippi, Mississippi will agree to pay the underwriters' compensation for their services in an amount not exceeding 4% of the aggregate liquidation amount of such Trust Preferred Securities.

Cash distributions on the respective Trust Securities will be cumulative from the date of original issuance of such Trust Securities at the applicable Securities Rate and will be payable periodically in arrears as described in the related Trust Agreement. Such distributions in arrears for more than one such period will bear interest thereon at the Securities Rate. Each related series of Junior Subordinated Notes will similarly bear interest at the Securities Rate. Mississippi will have the right from time to time to

defer the payment of interest on such Junior Subordinated Notes for a period specified in the related Supplemental Indenture, at the end of each of which extension periods all accrued and unpaid interest (together with interest thereon at the Securities Rate) will be due and payable. As a consequence of any such extension of the interest payment period on the Junior Subordinated Notes, periodic distributions on the Trust Preferred Securities would be correspondingly deferred.

Mississippi will guarantee (the "Guarantee") the following payments with respect to the Trust Preferred Securities of each Trust to the extent not paid by the respective Trust:

(i) any accrued and unpaid distributions that are required to be paid on the Trust Preferred Securities but if and only if and to the extent such Trust shall have funds legally and immediately available therefor,

(ii) the redemption price, including all accrued and unpaid distributions to the date of redemption, with respect to any Trust Preferred Securities called for redemption by such Trust but if and only to the extent that such Trust has funds legally and immediately available therefor, and

(iii) upon a dissolution, winding-up or termination of such Trust (other than in connection with the distribution of Junior Subordinated Notes to the holders of its Trust Preferred Securities (as described below) or the redemption of all of the

Trust Preferred Securities of such Trust), the lesser of (a) the aggregate of the liquidation amount and all accrued and unpaid distributions on its Trust Preferred Securities to the date of payment, to the extent such Trust has funds legally and immediately available therefor, and (b) the amount of assets of such Trust remaining available for distribution to holders of its Trust Preferred Securities in liquidation of such Trust.

Each issue of the Trust Securities is subject to mandatory redemption upon repayment of the related Junior Subordinated Notes at maturity or upon their earlier redemption. Each series of the Junior Subordinated Notes may be redeemed, in whole or in part, at the option of Mississippi at any time on or after the date set forth in the related Supplemental Indenture. In addition, upon the occurrence of certain special events arising from a change in law or a change in legal interpretation or other specified circumstances relating to tax matters and the Investment Company Act of 1940, as amended, Mississippi shall have the option to redeem the Junior Subordinated Notes (and thus cause the redemption of the Trust Securities). Mississippi will also have the right at any time to terminate a Trust and cause the related Junior Subordinated Notes to be distributed to the holders of the Trust Preferred Securities of such Trust in liquidation thereof.

It is contemplated that, for Federal income tax purposes, each of the Trusts will be treated as a passive grantor trust and not as a partnership. Accordingly, as in the case of a limited liability company or limited partnership Special Purpose

Subsidiary, none of the Trusts will be subject to tax and Mississippi and investors holding Trust Preferred Securities will be treated as the owners of the respective Trust and will be required to include in income their proportionate shares of the income of such Trust. However, the information reporting procedure for the Trusts would differ from the procedures used when the Special Purpose Subsidiary is a limited liability company or a limited partnership. Investors would receive tax reporting information from their brokers on an IRS Form 1099, rather than the Schedule K-1.

It is anticipated that each of the Trusts will be exempt from status as an "investment company" under the Investment Company Act of 1940, as amended, in reliance on the finance subsidiary rule (Rule 3a-5).

The proceeds from the sale of its Trust Preferred Securities will be loaned by each of the Trusts to Mississippi, such loan to be evidenced by the respective Junior Subordinated Notes and ultimately will be used by Mississippi in connection with its ongoing construction program, to pay scheduled maturities and/or refundings of its securities, to repay short-term indebtedness to the extent outstanding and for other general corporate purposes. None of such proceeds will be used by Mississippi or any associate company thereof for the acquisition of an interest in an "exempt wholesale generator" or a "foreign utility company" as defined in Sections 32 and 33, respectively, of the Act.

It is considered that the record is now complete with respect to the issuance by each of the Trusts of its Trust Preferred Securities and the related issuance by Mississippi of the related series of Junior Subordinated Notes and the Guarantees as

described herein. Accordingly, an order with respect to such transactions is hereby requested. It is hereby requested that jurisdiction be reserved with respect to the other transactions proposed in these proceedings."

ITEM 2. FEES, COMMISSIONS AND EXPENSES.

The estimated fees and expenses to be incurred by Mississippi in connection herewith are as follows:

	Initial Issuance	Each Additional Issuance
Filing fees - Securities and Exchange Commission	16,667	–
Fees and Expenses of Trustees	17,000	17,000
Listing on New York Stock Exchange	30,900	–
Printing charges	40,000	10,000
Rating Agency Fees	36,600	20,500
Services of Southern Company Services, Inc.	40,000	10,000
Fees and Expenses of counsel	65,000	35,000
Blue sky fees and expenses	3,500	3,500
Fees of accountants, Arthur Andersen LLP	35,000	25,000
Miscellaneous	10,333	9,000
Total	$295,000	$130,000

ITEM 3. APPLICABLE STATUTORY PROVISIONS.

Item 3 is hereby amended by adding thereto the following:

"Rule 54 Analysis: The proposed transaction is also subject to Rule 54, which provides that, in determining whether to approve an application which does not relate to any "exempt wholesale generator" ("EWG") or "foreign utility company" ("FUCO"), the Commission shall not consider the effect of the capitalization or earnings of any such EWG or FUCO which is a subsidiary of a registered holding company if the requirements of Rule 53(a), (b) and (c) are satisfied.

The Southern Company ("Southern") currently meets all of the conditions of Rule 53(a), except for clause (1). Currently, Southern's "aggregate investment," as defined in Rule 53(a)(1), in EWGs and FUCOs is approximately $2.3 billion, or about 63% of Southern's "consolidated retained earnings," also as defined in Rule 53(a)(1), for the four quarters ended September 30, 1996 ($3,601 million). With respect to Rule 53(a)(1), however, the Commission has determined that Southern's financing of investments in EWGs and FUCOs in an amount greater than the amount that would otherwise be allowed by Rule 53(a)(1) would not have either of the adverse effects set forth in Rule 53(c). See The Southern Company, Holding Company Act Release Nos. 26501 and 26646, dated April 1, 1996 and January 15, 1997, respectively.

In addition, Southern has complied and will continue to comply with the record-keeping requirements of Rule 53(a)(2), the limitation under Rule 53(a)(3) on the use of Operating Company personnel to render services to EWGs and FUCOs, and the requirements of Rule 53(a)(4) concerning the submission of copies of certain filings under the Act to retail rate regulatory commissions. Further, none of the circumstances described in Rule 53(b) has occurred.

Moreover, even if the effect of the capitalization and earnings of EWGs and FUCOs in which Southern has an ownership interest upon the Southern holding company system were considered, there is no basis for the Commission to withhold or deny approval for the proposal made in this Application-Declaration. The action requested in the instant filing (*viz.* approval for certain financing transactions by Mississippi) would not, by itself, or even considered in conjunction with the effect of the

capitalization and earnings of Southern's EWGs and FUCOs, have a material adverse effect on the financial integrity of the Southern system, or an adverse impact on Southern's public-utility subsidiaries, their customers, or the ability of State commissions to protect such public-utility customers."

ITEM 6. EXHIBITS AND FINANCIAL STATEMENTS.

A. Exhibits:

A-1 - Trust Agreement of Mississippi Power Capital Trust I. (Designated in Form S-3 File Nos. 333-20469, 333-20469-01 and 333-20469-02, as Exhibit 4.4-A.)

A-2 - Trust Agreement of Mississippi Power Capital Trust II. (Designated in Form S-3 File Nos. 333-20469, 333-20469-01 and 333-20469-02, as Exhibit 4.4-B.)

A-3 - Forms of Amended and Restated Trust Agreements for Mississippi Power Capital Trust I. (Designated in Form S-3 File Nos. 333-20469, 333-20469-01 and 333-20469-02, as Exhibits 4.5-A and 4.5-C.)

A-4 - Forms of Amended and Restated Trust Agreements for Mississippi Power Capital Trust II. (Designated in Form S-3 File Nos. 333-20469, 333-20469-01 and 333-20469-02, as Exhibits 4.5-B and 4.5-D.)

B-1 - Form of Subordinated Note Indenture between Mississippi Power Company and The Chase Manhattan Bank, as Trustee. (Designated in Form S-3 File Nos. 333-20469, 333-20469-01 and 333-20469-02, as Exhibit 4.1.)

B-2 - Forms of Supplemental Indenture to Subordinated Note Indenture between Mississippi Power Company and The Chase Manhattan Bank, as Trustee. (Designated in Form S-3 File Nos. 333-20469, 333-20469-01 and 333-20469-02, as Exhibit 4.2-A and 4.2-B.)

B-3 - Forms of Guarantee with respect to Preferred Securities of Mississippi Power Capital Trust I and Mississippi Power Capital Trust II. (Designated in Form S-3 File Nos. 333-20469, 333-20469-01 and 333-20469-02, as Exhibits 4.8-A, 4.8-B, 4.8-C and 4.8-D.)

C-1 - Registration Statement under the Securities Act of 1933. (Filed electronically January 27, 1997, File Nos. 333-20469, 333-20469-01 and 333-20469-02.)

B. Financial Statements.

Balance sheet of Mississippi at September 30, 1996. (Designated in Mississippi's Form 10-Q for the quarter ended September 30, 1996, File No. 0-6849.)

Statements of Income of Mississippi for the periods ended September 30, 1996. (Designated in Mississippi's Form 10-Q for the quarter ended September 30, 1996, File No. 0-6849.)

SIGNATURES

Pursuant to the requirements of the Public Utility Holding Company Act of 1935, the undersigned companies have duly caused this amendment to be signed on their behalf by the undersigned thereunto duly authorized.

Date: January 31, 1997

ALABAMA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GEORGIA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

[Signatures continued on next page]

GULF POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

MISSISSIPPI POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

SAVANNAH ELECTRIC AND POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

File No. 70-8461

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO. 13
(Post-Effective No. 10)
TO
FORM U-1
APPLICATION OR DECLARATION
under
The Public Utility Holding Company Act of 1935

ALABAMA POWER COMPANY
600 North 18th Street
Birmingham, Alabama 35291

GULF POWER COMPANY
500 Bayfront Parkway
Pensacola, Florida 32501

GEORGIA POWER COMPANY
333 Piedmont Avenue, N.E.
Atlanta, Georgia 30308

MISSISSIPPI POWER COMPANY
2992 West Beach
Gulfport, Mississippi 39501

SAVANNAH ELECTRIC AND POWER COMPANY
600 East Bay Street
Savannah, Georgia 31401

(Name of company or companies filing this statement and addresses of principal executive offices)

THE SOUTHERN COMPANY

(Name of top registered holding company parent of each applicant or declarant)

Art P. Beattie, Vice President,
Secretary and Treasurer
Alabama Power Company
600 North 18th Street
Birmingham, Alabama 35291

Warren E. Tate, Secretary
and Treasurer
Gulf Power Company
500 Bayfront Parkway
Pensacola, Florida 32501

Judy M. Anderson, Vice President
and Corporate Secretary
Georgia Power Company
333 Piedmont Avenue, N.E.
Atlanta, Georgia 30308

Michael W. Southern, Vice
President, Secretary and Treasurer
Mississippi Power Company
2992 West Beach
Gulfport, Mississippi 39501

Kirby R. Willis, Vice President, Treasurer
and Chief Financial Officer
Savannah Electric and Power Company
600 East Bay Street
Savannah, Georgia 31401

(Names and addresses of agents for service)

The Commission is requested to mail signed copies of all orders, notices and communications to:

W. L. Westbrook
Financial Vice President
The Southern Company
270 Peachtree Street, NW
Atlanta, Georgia 30303

John D. McLanahan, Esq.
Troutman Sanders LLP
600 Peachtree Street, N.E.
Suite 5200
Atlanta, Georgia 30308-2216

ITEM 1. DESCRIPTION OF PROPOSED TRANSACTIONS.

Item 1 is hereby amended by adding thereto the following:

By order dated December 15, 1994 (HCAR No. 26187) (the "December 1994 Order"), the Operating Companies were authorized to form separate special purpose subsidiaries. Each special purpose subsidiary would issue and sell preferred securities in one or more series from time to time through December 31, 1997. In the December 1994 Order, Georgia was authorized to issue $100,000,000 of preferred securities and jurisdiction was reserved pending completion of the record over the issuance of preferred securities in the amount of $175,000,000 in the case of Alabama, $200,000,000 in the case of Georgia, $15,000,000 in the case of Gulf, $15,000,000 in the case of Mississippi and $10,000,000 in the case of Savannah.

By order dated January 17, 1996 (HCAR No. 26452) (the "January 1996 Order"), Alabama was authorized to issue $97,000,000 of preferred securities and jurisdiction was reserved pending completion of the record over the issuance of preferred securities in the amount of $78,000,000 in the case of Alabama, $200,000,000 in the case of Georgia, $15,000,000 in the case of Gulf, $15,000,000 in the case of Mississippi and $10,000,000 in the case of Savannah.

By post-effective amendment dated June 18, 1996, the Operating Affiliates requested that the authority to issued preferred securities be increased to $250,000,000 in the case of Alabama, $500,000,000 in the case of Georgia, $60,000,000 in the case of Gulf, $60,000,000 in the case of Mississippi and $35,000,000 in the case of Savannah. In the case of Alabama and Georgia, such amounts were in addition to the amounts authorized by the December 1994 Order and the January 1996 Order. The Operating Affiliates also requested that such authority be

extended through December 31, 2001. Such request was noticed June 21, 1996 (HCAR 26535).

By order dated August 26, 1996 (HCAR No. 26560) (the "August 1996 Order") Georgia completed the record and was authorized to issue $400,000,000 of preferred securities and the Operating Companies were authorized, pending completion of the record, to effect the sale of preferred securities in one or more series from time to time through December 31, 2001 in the amount of $250,000,000 in the case of Alabama, $100,000,000 in the case of Georgia, $60,000,000 in the case of Gulf, $60,000,000 in the case of Mississippi and $35,000,000 in the case of Savannah.

By subsequent orders (HCAR 26644, dated January 14, 1997; HCAR 26657, dated January 29, 1997 and HCAR 26660, dated February 5, 1997) the record was completed and the sale of preferred securities was authorized as follows: $250,000,000 for Alabama; $60,000,000 for Gulf; and $55,000,000 for Mississippi.

Currently, the Commission has jurisdiction reserved regarding the issuance and sale of additional preferred securities in the amounts of $100,000,000 for Georgia, $5,000,000 for Mississippi and $35,000,000 for Savannah.

The Operating Companies (except for Savannah) now request new or additional authority as follows: $300,000,000 for Alabama; $200,000,000 for Georgia; $50,000,000 for Gulf; and $70,000,000 for Mississippi. The applicants request that such authority be in addition to amounts previously authorized in this proceeding and that the Commission reserve jurisdiction, pending completion of the record over the issuance and sale of preferred securities through December 31, 2001, as follows:

$300,000,000 for Alabama; $300,000,000 for Georgia; $50,000,000 for Gulf; $75,000,000 for Mississippi; and $35,000,000 for Savannah.

ITEM 2. EXHIBITS AND FINANCIAL STATEMENTS.

A. Exhibits:

F-1 Opinion of Balch & Bingham LLP, counsel for Alabama. (To be filed by amendment.)

F-2 Opinion of Troutman Sanders LLP, counsel for Georgia. (To be filed by amendment.)

F-3 Opinion of Beggs & Lane, counsel for Gulf. (To be filed by amendment.)

F-4 Opinion of Eaton and Cottrell, P.A., counsel for Mississippi. (To be filed by amendment.)

F-5 Opinion of Bouhan, Williams & Levy LLP, counsel for Savannah. (To be filed by amendment.)

B. Financial Statements.

Balance sheet of Alabama at December 31, 1996. (Designated in Alabama's Form 10-K for the year ended December 31, 1996, File No. 1-3164.)

Statements of Income of Alabama for the periods ended December 31, 1996. (Designated in Alabama's Form 10-K for the year ended December 31, 1996, File No. 1-3164.)

Balance sheet of Georgia at December 31, 1996. (Designated in Georgia's Form 10-K for the year ended December 31, 1996, File No. 1-6468.)

Statements of Income of Georgia for the periods ended December 31, 1996. (Designated in Georgia's Form 10-K for the year ended December 31, 1996, File No. 1-6468.)

Balance sheet of Gulf at December 31, 1996. (Designated in Gulf's Form 10-K for the year ended December 31, 1996, File No. 0-2429.)

Statements of Income of Gulf for the periods ended December 31, 1996. (Designated in Gulf's Form 10-K for the year ended December 31, 1996, File No. 0-2429.)

Balance sheet of Mississippi at December 31, 1996. (Designated in Mississippi's Form 10-K for the year ended December 31, 1996, File No. 0-6849.)

Statements of Income of Mississippi for the periods ended December 31, 1996. (Designated in Mississippi's Form 10-K for the year ended December 31, 1996, File No. 0-6849.)

Balance sheet of Savannah at December 31, 1996. (Designated in Savannah's Form 10-K for the year ended December 31, 1996, File No. 1-5072.)

Statements of Income of Savannah for the periods ended December 31, 1996. (Designated in Savannah's Form 10-K for the year ended December 31, 1996, File No. 1-5072.)

ITEM 3. APPLICABLE STATUTORY PROVISIONS.

Item 3 is hereby amended by adding thereto the following:

"Rule 54 Analysis: The proposed transaction is also subject to Rule 54, which provides that, in determining whether to approve an application which does not relate to any "exempt wholesale generator" ("EWG") or "foreign utility company" ("FUCO"), the Commission shall not consider the effect of the capitalization or earnings of any such EWG or FUCO which is a subsidiary of a registered holding company if the requirements of Rule 53(a), (b) and (c) are satisfied.

The Southern Company ("Southern") currently meets all of the conditions of Rule 53(a), except for clause (1). At March 31, 1997, Southern's "aggregate investment," as defined in Rule 53(a)(1), in EWGs and FUCOs is approximately $2.481 billion, or about 67.6% of Southern's "consolidated retained earnings," also as defined in Rule 53(a)(1), for the four quarters ended December 31, 1996 ($3,671 million). With

respect to Rule 53(a)(1), however, the Commission has determined that Southern's financing of investments in EWGs and FUCOs in an amount greater than the amount that would otherwise be allowed by Rule 53(a)(1) would not have either of the adverse effects set forth in Rule 53(c). See The Southern Company, Holding Company Act Release Nos. 26501 and 26646, dated April 1, 1996 and January 15, 1997, respectively.

In addition, Southern has complied and will continue to comply with the record-keeping requirements of Rule 53(a)(2), the limitation under Rule 53(a)(3) on the use of Operating Company personnel to render services to EWGs and FUCOs, and the requirements of Rule 53(a)(4) concerning the submission of copies of certain filings under the Act to retail rate regulatory commissions. Further, none of the circumstances described in Rule 53(b) has occurred.

Moreover, even if the effect of the capitalization and earnings of EWGs and FUCOs in which Southern has an ownership interest upon the Southern holding company system were considered, there is no basis for the Commission to withhold or deny approval for the proposal made in this Application-Declaration. The action requested in the instant filing (*viz.* approval for certain financing transactions by Operating Companies) would not, by itself, or even considered in conjunction with the effect of the capitalization and earnings of Southern's EWGs and FUCOs, have a material adverse effect on the financial integrity of the Southern system, or an adverse impact on Southern's public-utility subsidiaries, their customers, or the ability of State commissions to protect such public-utility customers."

SIGNATURES

Pursuant to the requirements of the Public Utility Holding Company Act of 1935, the undersigned companies have duly caused this amendment to be signed on their behalf by the undersigned thereunto duly authorized.

Date: May 2, 1997

ALABAMA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GEORGIA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GULF POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

MISSISSIPPI POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

SAVANNAH ELECTRIC AND POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

File No. 70-8461

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO. 14
(Post-Effective No. 11)
TO
FORM U-1
APPLICATION OR DECLARATION
under
The Public Utility Holding Company Act of 1935

ALABAMA POWER COMPANY
600 North 18th Street
Birmingham, Alabama 35291

GULF POWER COMPANY
500 Bayfront Parkway
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GEORGIA POWER COMPANY
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SAVANNAH ELECTRIC AND POWER COMPANY
600 East Bay Street
Savannah, Georgia 31401

(Name of company or companies filing this statement and addresses of principal executive offices)

THE SOUTHERN COMPANY

(Name of top registered holding company parent of each applicant or declarant)

Art P. Beattie, Vice President,
Secretary and Treasurer
Alabama Power Company
600 North 18th Street
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Judy M. Anderson, Vice President
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President, Secretary and Treasurer
Mississippi Power Company
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Gulfport, Mississippi 39501

Kirby R. Willis, Vice President, Treasurer
and Chief Financial Officer
Savannah Electric and Power Company
600 East Bay Street
Savannah, Georgia 31401

(Names and addresses of agents for service)

The Commission is requested to mail signed copies of all orders, notices and communications to:

W. L. Westbrook
Financial Vice President
The Southern Company
270 Peachtree Street, NW
Atlanta, Georgia 30303

John D. McLanahan, Esq.
Troutman Sanders LLP
600 Peachtree Street, N.E.
Suite 5200
Atlanta, Georgia 30308-2216

ITEM 1. DESCRIPTION OF PROPOSED TRANSACTIONS.

The information added to Item 1 in Amendment 13 (Post-Effective No. 10) is hereby deleted and replaced with the following:

By order dated December 15, 1994 (HCAR No. 26187) (the "December 1994 Order"), the Operating Companies were authorized to form separate special purpose subsidiaries. Each special purpose subsidiary would issue and sell preferred securities in one or more series from time to time through December 31, 1997. In the December 1994 Order, Georgia was authorized to issue $100,000,000 of preferred securities and jurisdiction was reserved pending completion of the record over the issuance of preferred securities in the amount of $175,000,000 in the case of Alabama, $200,000,000 in the case of Georgia, $15,000,000 in the case of Gulf, $15,000,000 in the case of Mississippi and $10,000,000 in the case of Savannah.

By order dated January 17, 1996 (HCAR No. 26452) (the "January 1996 Order"), Alabama was authorized to issue $97,000,000 of preferred securities and jurisdiction was reserved pending completion of the record over the issuance of preferred securities in the amount of $78,000,000 in the case of Alabama, $200,000,000 in the case of Georgia, $15,000,000 in the case of Gulf, $15,000,000 in the case of Mississippi and $10,000,000 in the case of Savannah.

By post-effective amendment dated June 18, 1996, the Operating Affiliates requested that the authority to issued preferred securities be increased to $250,000,000 in the case of Alabama, $500,000,000 in the case of Georgia, $60,000,000 in the case of Gulf, $60,000,000 in the case of Mississippi and

$35,000,000 in the case of Savannah. In the case of Alabama and Georgia, such amounts were in addition to the amounts authorized by the December 1994 Order and the January 1996 Order. The Operating Affiliates also requested that such authority be extended through December 31, 2001. Such request was noticed June 21, 1996 (HCAR 26535).

By order dated August 26, 1996 (HCAR No. 26560) (the "August 1996 Order") Georgia completed the record and was authorized to issue $400,000,000 of preferred securities and the Operating Companies were authorized, pending completion of the record, to effect the sale of preferred securities in one or more series from time to time through December 31, 2001 in the amount of $250,000,000 in the case of Alabama, $100,000,000 in the case of Georgia, $60,000,000 in the case of Gulf, $60,000,000 in the case of Mississippi and $35,000,000 in the case of Savannah.

By subsequent orders (HCAR 26644, dated January 14, 1997; HCAR 26657, dated January 29, 1997 and HCAR 26660, dated February 5, 1997) the record was completed and the sale of preferred securities was authorized as follows: $250,000,000 for Alabama; $60,000,000 for Gulf; and $55,000,000 for Mississippi.

Currently, the Commission has jurisdiction reserved regarding the issuance and sale of additional preferred securities in the amounts of $100,000,000 for Georgia, $5,000,000 for Mississippi and $35,000,000 for Savannah.

The Operating Companies now request new or additional authority as follows: $500,000,000 for Alabama; $400,000,000 for Georgia; $50,000,000 for Gulf; $70,000,000 for Mississippi; and $5,000,000 for Savannah. The applicants request

that such authority be in addition to amounts previously authorized in this proceeding and that the Commission reserve jurisdiction, pending completion of the record over the issuance and sale of preferred securities through December 31, 2005, as follows: $500,000,000 for Alabama; $500,000,000 for Georgia; $50,000,000 for Gulf; $75,000,000 for Mississippi; and $40,000,000 for Savannah.

SIGNATURES

Pursuant to the requirements of the Public Utility Holding Company Act of 1935, the undersigned companies have duly caused this amendment to be signed on their behalf by the undersigned thereunto duly authorized.

Date: May 13, 1997

ALABAMA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GEORGIA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GULF POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

MISSISSIPPI POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

SAVANNAH ELECTRIC AND POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

File No. 70-8461

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO. 15
(Post-Effective No. 12)
TO
FORM U-1
APPLICATION OR DECLARATION
under
The Public Utility Holding Company Act of 1935

ALABAMA POWER COMPANY
600 North 18th Street
Birmingham, Alabama 35291

GULF POWER COMPANY
500 Bayfront Parkway
Pensacola, Florida 32501

GEORGIA POWER COMPANY
333 Piedmont Avenue, N.E.
Atlanta, Georgia 30308

MISSISSIPPI POWER COMPANY
2992 West Beach
Gulfport, Mississippi 39501

SAVANNAH ELECTRIC AND POWER COMPANY
600 East Bay Street
Savannah, Georgia 31401

(Name of company or companies filing this statement
and addresses of principal executive offices)

THE SOUTHERN COMPANY

(Name of top registered holding company parent of each applicant or declarant)

Art P. Beattie, Vice President,
Secretary and Treasurer
Alabama Power Company
600 North 18th Street
Birmingham, Alabama 35291

Warren E. Tate, Secretary
and Treasurer
Gulf Power Company
500 Bayfront Parkway
Pensacola, Florida 32501

Judy M. Anderson, Vice President
and Corporate Secretary
Georgia Power Company
333 Piedmont Avenue, N.E.
Atlanta, Georgia 30308

Michael W. Southern, Vice
President, Secretary and Treasurer
Mississippi Power Company
2992 West Beach
Gulfport, Mississippi 39501

Kirby R. Willis, Vice President, Treasurer
and Chief Financial Officer
Savannah Electric and Power Company
600 East Bay Street
Savannah, Georgia 31401

(Names and addresses of agents for service)

The Commission is requested to mail signed copies of all orders, notices and communications to:

W. L. Westbrook
Financial Vice President
The Southern Company
270 Peachtree Street, NW
Atlanta, Georgia 30303

John D. McLanahan, Esq.
Troutman Sanders LLP
600 Peachtree Street, N.E.
Suite 5200
Atlanta, Georgia 30308-2216

ITEM 1. DESCRIPTION OF PROPOSED TRANSACTIONS.

"It is considered that the record is now complete with respect to the issuance by Georgia Power Capital Trust III of $189,250,000 aggregate liquidation amount of its Trust Preferred Securities and the related issuance by Georgia of the related series of Junior Subordinated Notes and the Guarantee. The terms of such Trust Preferred Securities, Junior Subordinated Notes and Guarantee will be as particularly described in Amendment No. 9 previously filed herein.

The applicants request that the Commission reserve jurisdiction, pending completion of the record, over the issuance and sale of preferred securities through December 31, 2005, as follows: $500,000,000 for Alabama; $310,750,000 for Georgia; $50,000,000 for Gulf; $75,000,000 for Mississippi; and $40,000,000 for Savannah.

As described in Amendment No. 9, the Trust will issue only one series of Trust Preferred Securities (the "Trust Preferred Securities") and the distribution rate to be borne by the Trust Preferred Securities will not exceed 12.5% per annum (expressed as a percentage of liquidation amount) and shall also be the distribution rate for the Trust Common Securities and the interest rate for the related Junior Subordinated Notes (the "Securities Rate"). The Junior Subordinated Notes will have a maturity of up to 50 years and will not be convertible into any other securities or assets of Georgia or the Trust. In addition, in view of the fact that the proceeds of the sale of the Trust Preferred Securities will be loaned to Georgia, Georgia will agree to pay the underwriters' compensation for their services in an amount not exceeding 4% of the aggregate liquidation amount of such Trust Preferred Securities."

ITEM 2. FEES, COMMISSIONS AND EXPENSES.

The estimated fees and expenses to be incurred by Georgia in connection herewith are as follows:

Filing fees - Securities and Exchange Commission	$ 60,607
Fees and Expenses of Trustees	12,500
Listing on New York Stock Exchange	58,300
Printing charges	75,000
Rating Agency Fees	107,000
Services of Southern Company Services, Inc.	30,000
Fees and Expenses of counsel	45,000
Blue sky fees and expenses	3,500
Fees of accountants, Arthur Andersen LLP	42,000
Miscellaneous	26,093
TOTAL	$460,000

ITEM 3. APPLICABLE STATUTORY PROVISIONS.

3.2 Rule 54 Analysis: The proposed transaction is also subject to Rule 54, which provides that, in determining whether to approve an application which does not relate to any "exempt wholesale generator" ("EWG") or "foreign utility company" ("FUCO"), the Commission shall not consider the effect of the capitalization or earnings of any such EWG or FUCO which is a subsidiary of a registered holding company if the requirements of Rule 53(a), (b) and (c) are satisfied.

Southern currently meets all of the conditions of Rule 53(a), except for clause (1). At April 30, 1997, Southern's "aggregate investment," as defined in Rule 53(a)(1), in EWGs and FUCOs was approximately $2.102 billion, or about 56.38% of Southern's "consolidated retained earnings," also as defined in Rule 53(a)(1), for the four quarters ended March 31, 1997 ($3,728 million). With respect to Rule 53(a)(1), however, the Commission has determined that Southern's financing of investments in EWGs and FUCOs in an amount greater than the amount that would otherwise be allowed by Rule 53(a)(1) would not have either of the adverse effects set forth in Rule 53(c). See *The Southern Company*,

Holding Company Act Release No. 16501, dated April 1, 1996 (the "Rule 53(c) Order"); and Holding Company Act Release No. 26646, dated January 15, 1997 (order denying request for reconsideration and motion to stay).

In addition, Southern has complied and will continue to comply with the record-keeping requirements of Rule 53(a)(2), the limitation under Rule 53(a)(3) on the use of Operating Company personnel to render services to EWGs and FUCOs, and the requirements of Rule 53(a)(4) concerning the submission of copies of certain filings under the Act to retail rate regulatory commissions. Further, none of the circumstances described in Rule 53(b) has occurred.

Moreover, even if the effect of the capitalization and earnings of EWGs and FUCOs in which Southern has an ownership interest upon the Southern holding company system were considered, there is no basis for the Commission to withhold or deny approval for the proposal made in this Application-Declaration. The action requested in the instant filing (*viz.* Issuance of preferred securities by Georgia Power Capital Trust III) would not, by itself, or even considered in conjunction with the effect of the capitalization and earnings of Southern's EWGs and FUCOs, have a material adverse effect on the financial integrity of the Southern system, or an adverse impact on Southern's public-utility subsidiaries, their customers, or the ability of State commissions to protect such public-utility customers.

The Rule 53(c) Order was predicated, in part, upon an assessment of Southern's overall financial condition which took into account, among other factors, Southern's consolidated capitalization ratio and the recent growth trend in Southern's retained earnings. As of December 31, 1995, the most recent fiscal year preceding the Rule 53(c) Order, Southern's consolidated capitalization consisted of 49.3% equity (including mandatorily redeemable preferred securities) and 50.7% debt (including $1.68 billion of long-term, non-recourse debt and short-term debt related to EWGs and FUCOs). As of year-end 1996, that ratio was 52.9% equity and 47.1% debt (including $1.74 billion of long-term, non-recourse debt and short-term debt related to EWGs and FUCOs); and as of March 31, 1997, following completion of

Southern's acquisition of a controlling interest in Consolidated Electric Power Asia Ltd., the comparable ratio was 48.7% equity and 51.3% debt (including $3.82 billion of long-term, non-recourse debt and short-term debt related to EWGs and FUCOs). On a *pro forma* basis, taking into account the effect of the proposed of the proposed issuance of preferred securities by Georgia Power Capital Trust III, consolidated capitalization would change only slightly to 49.1% equity and 50.9% debt. Thus, since the date of the Rule 53(c) Order, there has been no material change in Southern's consolidated capitalization ratio, which generally remains within accepted industry ranges and limits that rating agencies set for "A" rated utility companies.[1]

Southern's consolidated retained earnings grew on average approximately 8.8% per year from 1991 through 1995. In 1996, consolidated retained earnings increased $280,365,000, or slightly more than 8%. The small reduction in the rate of earnings growth was primarily attributable to reduced domestic utility sales due to mild weather conditions throughout most of 1996 in the southeastern United States. Earnings attributable to Southern's investments in EWGs and FUCOs continued to contribute modestly to consolidated retained earnings.

Accordingly, since the date of the Rule 53(c) Order, the capitalization and earnings attributable to Southern's investments in EWGs and FUCOs has not had any adverse impact on Southern's financial integrity.

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[1] Currently, capitalization ratios (including short-term debt and non-recourse project debt) for "A" rated utilities are as follows:

	'A' Industry Average*	Benchmark 'A' Range*
Equity	51%	51 - 53%
Debt	49%	47 - 49%

*(Source: Standard & Poor's Utilities Rating Service, Financial Statistics, Twelve Months Ended September 30, 1996. The Benchmark 'A' Range includes High Average and Average Business Positions).

Reference is made to Exhibit I filed herewith which reflects capitalization at March 31, 1997 and the Statement of Income for the twelve months ended March 31, 1997 for The Southern Company and subsidiaries consolidated. In addition, the exhibit is adjusted to give effect to the proposed issuance of $189,250,000 of preferred securities by Georgia Power Capital Trust III.

ITEM 6. EXHIBITS AND FINANCIAL STATEMENTS.

A. Exhibits:

A-1 - Trust Agreement of Georgia Power Capital Trust III. (Designated in Form S-3 File Nos. 333-06037, 333-06037-01, 333-06037-02, and 333-06037-03, as Exhibit 4.4-C.)

A-2 - Form of Amended and Restated Trust Agreement for Georgia Power Capital Trust III. (Designated in Form S-3 File Nos. 333-06037, 333-06037-01, 333-06037-02, and 333-06037-03, as Exhibit 4.5-C.)

B-1 - Form of Subordinated Note Indenture between Georgia Power Company and The Chase Manhattan Bank, as Trustee. (Designated in Form S-3 File Nos. 333-06037, 333-06037-01, 333-06037-02, and 333-06037-03, as Exhibit 4.1.)

B-2 - Form of Supplemental Indenture to Subordinated Note Indenture between Georgia Power Company and The Chase Manhattan Bank, as Trustee. (Designated in Form S-3 File Nos. 333-06037, 333-06037-01, 333-06037-02, and 333-06037-03, as Exhibit 4.2.)

B-3 - Forms of Guarantee with respect to Preferred Securities of Georgia Power Capital Trust I, Georgia Power Capital Trust II and Georgia Power Capital Trust III. (Designated in Form S-3 File Nos. 333-06037, 333-06037-01, 333-06037-02, and 333-06037-03, as Exhibits 4.8-A, 4.8-B and 4.8-C.)

C-1 - Registration Statement under the Securities Act of 1933. (Filed electronically May 30, 1997, File Nos. 333-28189 and 333-28189-01.)

C-2 - Amendment No. 1 to Registration Statement under the Securities Act of 1933. (Filed electronically June 5, 1997, File Nos. 333-28189 and 333-28189-01.)

F-2 - Opinion of Troutman Sanders LLP, counsel for Georgia.

I - Capitalization and Income Statement of The Southern Company and Subsidiary Companies after giving effect to the issuance of the preferred securities.

B. Financial Statements.

Balance sheet of Georgia at March 31, 1997. (Designated in Georgia's Form 10-Q for the quarter ended March 31, 1997, File No. 1-6468.)

Statements of Income of Georgia for the period ended March 31, 1997. (Designated in Georgia's Form 10-Q for the quarter ended March 31, 1997, File No. 1-6468.)

SIGNATURES

Pursuant to the requirements of the Public Utility Holding Company Act of 1935, the undersigned companies have duly caused this amendment to be signed on their behalf by the undersigned thereunto duly authorized.

Date: June 10, 1997

ALABAMA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GEORGIA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GULF POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

MISSISSIPPI POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

SAVANNAH ELECTRIC AND POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

File No. 70-8461

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO. 16
(Post-Effective No. 13)
TO
FORM U-1
APPLICATION OR DECLARATION
under
The Public Utility Holding Company Act of 1935

ALABAMA POWER COMPANY
600 North 18th Street
Birmingham, Alabama 35291

GULF POWER COMPANY
500 Bayfront Parkway
Pensacola, Florida 32501

GEORGIA POWER COMPANY
241 Ralph McGill Boulevard, NE
Atlanta, Georgia 30308

MISSISSIPPI POWER COMPANY
2992 West Beach
Gulfport, Mississippi 39501

SAVANNAH ELECTRIC AND POWER COMPANY
600 East Bay Street
Savannah, Georgia 31401

(Name of company or companies filing this statement
and addresses of principal executive offices)

THE SOUTHERN COMPANY

(Name of top registered holding company parent of each applicant or declarant)

Art P. Beattie, Vice President,
Secretary and Treasurer
Alabama Power Company
600 North 18th Street
Birmingham, Alabama 35291

Warren E. Tate, Secretary
and Treasurer
Gulf Power Company
500 Bayfront Parkway
Pensacola, Florida 32501

Judy M. Anderson, Vice President
and Corporate Secretary
Georgia Power Company
241 Ralph McGill Boulevard, NE
Atlanta, Georgia 30308

Michael W. Southern, Vice
President, Secretary and Treasurer
Mississippi Power Company
2992 West Beach
Gulfport, Mississippi 39501

Kirby R. Willis, Vice President, Treasurer
and Chief Financial Officer
Savannah Electric and Power Company
600 East Bay Street
Savannah, Georgia 31401

(Names and addresses of agents for service)

The Commission is requested to mail signed copies of all orders, notices and communications to:

W. L. Westbrook
Financial Vice President
The Southern Company
270 Peachtree Street, NW
Atlanta, Georgia 30303

John D. McLanahan, Esq.
Troutman Sanders LLP
600 Peachtree Street, N.E.
Suite 5200
Atlanta, Georgia 30308-2216

ITEM 1. DESCRIPTION OF PROPOSED TRANSACTIONS.

"It is considered that the record is now complete with respect to the issuance by Gulf Power Capital Trust II and Gulf Power Capital Trust III of $50,000,000 aggregate liquidation amount of Trust Preferred Securities and the related issuance by Gulf of the related series of Junior Subordinated Notes and the Guarantees. The terms of such Trust Preferred Securities, Junior Subordinated Notes and Guarantees will be as particularly described in Amendment No. 11 previously filed herein.

The applicants request that the Commission continue to reserve jurisdiction, pending completion of the record, over the issuance and sale of preferred securities through December 31, 2005, as follows: $500,000,000 for Alabama; $310,750,000 for Georgia; $75,000,000 for Mississippi; and $40,000,000 for Savannah.

As described in Amendment No. 11, each Trust will issue only one series of Trust Preferred Securities (the "Trust Preferred Securities") and the distribution rate to be borne by the Trust Preferred Securities will not exceed 12.5% per annum (expressed as a percentage of liquidation amount) and shall also be the distribution rate for the Trust Common Securities and the interest rate for the related Junior Subordinated Notes (the "Securities Rate"). The Junior Subordinated Notes will have a maturity of up to 50 years and will not be convertible into any other securities or assets of Gulf or the Trust. In addition, in view of the fact that the proceeds of the sale of the Trust Preferred Securities will be loaned to Gulf, Gulf will agree to pay the underwriters' compensation for their services in an amount not exceeding 4% of the aggregate liquidation amount of such Trust Preferred Securities."

ITEM 2. FEES, COMMISSIONS AND EXPENSES.

The estimated fees and expenses to be incurred by Gulf in connection herewith are as follows:

	Initial Issuance	Each Additional Issuance
* Florida Documentary Stamp Tax	$ 665,000	$ —
* Florida intangible personal property tax	28,500	—
* Filing fees - Securities and Exchange Commission	56,050	—
Fees and Expenses of Trustees	9,500	9,500
* Listing on New York Stock Exchange	58,300	—
Printing charges	40,000	10,000
Rating Agency Fees	37,000	20,000
Services of Southern Company Services, Inc.	40,000	10,000
Fees and Expenses of counsel	65,000	35,000
Blue sky fees and expenses	3,500	3,500
Fees of accountants, Arthur Andersen LLP	40,000	20,000
Miscellaneous	17,150	7,000
TOTAL	$1,060,000	$115,000

*These catagories of expenses are a function of the amount of issuance.

ITEM 3. APPLICABLE STATUTORY PROVISIONS.

3.2 Rule 54 Analysis: The proposed transaction is also subject to Rule 54, which provides that, in determining whether to approve an application which does not relate to any "exempt wholesale generator" ("EWG") or "foreign utility company" ("FUCO"), the Commission shall not consider the effect of the capitalization or earnings of any such EWG or FUCO which is a subsidiary of a registered holding company if the requirements of Rule 53(a), (b) and (c) are satisfied.

Southern currently meets all of the conditions of Rule 53(a), except for clause (1). At December 31, 1997, Southern's "aggregate investment," as defined in Rule 53(a)(1), in EWGs and FUCOs was approximately $2.795 billion, or about 74.06% of Southern's "consolidated retained earnings," also as defined in Rule 53(a)(1), for the four quarters ended September 30, 1997 ($3,774 million). With respect to Rule 53(a)(1), however, the Commission has determined that Southern's financing of investments in EWGs and FUCOs in an amount greater than the amount that would otherwise be allowed by Rule 53(a)(1) would

not have either of the adverse effects set forth in Rule 53(c). See *The Southern Company*, Holding Company Act Release No. 16501, dated April 1, 1996 (the "Rule 53(c) Order"); and Holding Company Act Release No. 26646, dated January 15, 1997 (order denying request for reconsideration and motion to stay).

In addition, Southern has complied and will continue to comply with the record-keeping requirements of Rule 53(a)(2), the limitation under Rule 53(a)(3) on the use of Operating Company personnel to render services to EWGs and FUCOs, and the requirements of Rule 53(a)(4) concerning the submission of copies of certain filings under the Act to retail rate regulatory commissions. Further, none of the circumstances described in Rule 53(b) has occurred.

Moreover, even if the effect of the capitalization and earnings of EWGs and FUCOs in which Southern has an ownership interest upon the Southern holding company system were considered, there is no basis for the Commission to withhold or deny approval for the proposal made in this Application-Declaration. The action requested in the instant filing (*viz.* Issuance of preferred securities by Gulf Power Capital Trust II and Gulf Power Capital Trust III) would not, by itself, or even considered in conjunction with the effect of the capitalization and earnings of Southern's EWGs and FUCOs, have a material adverse effect on the financial integrity of the Southern system, or an adverse impact on Southern's public-utility subsidiaries, their customers, or the ability of State commissions to protect such public-utility customers.

The Rule 53(c) Order was predicated, in part, upon an assessment of Southern's overall financial condition which took into account, among other factors, Southern's consolidated capitalization ratio and the recent growth trend in Southern's retained earnings. As of December 31, 1995, the most recent fiscal year preceding the Rule 53(c) Order, Southern's consolidated capitalization consisted of 49.3% equity (including mandatorily redeemable preferred securities) and 50.7% debt (including $1.68 billion of long-term, non-recourse debt and short-term debt related to EWGs and FUCOs). As of year-end 1996, that ratio was 52.9% equity and 47.1% debt

(including $1.74 billion of long-term, non-recourse debt and short-term debt related to EWGs and FUCOs); and as of September 30, 1997, the comparable ratio was 48.9% equity and 51.1% debt (including $4.354 billion of long-term, non-recourse debt and short-term debt related to EWGs and FUCOs). On a *pro forma* basis, taking into consideration, among other things, the transactions contemplated hereby such ratios are 48.4% and 51.6%, respectively, for equity and debt. The common equity component of Southern's pro forma consolidated capitalization represents 38.1% of total capitalization at September 30, 1997. Thus, since the date of the Rule 53(c) Order, there has been no material change in Southern's consolidated capitalization ratio, which remains within acceptable ranges and limits of rating agencies as evident by the continued "A" corporate credit rating of Southern. Specifically, in January 1997 Standard & Poor's assigned Southern its corporate credit rating of "A" which was consistent with the implied corporate rating previously held by Southern. This implied rating had been in effect since May 1995. Therefore, since the April 1996 issue of the Rule 53(c) Order, the Southern consolidated credit rating has remained at "A" thereby demonstrating Southern's continued strong financial integrity. In addition, the underlying ratings of the affiliated operating companies, which have a strong influence on the Southern corporate rating, are all "A+". As a point of reference, the consolidated pro forma percentage of debt in the total capital structure of the Southern domestic operating utility companies is 41.1%, which is solidly below the median total debt ratio of the Standard & Poor's "A" rated vertically integrated utilities.[1]

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[1] Currently, capitalization ratios, including short-term debt, for "A" rated vertically integrated electric utilities have a median total debt to total capital ratio of 45% as noted by Standard & Poor's in May 1997 for companies rated both publicly and confidentially. Prior to issuing this rating standard, the Standard & Poor's total debt to total capital benchmark for an "A" rated vertically integrated investor-owned-utility having an average business position was 47%.

Southern's consolidated retained earnings grew on average approximately 8.8% per year from 1991 through 1995. In 1996, consolidated retained earnings increased $280,365,000, or slightly more than 8%. The small reduction in the rate of earnings growth was primarily attributable to reduced domestic utility sales due to mild weather conditions throughout most of 1996 in the southeastern United States. Earnings attributable to Southern's investments in EWGs and FUCOs continued to contribute modestly to consolidated retained earnings.

Accordingly, since the date of the Rule 53(c) Order, the capitalization and earnings attributable to Southern's investments in EWGs and FUCOs has not had any adverse impact on Southern's financial integrity.

Reference is made to Exhibit I filed herewith which reflects capitalization at September 30, 1997 and the Statement of Income for the twelve months ended September 30, 1997 for Southern and subsidiaries consolidated.

ITEM 6. EXHIBITS AND FINANCIAL STATEMENTS.

A. Exhibits:

A-1 - Trust Agreement of Gulf Power Capital Trust II. (Designated in Form S-3 File No. 333-19271, as Exhibit 4.6-A.)

A-2 - Trust Agreement of Gulf Power Capital Trust III. (Designated in Form S-3 File No. 333-42033, as Exhibit 4.6-B.)

A-3 - Form of Amended and Restated Trust Agreement for Gulf Power Capital Trust II. (Designated in Form S-3 File No. 333-19271, as Exhibit 4.7-A.)

A-4 - Form of Amended and Restated Trust Agreement for Gulf Power Capital Trust III. (Designated in Form S-3 File No. 333-42033, as Exhibit 4.7-B.)

B-1 - Subordinated Note Indenture between Gulf Power Company and The Chase Manhattan Bank, as Trustee. (Designated in Gulf's Current Report on Form 8-K dated January 27, 1997 as Exhibit 4.1)

B-2 - Form of Supplemental Indenture to Subordinated Note Indenture between Gulf Power Company and The Chase Manhattan Bank, as Trustee. (Designated in Form S-3 File No. 333-19271, as Exhibit 4.2-A.)

B-3 - Forms of Guarantee with respect to Preferred Securities of Gulf Power Capital Trust II and Gulf Power Capital Trust III. (Designated in Form S-3 File No. 333-19271, as Exhibit 4.11-A and in Form S-3 File No. 333-42033, as Exhibit 4.11-B.)

C-1 - Registration Statement under the Securities Act of 1933. (Filed electronically December 11, 1997, File Nos. 333-42033, 333-42033-01 and 333-42033-02.)

I - Capitalization and Income Statement of The Southern Company and Subsidiary Companies after giving effect to the issuance of the preferred securities.

B. Financial Statements.

Balance sheet of Gulf at September 30, 1997. (Designated in Gulf's Form 10-Q for the quarter ended September 30, 1997, File No. 0-2429.)

Statements of Income of Gulf for the period ended September 30, 1997. (Designated in Gulf's Form 10-Q for the quarter ended September 30, 1997, File No. 0-2429.)

SIGNATURES

Pursuant to the requirements of the Public Utility Holding Company Act of 1935, the undersigned companies have duly caused this amendment to be signed on their behalf by the undersigned thereunto duly authorized.

Date: January 14, 1998

ALABAMA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GEORGIA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GULF POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

MISSISSIPPI POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

SAVANNAH ELECTRIC AND POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

File No. 70-8461

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO. 17
(Post-Effective No. 14)
TO
FORM U-1
APPLICATION OR DECLARATION
under
The Public Utility Holding Company Act of 1935

ALABAMA POWER COMPANY
600 North 18th Street
Birmingham, Alabama 35291

GULF POWER COMPANY
500 Bayfront Parkway
Pensacola, Florida 32501

GEORGIA POWER COMPANY
241 Ralph McGill Boulevard, NE
Atlanta, Georgia 30308

MISSISSIPPI POWER COMPANY
2992 West Beach
Gulfport, Mississippi 39501

SAVANNAH ELECTRIC AND POWER COMPANY
600 East Bay Street
Savannah, Georgia 31401

(Name of company or companies filing this statement
and addresses of principal executive offices)

THE SOUTHERN COMPANY

(Name of top registered holding company parent of each applicant or declarant)

Art P. Beattie, Vice President,
Secretary and Comptroller
Alabama Power Company
600 North 18th Street
Birmingham, Alabama 35291

Warren E. Tate, Secretary
and Treasurer
Gulf Power Company
500 Bayfront Parkway
Pensacola, Florida 32501

Judy M. Anderson, Vice President
and Corporate Secretary
Georgia Power Company
241 Ralph McGill Boulevard, NE
Atlanta, Georgia 30308

Michael W. Southern, Vice
President, Secretary and Treasurer
Mississippi Power Company
2992 West Beach
Gulfport, Mississippi 39501

Kirby R. Willis, Vice President, Treasurer
and Chief Financial Officer
Savannah Electric and Power Company
600 East Bay Street
Savannah, Georgia 31401

(Names and addresses of agents for service)

The Commission is requested to mail signed copies of all orders, notices and communications to:

W. L. Westbrook
Financial Vice President
The Southern Company
270 Peachtree Street, NW
Atlanta, Georgia 30303

John D. McLanahan, Esq.
Troutman Sanders LLP
600 Peachtree Street, N.E.
Suite 5200
Atlanta, Georgia 30308-2216

ITEM 1. DESCRIPTION OF PROPOSED TRANSACTIONS.

"It is considered that the record is now complete with respect to the issuance by Alabama Power Capital Trust III, Alabama Power Capital Trust IV and Alabama Power Capital Trust V of $500,000,000 aggregate liquidation amount of Trust Preferred Securities and the related issuance by Alabama of the related series of Junior Subordinated Notes and the Guarantees. It is further considered that the record is now complete with respect to the issuance by Georgia Power Capital Trust IV, Georgia Power Capital Trust V and Georgia Power Capital Trust VI of $310,750,000 aggregate liquidation amount of Trust Preferred Securities and the related issuance by Georgia of the related series of Junior Subordinated Notes and the Guarantees. It is further considered that the record is now complete with respect to the issuance by Mississippi Power Capital Trust II and Mississippi Power Capital Trust III of $75,000,000 aggregate liquidation amount of Trust Preferred Securities and the related issuance by Mississippi of the related series of Junior Subordinated Notes and the Guarantees. The terms of such Trust Preferred Securities, Junior Subordinated Notes and Guarantees will be as particularly described in Amendment No. 10 in the case of Alabama, in Amendment No. 9 in the case of Georgia and in Amendment No. 12 in the case of Mississippi, all previously filed herein.

The applicants request that the Commission continue to reserve jurisdiction, pending completion of the record, over the issuance and sale through December 31, 2005 by Savannah of $40,000,000 of preferred securities.

As described in each amendment referenced above, each Trust will issue only one series of Trust Preferred Securities (the "Trust Preferred Securities") and the distribution rate to be borne by the Trust Preferred Securities will not exceed 12.5% per annum (expressed as a percentage of liquidation amount) and shall also be the distribution rate for the Trust Common

Securities and the interest rate for the related Junior Subordinated Notes (the "Securities Rate"). The Junior Subordinated Notes will have a maturity of up to 50 years and will not be convertible into any other securities or assets of the respective applicant or the Trust. In addition, in view of the fact that the proceeds of the sale of the Trust Preferred Securities will be loaned to the respective applicant, such applicant will agree to pay the underwriters' compensation for their services in an amount not exceeding 4% of the aggregate liquidation amount of such Trust Preferred Securities."

ITEM 2. FEES, COMMISSIONS AND EXPENSES.

The estimated fees and expenses to be incurred by Alabama in connection herewith are as follows:

	Initial Issuance	Each Additional Issuance
*Filing fees - Securities and Exchange Commission	$227,273	$ —
Fees and Expenses of Trustees	9,500	9,500
*Listing on New York Stock Exchange	135,300	—
Printing charges	40,000	15,000
Rating Agency Fees	107,000	65,000
Services of Southern Company Services, Inc.	30,000	15,000
Fees and Expenses of counsel	90,000	65,000
Blue sky fees and expenses	3,500	3,500
Fees of accountants, Arthur Andersen LLP	42,000	25,000
Miscellaneous	17,150	7,000
TOTAL	$700,000	$205,000

*These categories of expenses are a function of the amount of issuance.

The estimated fees and expenses to be incurred by Georgia in connection herewith are as follows:

	Initial Issuance	Each Additional Issuance
*Filing fees - Securities and Exchange Commission	$295,000	$ —
Fees and Expenses of Trustees	9,500	9,500
*Listing on New York Stock Exchange	170,300	—
Printing charges	40,000	15,000
Rating Agency Fees	137,000	120,000
Services of Southern Company Services, Inc.	30,000	15,000
Fees and Expenses of counsel	40,000	25,000
Blue sky fees and expenses	3,500	3,500
Fees of accountants, Arthur Andersen LLP	42,000	25,000
Miscellaneous	12,200	7,000
TOTAL	$770,000	$220,000

*These categories of expenses are a function of the amount of issuance.

The estimated fees and expenses to be incurred by Mississippi in connection herewith are as follows:

	Initial Issuance	Each Additional Issuance
*Filing fees - Securities and Exchange Commission	$118,000	$ —
Fees and Expenses of Trustees	9,500	9,500
*Listing on New York Stock Exchange	86,300	—
Printing charges	40,000	10,000
Rating Agency Fees	98,500	27,500
Services of Southern Company Services, Inc.	40,000	10,000
Fees and Expenses of counsel	65,000	35,000
Blue sky fees and expenses	3,500	3,500
Fees of accountants, Arthur Andersen LLP	40,000	20,000
Miscellaneous	11,700	7,000
TOTAL	$520,000	$130,000

*These categories of expenses are a function of the amount of issuance.

ITEM 3. APPLICABLE STATUTORY PROVISIONS.

3.2 Rule 54 Analysis: The proposed transaction is also subject to Rule 54, which provides that, in determining whether to approve an application which does not relate to any "exempt wholesale generator" ("EWG") or "foreign utility company" ("FUCO"), the Commission shall not consider the effect of the capitalization or earnings of any such EWG or FUCO which is a subsidiary of a registered holding company if the requirements of Rule 53(a), (b) and (c) are satisfied.

Southern currently meets all of the conditions of Rule 53(a), except for clause (1). At January 31, 1998, Southern's "aggregate investment," as defined in Rule 53(a)(1), in EWGs and FUCOs was approximately $2.899 billion, or about 76.82% of Southern's "consolidated retained earnings," also as defined in Rule 53(a)(1), for the four quarters ended September 30, 1997 ($3,774 million). With respect to Rule 53(a)(1), however, the Commission has determined that Southern's financing of investments in EWGs and FUCOs in an amount greater than the amount that would otherwise be allowed by Rule 53(a)(1) would not have either of the adverse effects set forth in Rule 53(c). See *The Southern Company*, Holding Company Act Release No. 16501, dated April 1, 1996 (the "Rule 53(c) Order"); and Holding Company Act Release No. 26646, dated January 15, 1997 (order denying request for reconsideration and motion to stay).

In addition, Southern has complied and will continue to comply with the record-keeping requirements of Rule 53(a)(2), the limitation under Rule 53(a)(3) on the use of Operating Company personnel to render services to EWGs and FUCOs, and the requirements of Rule 53(a)(4) concerning the submission of copies of certain filings under the Act to retail rate regulatory commissions. Further, none of the circumstances described in Rule 53(b) has occurred.

Moreover, even if the effect of the capitalization and earnings of EWGs and FUCOs in which Southern has an ownership interest upon the Southern holding company system were considered, there is no basis for the Commission to withhold or deny approval for the proposal made in this Application-Declaration. The action requested in the instant filing (*viz.* Issuance of preferred securities by Alabama Power Capital Trust III, Alabama Power Capital Trust IV, Alabama Power Capital Trust V, Georgia Power Capital Trust IV, Georgia Power Capital Trust V, Georgia Power Capital Trust VI, Mississippi Power Capital Trust II and Mississippi Power Capital Trust III) would not, by itself, or even considered in conjunction with the effect of the capitalization and earnings of Southern's EWGs and FUCOs, have a material adverse effect on the financial integrity of the Southern system, or an adverse impact on Southern's public-utility subsidiaries, their customers, or the ability of State commissions to protect such public-utility customers.

The Rule 53(c) Order was predicated, in part, upon an assessment of Southern's overall financial condition which took into account, among other factors, Southern's consolidated capitalization ratio and the recent growth trend in Southern's retained earnings. As of December 31, 1995, the most recent fiscal year preceding the Rule 53(c) Order, Southern's consolidated capitalization consisted of 49.3% equity (including mandatorily redeemable preferred securities) and 50.7% debt (including $1.68 billion of long-term, non-recourse debt and short-term debt related to EWGs and FUCOs). As of year-end 1996, that ratio was 52.9% equity and 47.1% debt (including $1.74 billion of long-term, non-recourse debt and short-term debt related to EWGs and FUCOs); and as of September 30, 1997, the comparable ratio was 48.9% equity and 51.1% debt (including $4.354 billion of long-term, non-recourse debt and short-term debt related to EWGs and FUCOs). On a *pro forma* basis, taking into consideration, among other things, the

transactions contemplated hereby such ratios are 50.1% and 49.9%, respectively, for equity and debt. The common equity component of Southern's pro forma consolidated capitalization represents 36.7% of total capitalization at September 30, 1997. Thus, since the date of the Rule 53(c) Order, there has been no material change in Southern's consolidated capitalization ratio, which remains within acceptable ranges and limits of rating agencies as evident by the continued "A" corporate credit rating of Southern. Specifically, in January 1997 Standard & Poor's assigned Southern its corporate credit rating of "A" which was consistent with the implied corporate rating previously held by Southern. This implied rating had been in effect since May 1995. Therefore, since the April 1996 issue of the Rule 53(c) Order, the Southern consolidated credit rating has remained at "A" thereby demonstrating Southern's continued strong financial integrity. In addition, the underlying ratings of the affiliated operating companies, which have a strong influence on the Southern corporate rating, are all "A+". As a point of reference, the pro forma percentage of debt in the total capital structure of the Southern domestic operating utility companies is 40.1%, which is solidly below the median total debt ratio of the Standard & Poor's "A" rated vertically integrated utilities.[1]

Southern's consolidated retained earnings grew on average approximately 8.8% per year from 1991 through 1995. In 1996, consolidated retained earnings increased $280,365,000, or slightly more than 8%. The small reduction in the rate of earnings growth was primarily attributable to reduced domestic utility sales due to mild weather conditions throughout most of

[1] Currently, capitalization ratios, including short-term debt, for "A" rated vertically integrated electric utilities have a median total debt to total capital ratio of 45% as noted by Standard & Poor's in May 1997 for companies rated both publicly and confidentially. Prior to issuing this rating standard, the Standard & Poor's total debt to total capital benchmark for an "A" rated vertically integrated investor-owned-utility having an average business position was 47%.

1996 in the southeastern United States. Earnings attributable to Southern's investments in EWGs and FUCOs continued to contribute modestly to consolidated retained earnings.

Accordingly, since the date of the Rule 53(c) Order, the capitalization and earnings attributable to Southern's investments in EWGs and FUCOs has not had any adverse impact on Southern's financial integrity.

Reference is made to Exhibit I filed herewith which reflects capitalization at September 30, 1997 and the Statement of Income for the twelve months ended September 30, 1997 for Southern and subsidiaries consolidated.

ITEM 6. EXHIBITS AND FINANCIAL STATEMENTS.

A. Exhibits:

A-1 - Trust Agreement of Alabama Power Capital Trust III. (Designated in Form S-3 File No. 333-17333, as Exhibit 4.4-B.)

A-2 - Trust Agreement of Alabama Power Capital Trust IV. (Designated in Form S-3 File No. 333-17333, as Exhibit 4.4-C.)

A-3 - Trust Agreement of Alabama Power Capital Trust V. (Designated in Form S-3 File No. 333-40629, as Exhibit 4.6-C.)

A-4 - Trust Agreement of Georgia Power Capital Trust IV. (Designated in Form S-3 File No. 333-43895, as Exhibit 4.6-A.)

A-5 - Trust Agreement of Georgia Power Capital Trust V. (Designated in Form S-3 File No. 333-43895, as Exhibit 4.6-B.)

A-6 - Trust Agreement of Georgia Power Capital Trust VI. (Designated in Form S-3 File No. 333-43895, as Exhibit 4.6-C.)

A-7 - Trust Agreement of Mississippi Power Capital Trust II. (Designated in Form S-3 File No. 333-20469, as Exhibit 4.4-B.)

A-8 - Trust Agreement of Mississippi Power Capital Trust III. (Designated in Form S-3 File No. 333-45069, as Exhibit 4.6-B.)

A-9 - Form of Amended and Restated Trust Agreement for Alabama Power Capital Trust III. (Designated in Form S-3 File No. 333-17333, as Exhibit 4.5-B.)

A-10 - Form of Amended and Restated Trust Agreement for Alabama Power Capital Trust IV. (Designated in Form S-3 File No. 333-17333, as Exhibit 4.5-C.)

A-11 - Form of Amended and Restated Trust Agreement for Alabama Power Capital Trust V. (Designated in Form S-3 File No. 333-40629, as Exhibit 4.7-C.)

A-12 - Form of Amended and Restated Trust Agreement for Georgia Power Capital Trust IV. (Designated in Form S-3 File No. 333-43895, as Exhibit 4.7-A.)

A-13 - Form of Amended and Restated Trust Agreement for Georgia Power Capital Trust V. (Designated in Form S-3 File No. 333-43895, as Exhibit 4.7-B.)

A-14 - Form of Amended and Restated Trust Agreement for Georgia Power Capital Trust VI. (Designated in Form S-3 File No. 333-43895, as Exhibit 4.7-C.)

A-15 - Form of Amended and Restated Trust Agreement for Mississippi Power Capital Trust II. (Designated in Form S-3 File No. 333-20469, as Exhibit 4.5-B.)

A-16 - Form of Amended and Restated Trust Agreement for Mississippi Power Capital Trust III. (Designated in Form S-3 File No. 333-45069, as Exhibit 4.7-B.)

B-1 - Subordinated Note Indenture between Alabama Power Company and The Chase Manhattan Bank, as Trustee. (Designated in Alabama's Current Report on Form 8-K dated January 9, 1997 as Exhibit 4.1)

B-2 - Subordinated Note Indenture between Georgia Power Company and The Chase Manhattan Bank, as Trustee. (Designated in Georgia's Current Report on Form 8-K dated August 21, 1996 as Exhibit 4.1)

B-3 - Subordinated Note Indenture between Mississippi Power Company and Bankers Trust Company, as Trustee. (Designated in Mississippi's Current Report on Form 8-K dated February 20, 1997 as Exhibit 4.1)

B-4 - Form of Supplemental Indenture to Subordinated Note Indenture between Alabama Power Company and The Chase Manhattan Bank, as Trustee. (Designated in Form S-3 File No. 333-17333, as Exhibit 4.2.)

B-5 - Form of Supplemental Indenture to Subordinated Note Indenture between Georgia Power Company and The Chase Manhattan Bank, as Trustee. (Designated in Form S-3 File No. 333-06037, as Exhibit 4.2.)

B-6 - Form of Supplemental Indenture to Subordinated Note Indenture between Mississippi Power Company and Bankers Trust Company, as Trustee. (Designated in Form S-3 File No. 333-20469, as Exhibit 4.2-A.)

B-7 - Forms of Guarantee with respect to Preferred Securities of Alabama Power Capital Trust III, Alabama Power Capital Trust IV and Alabama Power Capital Trust V. (Designated in Form S-3 File No. 333-17333, as Exhibits 4.8-B and 4.8-C and in Form S-3 File No. 333-40629, as Exhibit 4.11-C.)

B-8 - Forms of Guarantee with respect to Preferred Securities of Georgia Power Capital Trust IV, Georgia Power Capital Trust V and Georgia Power Capital Trust VI. (Designated in Form S-3 File No. 333-43895, as Exhibits 4.11-A, 4.11-B and 4.11-C.)

B-9 - Forms of Guarantee with respect to Preferred Securities of Mississippi Power Capital Trust II and Mississippi Power Capital Trust III. (Designated in Form S-3 File No. 333-20469, as Exhibit 4.8-B and in Form S-3 File No. 333-45069, as Exhibit 4.11-B.)

C-1 - Alabama's Registration Statement under the Securities Act of 1933. (Filed electronically November 20, 1997, File Nos. 333-40629, 333-40629-01, 333-40629-02 and 333-40629-03.)

C-2 - Georgia's Registration Statement under the Securities Act of 1933. (Filed electronically January 8, 1998, File Nos. 333-43895, 333-43895-01, 333-43895-02 and 333-43895-03.)

C-3 - Mississippi's Registration Statement under the Securities Act of 1933. (Filed electronically February 28, 1998, File Nos. 333-45069, 333-45069-01 and 333-45069-02.)

I - Capitalization and Income Statement of The Southern Company and Subsidiary Companies after giving effect to the issuance of the preferred securities.

B. Financial Statements.

Balance sheet of Alabama at September 30, 1997. (Designated in Alabama's Form 10-Q for the quarter ended September 30, 1997, File No. 1-3164.)

Balance sheet of Georgia at September 30, 1997. (Designated in Georgia's Form 10-Q for the quarter ended September 30, 1997, File No. 1-6468.)

Balance sheet of Mississippi at September 30, 1997. (Designated in Mississippi's Form 10-Q for the quarter ended September 30, 1997, File No. 0-6849.)

Statements of Income of Alabama for the period ended September 30, 1997. (Designated in Alabama's Form 10-Q for the quarter ended September 30, 1997, File No. 1-3164.)

Statements of Income of Georgia for the period ended September 30, 1997. (Designated in Georgia's Form 10-Q for the quarter ended September 30, 1997, File No. 1-6468.)

Statements of Income of Mississippi for the period ended September 30, 1997. (Designated in Mississippi's Form 10-Q for the quarter ended September 30, 1997, File No. 0-6849.)

SIGNATURES

Pursuant to the requirements of the Public Utility Holding Company Act of 1935, the undersigned companies have duly caused this amendment to be signed on their behalf by the undersigned thereunto duly authorized.

Date: February 4, 1998

ALABAMA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GEORGIA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GULF POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

MISSISSIPPI POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

SAVANNAH ELECTRIC AND POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

File No. 70-8461

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO. 18
(Post-Effective No. 15)
TO
FORM U-1
APPLICATION OR DECLARATION
under
The Public Utility Holding Company Act of 1935

ALABAMA POWER COMPANY
600 North 18th Street
Birmingham, Alabama 35291

GULF POWER COMPANY
500 Bayfront Parkway
Pensacola, Florida 32501

GEORGIA POWER COMPANY
241 Ralph McGill Boulevard, NE
Atlanta, Georgia 30308

MISSISSIPPI POWER COMPANY
2992 West Beach
Gulfport, Mississippi 39501

SAVANNAH ELECTRIC AND POWER COMPANY
600 East Bay Street
Savannah, Georgia 31401

(Name of company or companies filing this statement
and addresses of principal executive offices)

THE SOUTHERN COMPANY

(Name of top registered holding company parent of each applicant or declarant)

Art P. Beattie, Vice President,
Secretary and Comptroller
Alabama Power Company
600 North 18th Street
Birmingham, Alabama 35291

Warren E. Tate, Secretary
and Treasurer
Gulf Power Company
500 Bayfront Parkway
Pensacola, Florida 32501

Judy M. Anderson, Vice President
and Corporate Secretary
Georgia Power Company
241 Ralph McGill Boulevard, NE
Atlanta, Georgia 30308

Michael W. Southern, Vice
President, Secretary and Treasurer
Mississippi Power Company
2992 West Beach
Gulfport, Mississippi 39501

Kirby R. Willis, Vice President, Treasurer
and Chief Financial Officer
Savannah Electric and Power Company
600 East Bay Street
Savannah, Georgia 31401

(Names and addresses of agents for service)

The Commission is requested to mail signed copies of all orders, notices and communications to:

W. L. Westbrook
Financial Vice President
The Southern Company
270 Peachtree Street, NW
Atlanta, Georgia 30303

John D. McLanahan, Esq.
Troutman Sanders LLP
600 Peachtree Street, N.E.
Suite 5200
Atlanta, Georgia 30308-2216

ITEM 1. DESCRIPTION OF PROPOSED TRANSACTIONS.

Item 1 as heretofore amended hereby further amended by adding the following thereto:

It is further considered that the record is now complete with respect to the issuance by Savannah Electric Capital Trust I of $40,000,000 aggregate liquidation amount of Trust Preferred Securities and the related issuance by Savannah of the related series of Junior Subordinated Notes and the Guarantees.

ITEM 2. FEES, COMMISSIONS AND EXPENSES.

The estimated fees and expenses to be incurred by Savannah in connection herewith are as follows:

	Initial Issuance	Each Additional Issuance
*Filing fees - Securities and Exchange Commission	$32,450	$ —
Fees and Expenses of Trustees	10,000	10,000
*Listing on New York Stock Exchange	47,800	—
Printing charges	40,000	10,000
Rating Agency Fees	32,600	15,000
Services of Southern Company Services, Inc.	40,000	10,000
Fees and Expenses of counsel	52,500	25,000
Blue sky fees and expenses	3,500	3,500
Fees of accountants, Arthur Andersen LLP	40,000	20,000
Miscellaneous	11,150	6,500
TOTAL	$310,000	$100,000

*These categories of expenses are a function of the amount of issuance.

ITEM 3. APPLICABLE STATUTORY PROVISIONS.

3.2 Rule 54 Analysis: The proposed transaction is also subject to Rule 54, which provides that, in determining whether to approve an application which does not relate to any "exempt wholesale generator" ("EWG") or "foreign utility company" ("FUCO"), the Commission shall not consider the effect of the capitalization or earnings of any such EWG or FUCO which is

a subsidiary of a registered holding company if the requirements of Rule 53(a), (b) and (c) are satisfied.

Southern currently meets all of the conditions of Rule 53(a), except for clause (1). At August 31, 1998, Southern's "aggregate investment," as defined in Rule 53(a)(1), in EWGs and FUCOs was approximately $2.912 billion, or about 75.38% of Southern's "consolidated retained earnings," also as defined in Rule 53(a)(1), for the four quarters ended June 30, 1998 ($3.863 billion). With respect to Rule 53(a)(1), however, the Commission has determined that Southern's financing of investments in EWGs and FUCOs in an amount greater than the amount that would otherwise be allowed by Rule 53(a)(1) would not have either of the adverse effects set forth in Rule 53(c). See *The Southern Company*, Holding Company Act Release No. 26501, dated April 1, 1996 (the "Rule 53(c) Order"); and Holding Company Act Release No. 26646, dated January 15, 1997 (order denying request for reconsideration and motion to stay).

In addition, Southern has complied and will continue to comply with the record-keeping requirements of Rule 53(a)(2), the limitation under Rule 53(a)(3) on the use of Operating Company personnel to render services to EWGs and FUCOs, and the requirements of Rule 53(a)(4) concerning the submission of copies of certain filings under the Act to retail rate regulatory commissions. Further, none of the circumstances described in Rule 53(b) has occurred.

Moreover, even if the effect of the capitalization and earnings of EWGs and FUCOs in which Southern has an ownership interest upon the Southern holding company system were considered, there is no basis for the Commission to withhold or deny approval for the proposal made in this Application-Declaration. The action requested in the instant filing (*viz.* Issuance of preferred securities by Alabama Power Capital Trust III, Alabama Power Capital Trust IV, Alabama Power Capital Trust V, Georgia Power Capital Trust IV, Georgia Power Capital Trust

V, Georgia Power Capital Trust VI, Mississippi Power Capital Trust II, Mississippi Power Capital Trust III and Savannah Electric Capital Trust I) would not, by itself, or even considered in conjunction with the effect of the capitalization and earnings of Southern's EWGs and FUCOs, have a material adverse effect on the financial integrity of the Southern system, or an adverse impact on Southern's public-utility subsidiaries, their customers, or the ability of State commissions to protect such public-utility customers.

The Rule 53(c) Order was predicated, in part, upon an assessment of Southern's overall financial condition which took into account, among other factors, Southern's consolidated capitalization ratio and the recent growth trend in Southern's retained earnings. As of December 31, 1995, the most recent fiscal year preceding the Rule 53(c) Order, Southern's consolidated capitalization consisted of 49.3% equity (including mandatorily redeemable preferred securities) and 50.7% debt (including $1.68 billion of long-term, non-recourse debt and short-term debt related to EWGs and FUCOs). As of year-end 1997, that ratio was 47.5% equity and 52.5% debt (including $4.593 billion of long-term, non-recourse debt and short-term debt related to EWGs and FUCOs). On a *pro forma* basis, taking into consideration, among other things, the transactions contemplated hereby such ratios are 48.1% and 51.9%, respectively, for equity and debt. The common equity component of Southern's pro forma consolidated capitalization represents 35.1% of total capitalization at June 30, 1998. Thus, since the date of the Rule 53(c) Order, there has been no material change in Southern's consolidated capitalization ratio, which remains within acceptable ranges and limits of rating agencies as evident by the continued "A" corporate credit rating of Southern. Specifically, in January 1997 Standard & Poor's assigned Southern its corporate credit rating of "A" which was consistent with the implied corporate rating previously held by Southern. This implied rating had been in effect since May 1995. Therefore, since the April 1996 issue of the Rule 53(c) Order, the Southern consolidated credit rating has

remained at "A" thereby demonstrating Southern's continued strong financial integrity. In addition, the underlying ratings of the affiliated operating companies, which have a strong influence on the Southern corporate rating, are all "A+". As a point of reference, the pro forma percentage of debt in the total capital structure of the Southern domestic operating utility companies is 45.7%, which is at the median total debt ratio of the Standard & Poor's "A" rated vertically integrated utilities.[1]

Southern's consolidated retained earnings grew on average approximately 8.6% per year from 1992 through 1996. In 1997, consolidated retained earnings increased $78,148,000, or slightly more than 2%. The reduction in the rate of earnings growth in 1997 was primarily due to a $111 million windfall profits tax assessed against South Western Electricity in the United Kingdom. The total windfall profits tax for South Western Electricity was $148 million; however, the $111 million reflects only Southern's 75% ownership. Despite the imposition of this tax, Southern's interests in EWGs and FUCOs have made a positive contribution to earnings in the two calendar years ending after the Rule 53(c) order.

Accordingly, since the date of the Rule 53(c) Order, the capitalization and earnings attributable to Southern's investments in EWGs and FUCOs has not had any adverse impact on Southern's financial integrity.

Reference is made to Exhibit I which reflects capitalization at June 30, 1998 and the Statement of Income for the year ended June 30, 1998 for Southern and subsidiaries consolidated.

---

[1] Currently, capitalization ratios, including short-term debt, for "A" rated vertically integrated electric utilities have a median total debt to total capital ratio of 45% as noted by Standard & Poor's in May 1997 for companies rated both publicly and confidentially. Prior to issuing this rating standard, the Standard & Poor's total debt to total capital benchmark for an "A" rated vertically integrated investor-owned-utility having an average business position was 47%.

ITEM 6. EXHIBITS AND FINANCIAL STATEMENTS.

A. Exhibits:

A-17 - Trust Agreement of Savannah Electric Capital Trust I. (Designated in Form S-3, File No. 333-46171, as Exhibit 4.6.)

A-18 - Form of Amended and Restated Trust Agreement for Savannah Electric Capital Trust I. (Designated in Form S-3, File No. 333-46171, as Exhibit 4.7.)

B-10 - Subordinated Note Indenture between Savannah Electric and Power Company and The Bank of New York, as Trustee. (Designated in Form S-3, File No. 333-46171, as Exhibit 4.3)

B-11 - Form of Supplemental Indenture to Subordinated Note Indenture between Savannah Electric and Power Company and The Bank of New York, as Trustee. (Designated in Form S-3, File No. 333-46171, as Exhibit 4.4.)

B-12 - Form of Guarantee with respect to Preferred Securities of Savannah Electric Capital Trust I. (Designated in Form S-3 File No. 333-46171, as Exhibit 4.11.)

C-1 - Savannah's Registration Statement under the Securities Act of 1933. (Filed electronically February 12, 1998, File Nos. 333-46171 and 333-46171-01.)

F-1 - Opinion of Balch & Bingham LLP, counsel for Alabama.

F-2 - Opinion of Troutman Sanders LLP, counsel for Georgia.

F-4 - Opinion of Eaton and Cottrell, P.A., counsel for Mississippi.

F-5 - Opinion of Bouhan, Williams & Levy LLP, counsel for Savannah.

I - Capitalization and Income Statement of The Southern Company and Subsidiary Companies after giving effect to the issuance of the preferred securities.

B. Financial Statements.

Balance sheet of Alabama at June 30, 1998. (Designated in Alabama's Form 10-Q for the quarter ended June 30, 1998, File No. 1-3164.)

Balance sheet of Georgia at June 30, 1998. (Designated in Georgia's Form 10-Q for the quarter ended June 30, 1998, File No. 1-6468.)

Balance sheet of Mississippi at June 30, 1998. (Designated in Mississippi's Form 10-Q for the quarter ended June 30, 1998, File No. 0-6849.)

Balance sheet of Savannah at June 30, 1998. (Designated in Savannah's Form 10-Q for the quarter ended June 30, 1998, File No. 1-5072.)

Statements of Income of Alabama for the period ended June 30, 1998. (Designated in Alabama's Form 10-Q for the quarter ended June 30, 1998, File No. 1-3164.)

Statements of Income of Georgia for the period ended June 30, 1998. (Designated in Georgia's Form 10-Q for the quarter ended June 30, 1998, File No. 1-6468.)

Statements of Income of Mississippi for the period ended June 30, 1998. (Designated in Mississippi's Form 10-Q for the quarter ended June 30, 1998, File No. 0-6849.)

Statements of Income of Savannah for the period ended June 30, 1998. (Designated in Savannah's Form 10-Q for the quarter ended June 30, 1998, File No. 1-5072.)

SIGNATURES

Pursuant to the requirements of the Public Utility Holding Company Act of 1935, the undersigned companies have duly caused this amendment to be signed on their behalf by the undersigned thereunto duly authorized.

Date: October 23, 1998

ALABAMA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GEORGIA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GULF POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

MISSISSIPPI POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

SAVANNAH ELECTRIC AND POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

File No. 70-8461

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO. 19
(Post-Effective No. 16)
TO
FORM U-1
APPLICATION OR DECLARATION
under
The Public Utility Holding Company Act of 1935

ALABAMA POWER COMPANY
600 North 18th Street
Birmingham, Alabama 35291

GULF POWER COMPANY
500 Bayfront Parkway
Pensacola, Florida 32501

GEORGIA POWER COMPANY
241 Ralph McGill Boulevard, NE
Atlanta, Georgia 30308

MISSISSIPPI POWER COMPANY
2992 West Beach
Gulfport, Mississippi 39501

SAVANNAH ELECTRIC AND POWER COMPANY
600 East Bay Street
Savannah, Georgia 31401

(Name of company or companies filing this statement
and addresses of principal executive offices)

THE SOUTHERN COMPANY

(Name of top registered holding company parent of each applicant or declarant)

Art P. Beattie, Vice President,
Secretary and Comptroller
Alabama Power Company
600 North 18th Street
Birmingham, Alabama 35291

Warren E. Tate, Secretary
and Treasurer
Gulf Power Company
500 Bayfront Parkway
Pensacola, Florida 32501

Judy M. Anderson, Vice President
and Corporate Secretary
Georgia Power Company
241 Ralph McGill Boulevard, NE
Atlanta, Georgia 30308

Michael W. Southern, Vice
President, Secretary and Treasurer
Mississippi Power Company
2992 West Beach
Gulfport, Mississippi 39501

Kirby R. Willis, Vice President, Treasurer
and Chief Financial Officer
Savannah Electric and Power Company
600 East Bay Street
Savannah, Georgia 31401

(Names and addresses of agents for service)

The Commission is requested to mail signed copies of all orders, notices and communications to:

W. L. Westbrook
Financial Vice President
The Southern Company
270 Peachtree Street, NW
Atlanta, Georgia 30303

John D. McLanahan, Esq.
Troutman Sanders LLP
600 Peachtree Street, N.E.
Suite 5200
Atlanta, Georgia 30308-2216

ITEM 1. DESCRIPTION OF PROPOSED TRANSACTIONS.

Item 1 as heretofore amended is hereby further amended by deleting the first sentence of the third paragraph of Item 1 of Amendment No. 17 (Post-Effective Amendment No. 14) and replacing it with the following:

"As described in each amendment referenced above, each Trust will issue only one series of Trust Preferred Securities (the "Trust Preferred Securities") and the distribution rate to be borne by the Trust Preferred Securities and the Trust Common Securities and the interest rate on the Junior Subordinated Securities will not exceed rates generally obtained at the time of pricing for the issuance by companies of comparable credit quality of these types of securities, having similar maturities and other terms, conditions and features."

Item 1 as heretofore amended is hereby further amended by adding the following sentence thereto:

"It is understood that the authority hereby sought is to extend through December 31, 2001."

SIGNATURES

Pursuant to the requirements of the Public Utility Holding Company Act of 1935, the undersigned companies have duly caused this amendment to be signed on their behalf by the undersigned thereunto duly authorized.

Date: December 4, 1998

ALABAMA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GEORGIA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GULF POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

MISSISSIPPI POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

SAVANNAH ELECTRIC AND POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

File No. 70-8461

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 20
(Post-Effective No. 17)
TO
FORM U-1
APPLICATION OR DECLARATION
under
The Public Utility Holding Company Act of 1935

ALABAMA POWER COMPANY
600 North 18th Street
Birmingham, Alabama 35291

GULF POWER COMPANY
One Energy Place
Pensacola, Florida 32520

GEORGIA POWER COMPANY
241 Ralph McGill Boulevard, N.E.
Atlanta, Georgia 30308

MISSISSIPPI POWER COMPANY
2992 West Beach
Gulfport, Mississippi 39501

SAVANNAH ELECTRIC AND POWER COMPANY
600 East Bay Street
Savannah, Georgia 31401

(Name of company or companies filing this statement
and addresses of principal executive offices)

THE SOUTHERN COMPANY

(Name of top registered holding company parent of each applicant or declarant)

William E. Zales, Jr., Vice President
and Corporate Secretary
Alabama Power Company
600 North 18th Street
Birmingham, Alabama 35291

Warren E. Tate, Secretary
and Treasurer
Gulf Power Company
One Energy Place
Pensacola, Florida 32520

Judy M. Anderson, Vice President
and Corporate Secretary
Georgia Power Company
241 Ralph McGill Boulevard, N.E.
Atlanta, Georgia 30308

Michael W. Southern, Vice
President, Secretary and Treasurer
Mississippi Power Company
2992 West Beach
Gulfport, Mississippi 39501

Nancy E. Frankenhauser
Corporate Secretary
Savannah Electric and Power Company
600 East Bay Street
Savannah, Georgia 31401

(Names and addresses of agents for service)

The Commission is requested to mail signed copies of all orders, notices and communications to:

W. L. Westbrook
Financial Vice President
The Southern Company
270 Peachtree Street, NW
Atlanta, Georgia 30303

John D. McLanahan, Esq.
Troutman Sanders LLP
600 Peachtree Street, N.E.
Suite 5200
Atlanta, Georgia 30308-2216

ITEM 1. DESCRIPTION OF PROPOSED TRANSACTIONS.

The information added to Item 1 in Amendment No. 13 (Post-Effective No. 10) is hereby deleted and replaced with the following:

By order dated December 15, 1994 (HCAR No. 26187) (the "December 1994 Order"), the Operating Companies were authorized to form separate special purpose subsidiaries. Each special purpose subsidiary would issue and sell preferred securities in one or more series from time to time through December 31, 1997. In the December 1994 Order, Georgia was authorized to issue $100,000,000 of preferred securities and jurisdiction was reserved pending completion of the record over the issuance of preferred securities in the amount of $175,000,000 in the case of Alabama, $200,000,000 in the case of Georgia, $15,000,000 in the case of Gulf, $15,000,000 in the case of Mississippi and $10,000,000 in the case of Savannah.

By order dated January 17, 1996 (HCAR No. 26452) (the "January 1996 Order"), Alabama was authorized to issue $97,000,000 of preferred securities and jurisdiction was reserved pending completion of the record over the issuance of preferred securities in the amount of $78,000,000 in the case of Alabama, $200,000,000 in the case of Georgia, $15,000,000 in the case of Gulf, $15,000,000 in the case of Mississippi and $10,000,000 in the case of Savannah.

By post-effective amendment dated June 18, 1996, the Operating Affiliates requested that the authority to issued preferred securities be increased to $250,000,000 in the case of Alabama, $500,000,000 in the case of Georgia, $60,000,000 in the case of Gulf, $60,000,000 in the case of Mississippi and $35,000,000 in the case of Savannah. In the case of Alabama and Georgia, such amounts were in addition to the amounts authorized by the December 1994 Order and the January 1996 Order. The

Operating Affiliates also requested that such authority be extended through December 31, 2001. Such request was noticed June 21, 1996 (HCAR No. 26535).

By order dated August 26, 1996 (HCAR No. 26560) (the "August 1996 Order"), Georgia was authorized to issue $400,000,000 of preferred securities and the Operating Companies were authorized, pending completion of the record, to effect the sale of preferred securities in one or more series from time to time through December 31, 2001 in the amount of $250,000,000 in the case of Alabama, $100,000,000 in the case of Georgia, $60,000,000 in the case of Gulf, $60,000,000 in the case of Mississippi and $35,000,000 in the case of Savannah.

By subsequent orders (HCAR No. 26644, dated January 14, 1997; HCAR No. 26657, dated January 29, 1997 and HCAR No. 26660, dated February 5, 1997) the record was completed and the sale of preferred securities was authorized as follows: $250,000,000 for Alabama; $60,000,000 for Gulf; and $55,000,000 for Mississippi.

By post-effective amendment dated May 13, 1997, the Operating Affiliates requested new or additional authority to issue preferred securities as follows: $500,000,000 in the case of Alabama, $400,000,000 in the case of Georgia, $50,000,000 in the case of Gulf, $70,000,000 in the case of Mississippi and $5,000,000 in the case of Savannah. The Operating Affiliates requested that the Commission reserve jurisdiction over the issue and sale of preferred securities as follows: $500,000,000 for Alabama; $500,000,000 for Georgia; $50,000,000 for Gulf; $75,000,000 for Mississippi; and $40,000,000 for Savannah. The Operating Affiliates also requested that such authority be extended through December 31, 2005. Such request was noticed May 16, 1997 (HCAR No. 26718).

By order dated June 10, 1997 (HCAR No. 26727) Georgia completed the record and was authorized to issue $189,250,000 of preferred securities and the

Operating Companies were authorized, pending completion of the record, to effect the sale of preferred securities in one or more series from time to time through December 31, 2005 in the amount of $500,000,000 in the case of Alabama, $310,750,000 in the case of Georgia, $50,000,000 in the case of Gulf, $75,000,000 in the case of Mississippi and $40,000,000 in the case of Savannah.

By subsequent orders (HCAR No. 26817, dated January 16, 1998 and HCAR No. 26949, dated December 7, 1998) the record was completed and the sale of preferred securities was authorized through December 31, 2005 as follows: $500,000,000 for Alabama; $310,000,000 for Georgia; $50,000,000 for Gulf; $75,000,000 for Mississippi; and $40,000,000 for Savannah. Giving effect to issuances under these orders, the remaining authorizations are as follows: $450,000,000 for Alabama; $110,750,000 for Georgia; $5,000,000 for Gulf; $75,000,000 for Mississippi; and $0 for Savannah.

The Operating Companies now request an extension of the authorization period through June 30, 2007. New or additional authority hereunder is requested as follows: $389,250,000 for Georgia; $95,000,000 for Gulf: $25,000,000 for Mississippi; and $50,000,000 for Savannah. Upon the issuance by the Commission of an appropriate order or orders in respect of this request, the sale of preferred securities through June 30, 2007 would be authorized as follows: $450,000,000 for Alabama (no increase); $500,000,000 for Georgia; $100,000,000 for Gulf; $100,000,000 for Mississippi; and $50,000,000 for Savannah.

Item 3. APPLICABLE STATUTORY PROVISIONS.

Rule 54 Analysis: The proposed transactions are also subject to Rule 54, which provides that, in determining whether to approve an application which does not relate to any EWG or FUCO, the Commission shall not consider the effect of the capitalization or earnings of any such EWG or FUCO which is a subsidiary of a registered holding company if the requirements of Rule 53(a), (b) and (c) are satisfied.

Southern currently meets all of the conditions of Rule 53(a), except for clause (1). At April 30, 2000, Southern's "aggregate investment," as defined in Rule 53(a)(1), in EWGs and FUCOs was approximately $2.748 billion, or about 65.53% of Southern's "consolidated retained earnings," also as defined in Rule 53(a)(1), for the four quarters March 31, 2000 ($4.194 billion). With respect to Rule 53(a)(1), however, the Commission has determined that Southern's financing of investments in EWGs and FUCOs in an amount greater than the amount that would otherwise be allowed by Rule 53(a)(1) would not have either of the adverse effects set forth in Rule 53(c). See *The Southern Company*, Holding Company Act Release No. 26501, dated April 1, 1996 (the "Rule 53(c) Order"); and Holding Company Act Release No. 26646, dated January 15, 1997 (order denying request for reconsideration and motion to stay).

In addition, Southern has complied and will continue to comply with the record-keeping requirements of Rule 53(a)(2), the limitation under Rule 53(a)(3) on the use of domestic utility subsidiary company personnel to render services to EWGs and FUCOs, and the requirements of Rule 53(a)(4) concerning the submission of copies of certain filings under the Act to retail rate regulatory commissions. Further, none of the circumstances described in Rule 53(b) has occurred.

Moreover, even if the effect of the capitalization and earnings of EWGs and FUCOs in which Southern has an ownership interest upon the Southern holding company

system were considered, there would be no basis for the Commission to withhold or deny approval for the proposal made in this Application-Declaration. The action requested in the instant filing would not, by itself, or even considered in conjunction with the effect of the capitalization and earnings of Southern's EWGs and FUCOs, have a material adverse effect on the financial integrity of the Southern system, or an adverse impact on Southern's public-utility subsidiaries, their customers, or the ability of State commissions to protect such public-utility customers.

The Rule 53(c) Order was predicated, in part, upon an assessment of Southern's overall financial condition which took into account, among other factors, Southern's consolidated capitalization ratio and the recent growth trend in Southern's retained earnings. As of December 31, 1995, the most recent fiscal year preceding the Rule 53(c) Order, Southern's consolidated capitalization consisted of 49.3% equity (including mandatorily redeemable preferred securities) and 50.7% debt (including $1.68 billion of long-term, non-recourse debt and short-term debt related to EWGs and FUCOs). Southern's consolidated capitalization as of March 31, 2000 was 40.3% equity, 59.7% debt including all non-recourse debt, and 53.7% equity and 46.3% debt excluding all non-recourse debt. On a pro forma basis, taking into consideration the transactions contemplated hereby, such ratios are 42.7% and 57.3%, respectively, for equity and debt. The common equity component of Southern's pro forma consolidated capitalization represents 29.6% of total capitalization at March 31, 2000.

Since the date of the Rule 53(c) Order, there has been a reduction in Southern's consolidated equity capitalization ratio; however, it remains within acceptable ranges and limits of rating agencies for strong investment grade corporate credit ratings. In addition, the affiliated operating companies, which have a significant influence on the Southern corporate rating, continue to show strong financial statistics as measured by

the rating agencies. The following table presents the senior secured ratings history for each as rated by S&P, Moody's and Duff & Phelps:

Company	Agency	1995	1996	1997	1998	1999[1]
Alabama	S&P	A+	A+	A+	A+	A+
	Moody's	A1	A1	A1	A1	A1
	Duff & Phelps	A+	AA-	AA-	AA-	AA-
Georgia	S&P	A+	A+	A+	A+	A+
	Moody's	A1	A1	A1	A1	A1
	Duff & Phelps	AA-	AA-	AA-	AA-	AA-
Gulf	S&P	A+	A+	AA-	AA-	AA-
	Moody's	A1	A1	A1	A1	A1
	Duff & Phelps	A+	AA-	AA-	AA-	AA-
Mississippi	S&P	A+	A+	AA-	AA-	AA-
	Moody's	Aa3	Aa3	Aa3	Aa3	Aa3
	Duff & Phelps	AA-	AA-	AA-	AA-	AA-
Savannah	S&P	A+	A+	AA-	AA-	AA-
	Moody's	A1	A1	A1	A1	A1
	Duff & Phelps	Not rated	Not rated	Not rated	Not rated	Not rated

Southern's consolidated retained earnings grew on average approximately 5.9% per year over the last five years. Excluding the $111 million one-time windfall profits tax imposed on SWEB in 1997, the $221 million write down of assets in 1998, the $69 million write down of the Mobile Energy investment in 1999 and the $78 million gain on the sale of the SWEB supply business in 1999, the average growth would be 7.4%. In 1999, consolidated retained earnings increased $354 million, or 9.1%. Southern's interests in EWGs and FUCOs have made a positive contribution to earnings over the four calendar years ending after the Rule 53(c) Order.

Accordingly, since the date of the Rule 53(c) Order, the capitalization and earnings attributable to Southern's investments in EWGs and FUCOs has not had an adverse impact on Southern's financial integrity.

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[1] In April 2000, Moody's and Duff & Phelps reaffirmed their ratings; however, S&P placed the ratings of Southern and its affiliates on credit watch with negative implications.

SIGNATURES

Pursuant to the requirements of the Public Utility Holding Company Act of 1935, the undersigned companies have duly caused this amendment to be signed on their behalf by the undersigned thereunto duly authorized.

Date: June 19, 2000

ALABAMA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GEORGIA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GULF POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

MISSISSIPPI POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

SAVANNAH ELECTRIC AND POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

File No. 70-8461

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 21
(Post-Effective No. 18)
TO
FORM U-1
APPLICATION OR DECLARATION
under
The Public Utility Holding Company Act of 1935

ALABAMA POWER COMPANY
600 North 18th Street
Birmingham, Alabama 35291

GULF POWER COMPANY
One Energy Place
Pensacola, Florida 32520

GEORGIA POWER COMPANY
241 Ralph McGill Boulevard, N.E.
Atlanta, Georgia 30308

MISSISSIPPI POWER COMPANY
2992 West Beach
Gulfport, Mississippi 39501

SAVANNAH ELECTRIC AND POWER COMPANY
600 East Bay Street
Savannah, Georgia 31401

(Name of company or companies filing this statement
and addresses of principal executive offices)

THE SOUTHERN COMPANY

(Name of top registered holding company parent of each applicant or declarant)

William E. Zales, Jr., Vice President
and Corporate Secretary
Alabama Power Company
600 North 18th Street
Birmingham, Alabama 35291

Warren E. Tate, Secretary
and Treasurer
Gulf Power Company
One Energy Place
Pensacola, Florida 32520

Judy M. Anderson, Vice President
and Corporate Secretary
Georgia Power Company
241 Ralph McGill Boulevard, N.E.
Atlanta, Georgia 30308

Michael W. Southern, Vice
President, Secretary and Treasurer
Mississippi Power Company
2992 West Beach
Gulfport, Mississippi 39501

Nancy E. Frankenhauser
Corporate Secretary
Savannah Electric and Power Company
600 East Bay Street
Savannah, Georgia 31401

(Names and addresses of agents for service)

The Commission is requested to mail signed copies of all orders, notices and communications to:

Gale E. Klappa
Financial Vice President
The Southern Company
270 Peachtree Street, NW
Atlanta, Georgia 30303

John D. McLanahan, Esq.
Troutman Sanders LLP
600 Peachtree Street, N.E.
Suite 5200
Atlanta, Georgia 30308-2216

ITEM 1. DESCRIPTION OF PROPOSED TRANSACTIONS.

Item 1 is hereby amended by adding the following paragraph thereto:

"The Operating Affiliates will use the proceeds from the sale of Preferred Securities in connection with their ongoing construction programs, to pay scheduled maturitites and/or refundings of their securities, to repay short-term indebtedness to the extent outstanding and for other general corporate purposes."

SIGNATURES

Pursuant to the requirements of the Public Utility Holding Company Act of 1935, the undersigned companies have duly caused this amendment to be signed on their behalf by the undersigned thereunto duly authorized.

Date: May 4, 2001

ALABAMA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GEORGIA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GULF POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

MISSISSIPPI POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

SAVANNAH ELECTRIC AND POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

File No. 70-8461

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 22
(Post-Effective No. 19)
TO
FORM U-1
APPLICATION OR DECLARATION
under
The Public Utility Holding Company Act of 1935

ALABAMA POWER COMPANY
600 North 18th Street
Birmingham, Alabama 35291

GULF POWER COMPANY
One Energy Place
Pensacola, Florida 32520

GEORGIA POWER COMPANY
241 Ralph McGill Boulevard, N.E.
Atlanta, Georgia 30308

MISSISSIPPI POWER COMPANY
2992 West Beach
Gulfport, Mississippi 39501

SAVANNAH ELECTRIC AND POWER COMPANY
600 East Bay Street
Savannah, Georgia 31401

(Name of company or companies filing this statement
and addresses of principal executive offices)

THE SOUTHERN COMPANY

(Name of top registered holding company parent of each applicant or declarant)

William E. Zales, Jr., Vice President
and Corporate Secretary
Alabama Power Company
600 North 18th Street
Birmingham, Alabama 35291

Warren E. Tate, Secretary
and Treasurer
Gulf Power Company
One Energy Place
Pensacola, Florida 32520

Janice G. Wolfe
Corporate Secretary
Georgia Power Company
241 Ralph McGill Boulevard, N.E.
Atlanta, Georgia 30308

Michael W. Southern, Vice
President, Secretary and Treasurer
Mississippi Power Company
2992 West Beach
Gulfport, Mississippi 39501

Nancy E. Frankenhauser
Corporate Secretary
Savannah Electric and Power Company
600 East Bay Street
Savannah, Georgia 31401

(Names and addresses of agents for service)

The Commission is requested to mail signed copies of all orders, notices and communications to:

Gale E. Klappa
Financial Vice President
The Southern Company
270 Peachtree Street, NW
Atlanta, Georgia 30303

John D. McLanahan, Esq.
Troutman Sanders LLP
600 Peachtree Street, N.E.
Suite 5200
Atlanta, Georgia 30308-2216

ITEM 1. DESCRIPTION OF PROPOSED TRANSACTIONS.

Item 1 is hereby amended by deleting the last paragraph added thereto by Amendment No. 20 (Post-Effective No. 17) and replacing it with the following:

"The Operating Companies now request an extension of the authorization period through December 31, 2005. New or additional authority hereunder is requested as follows: $389,250,000 for Georgia; $95,000,000 for Gulf: $25,000,000 for Mississippi; and $50,000,000 for Savannah. Upon the issuance by the Commission of an appropriate order or orders in respect of this request, the sale of preferred securities through June 30, 2005 would be authorized as follows: $500,000,000 for Georgia; $100,000,000 for Gulf; $100,000,000 for Mississippi; and $50,000,000 for Savannah."

ITEM 2. FEES, COMMISSIONS AND EXPENSES.

The estimated fees and expenses to be incurred by Georgia in connection herewith are as follows:

* Filing fees - Securities and Exchange Commission	$362,500
Fees and Expenses of Trustees	75,000
* Listing on New York Stock Exchange	205,200
Printing charges	200,000
Rating Agency Fees	815,000
Services of Southern Company Services, Inc.	200,000
Fees and Expenses of counsel	225,000
Blue sky fees and expenses	25,000
Fees of accountants, Arthur Andersen LLP	300,000
Miscellaneous	17,300
TOTAL	$2,425,000

*These categories of expenses are a function of the amount of issuance.

The estimated fees and expenses to be incurred by Gulf in connection herewith are as follows:

* Florida Documentary Stamp Tax	$1,225,000
* Florida intangible personal property tax	26,000
* Filing fees - Securities and Exchange Commission	87,500
Fees and Expenses of Trustees	100,000
* Listing on New York Stock Exchange	88,500
Printing charges	125,000
Rating Agency Fees	280,000
Services of Southern Company Services, Inc.	140,000
Fees and Expenses of counsel	175,000
Blue sky fees and expenses	14,000
Fees of accountants, Arthur Andersen LLP	175,000
Miscellaneous	14,000
TOTAL	$2,450,000

*These categories of expenses are a function of the amount of issuance.

The estimated fees and expenses to be incurred by Mississippi in connection herewith are as follows:

* Filing fees - Securities and Exchange Commission	$118,000
Fees and Expenses of Trustees	475,000
* Listing on New York Stock Exchange	86,300
Printing charges	80,000
Rating Agency Fees	208,500
Services of Southern Company Services, Inc.	80,000
Fees and Expenses of counsel	140,000
Blue sky fees and expenses	31,500
Fees of accountants, Arthur Andersen LLP	120,000
Miscellaneous	20,700
TOTAL	$1,360,000

*These categories of expenses are a function of the amount of issuance.

The estimated fees and expenses to be incurred by Savannah in connection herewith are as follows:

* Filing fees - Securities and Exchange Commission	$ 27,500
Fees and Expenses of Trustees	30,000
* Listing on New York Stock Exchange	29,500
Printing charges	75,000
Rating Agency Fees	135,000
Services of Southern Company Services, Inc.	60,000
Fees and Expenses of counsel	60,000
Blue sky fees and expenses	10,000
Fees of accountants, Arthur Andersen LLP	90,000
Miscellaneous	8,000
TOTAL	$525,000

*These categories of expenses are a function of the amount of issuance.

ITEM 3. APPLICABLE STATUTORY PROVISIONS.

3.2 Rule 54 Analysis: The proposed transaction is also subject to Rule 54, which provides that, in determining whether to approve an application which does not relate to any "exempt wholesale generator" ("EWG") or "foreign utility company" ("FUCO"), the Commission shall not consider the effect of the capitalization or earnings of any such EWG or FUCO which is a subsidiary of a registered holding company if the requirements of Rule 53(a), (b) and (c) are satisfied.

Southern currently meets all of the conditions of Rule 53(a). At March 31, 2001, Southern's "aggregate investment," as defined in Rule 53(a)(1), in EWGs and FUCOs was approximately $1,000, or 0% of Southern's "consolidated retained earnings," also as defined in Rule 53(a)(1), as of March 31, 2001 ($4.649 billion).[1]

[1] As discussed in Southern's Application on Form U-1 (File No. 70-9727) relating to the spin-off of Mirant Corporation ("Mirant"), Southern and Mirant reorganized certain energy-related and FUCO activities and Mirant completed a tax-free distribution to Southern of these activities on March 5, 2001 (the "Mini-Spin"). On April 2, 2001, Southern completed the spin-off of its remaining ownership interest in Mirant to Southern's shareholders. Therefore, the four indirect subsidiaries (EPZ Lease, Inc., Dutch Gas Lease, Inc., GAMOG Lease, Inc. and NUON Lease, Inc.) obtained through the Mini-Spin are the only remaining FUCO investments held by

In addition, Southern has complied and will continue to comply with the record-keeping requirements of Rule 53(a)(2), the limitation under Rule 53(a)(3) on the use of operating company personnel to render services to EWGs and FUCOs, and the requirements of Rule 53(a)(4) concerning the submission of copies of certain filings under the Act to retail rate regulatory commissions. Further, none of the circumstances described in Rule 53(b) has occurred.

Southern. Although Southern now owns all of the equity in these companies as a result of the Mini-Spin, Southern has no direct or indirect investment or any aggregate investment within the meaning of Rule 53 in these FUCOs, including any direct or indirect guarantees or credit positions related to any capital or financing leases. Furthermore, the only remaining EWG investment held by Southern after the spin-off is Southern Company-Florida LLC, which was organized during the first quarter of 2001. Southern has executed limited keep-well commitments whereby Southern would be required to make capital contributions to Southern Energy Finance Capital Corp. or to Southern Energy Finance Company, Inc. in the event of a shortfall in the scheduled debt service resulting from certain changes in the payments due from Southern under the Southern Company Income Tax Allocation Agreement. The maximum potential capital contribution required under these commitments is the unamortized balance of the related loans, which totaled approximately $413 million as of March 31, 2001.

SIGNATURES

Pursuant to the requirements of the Public Utility Holding Company Act of 1935, the undersigned companies have duly caused this amendment to be signed on their behalf by the undersigned thereunto duly authorized.

Date: June 5, 2001

ALABAMA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GEORGIA POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

GULF POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

MISSISSIPPI POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

SAVANNAH ELECTRIC AND POWER COMPANY

By: _____
Wayne Boston, Assistant Secretary

CERTIFICATE OF NOTIFICATION

Filed by

GULF POWER COMPANY

Pursuant to orders of the Securities and Exchange Commission dated December 15, 1994, January 17, 1996, August 26, 1996, January 14, 1997 and January 29, 1997 in the matter of File No. 70-8461.

Gulf Power Company (the "Company") hereby certifies to said Commission, pursuant to Rule 24, as follows with respect to the transactions described particularly in Amendment No. 11 (Post-Effective No. 8) herein:

1. On January 31, 1997, the issuance and sale by Gulf Power Capital Trust I , a Delaware statutory business trust (the "Trust"), of 1,600,000 of its 7.625% Trust Preferred Securities (Liquidation amount $25 per Preferred Security) and all transactions relating thereto were carried out in accordance with the terms and conditions of and for the purposes represented by the application, as amended, and of said orders with respect thereto.

2. The issuance by the Company of $41,237,125 aggregate principal amount of its Series A 7.625% Junior Subordinated Notes (the "Junior Subordinated Notes") due December 31, 2036, pursuant to the Supplemental Indenture dated as of January 1, 1997, supplementing the Subordinated Note Indenture dated as of January 1, 1997, between the Company and The Chase Manhattan Bank, as Trustee, was carried out in accordance with the terms and conditions of and for the purposes represented by the application, as amended, and of said orders with respect thereto.

3. The execution by the Company of the Guarantee Agreement, dated as of January 1, 1997, providing for the guarantee by the Company of certain obligations of the Trust in respect of the Trust Preferred Securities was carried out in accordance with the terms and conditions of and for the purposes represented by the application, as amended, and of said orders with respect thereto.

4. Filed herewith are the following exhibits:

Exhibit A - Copy of the prospectus supplement with respect to the Trust Preferred Securities, dated January 27, 1997, and accompanying prospectus dated January 10, 1997. (Filed electronically January 29, 1997, in File Nos. 333-19271, 333-19271-01, and 333-19271-02.)

Exhibit B - Underwriting Agreement dated January 27, 1997. (Designated in Form 8-K dated January 27, 1997, as Exhibit 1.)

Exhibit C - Amended and Restated Trust Agreement dated as of January 1, 1997. (Designated in Form 8-K dated January 27, 1997, as Exhibit 4.5.)

Exhibit D - Subordinated Note Indenture dated as of January 1, 1997, between the Company and The Chase Manhattan Bank, as trustee. (Designated in Form 8-K dated January 27, 1997, as Exhibit 4.1.)

Exhibit E - Supplemental Indenture to the Subordinated Note Indenture dated as of January 1, 1997, between the Company and The Chase Manhattan Bank, as trustee. (Designated in Form 8-K dated January 27, 1997, as Exhibit 4.2.)

Exhibit F - Guarantee Agreement, dated as of January 1, 1997, with respect to Trust Preferred Securities. (Designated in Form 8-K dated January 27, 1997, as Exhibit 4.8.)

Exhibit G - Opinion of Beggs & Lane dated February 10, 1997.

Dated February 10, 1997

GULF POWER COMPANY

By _____
Wayne Boston
Assistant Secretary

CERTIFICATE OF NOTIFICATION

Filed by

GULF POWER COMPANY

Pursuant to orders of the Securities and Exchange Commission dated December 15, 1994, January 17, 1996, August 26, 1996, January 14, 1997, January 29, 1997, February 5, 1997 and June 10, 1997 in the matter of File No. 70-8461.

Gulf Power Company (the "Company") hereby certifies to said Commission, pursuant to Rule 24, as follows:

1. On August 1, 1997, the issuance by the Company of $20,000,000 aggregate principal amount of its Series B 7.50% Junior Subordinated Notes due June 30, 2037 (the "Junior Subordinated Notes"), pursuant to the Supplemental Indenture dated as of August 1, 1997, supplementing the Subordinated Note Indenture dated as of January 1, 1997, between the Company and The Chase Manhattan Bank, as Trustee, was carried out in accordance with the terms and conditions of and for the purposes represented by the application, as amended, and of said orders with respect thereto.

2. Filed herewith are the following exhibits:

Exhibit A — Copy of the prospectus supplement with respect to the Junior Subordinated Notes, dated July 28, 1997, and accompanying prospectus dated January 10, 1997. (Filed electronically July 29, 1997, in File Nos. 333-19271, 333-19271-01, and 333-19271-02.)

Exhibit B — Underwriting Agreement dated July 28, 1997. (Designated in Form 8-K dated July 28, 1997, as Exhibit 1.)

Exhibit C — Second Supplemental Indenture dated as of August 1, 1997 to the Subordinated Note Indenture dated as of January 1, 1997, between the Company and The Chase Manhattan Bank, as trustee. (Designated in Form 8-K dated July 28, 1997, as Exhibit 4.2.)

Exhibit D — Opinion of Beggs & Lane dated August 11, 1997.

Dated August 11, 1997

GULF POWER COMPANY

By _____
Wayne Boston
Assistant Secretary

CERTIFICATE OF NOTIFICATION

Filed by

GULF POWER COMPANY

Pursuant to orders of the Securities and Exchange Commission dated December 15, 1994, January 17, 1996, August 26, 1996, January 14, 1997, January 29, 1997, February 5, 1997, June 10, 1997 and January 16, 1998 in the matter of File No. 70-8461.

Gulf Power Company (the "Company") hereby certifies to said Commission, pursuant to Rule 24, as follows with respect to the transactions described particularly in Amendment No. 16 (Post-Effective No. 13) herein:

1. On January 20, 1998, the issuance and sale by Gulf Power Capital Trust II , a Delaware statutory business trust (the "Trust"), of 1,800,000 of its 7.00% Cumulative Quarterly Income Preferred Securities (Liquidation amount $25 per Preferred Security) and all transactions relating thereto were carried out in accordance with the terms and conditions of and for the purposes represented by the application, as amended, and of said orders with respect thereto.

2. The issuance by the Company of $46,391,775 aggregate principal amount of its Series C 7.00% Junior Subordinated Notes (the "Junior Subordinated Notes") due December 31, 2037, pursuant to the Third Supplemental Indenture dated as of January 1, 1998, supplementing the Subordinated Note Indenture dated as of January 1, 1997, between the Company and The Chase Manhattan Bank, as Trustee, was carried out in accordance with the terms and conditions of and for the purposes represented by the application, as amended, and of said orders with respect thereto.

3. The execution by the Company of the Guarantee Agreement, dated as of January 1, 1998, providing for the guarantee by the Company of certain obligations of the Trust in respect of the Trust Preferred Securities was carried out in accordance with the terms and conditions of and for the purposes represented by the application, as amended, and of said orders with respect thereto.

4. Filed herewith are the following exhibits:

Exhibit A - Copy of the prospectus supplement with respect to the Trust Preferred Securities, dated January 13, 1998, and accompanying prospectus dated December 30, 1997. (Filed electronically January 14, 1998, in File Nos. 333-42033, 333-42033-01, and 333-42033-02.)

Exhibit B - Underwriting Agreement dated January 13, 1998. (Designated in Form 8-K dated January 13, 1998, as Exhibit 1.)

Exhibit C - Amended and Restated Trust Agreement dated as of January 1, 1998. (Designated in Form 8-K dated January 13, 1998, as Exhibit 4.5.)

Exhibit D - Third Supplemental Indenture to the Subordinated Note Indenture dated as of January 1, 1998, between the Company and The Chase Manhattan Bank, as trustee. (Designated in Form 8-K dated January 13, 1998, as Exhibit 4.2.)

Exhibit E - Guarantee Agreement, dated as of January 1, 1998, with respect to Trust Preferred Securities. (Designated in Form 8-K dated January 13, 1998, as Exhibit 4.8.)

Exhibit F - Opinion of Beggs & Lane dated January 29, 1998.

Dated January 29, 1998

GULF POWER COMPANY

By _____
Wayne Boston
Assistant Secretary

CERTIFICATE OF NOTIFICATION

Filed by

GULF POWER COMPANY

Pursuant to orders of the Securities and Exchange Commission (the "Commission") dated December 15, 1994, January 17, 1996, August 26, 1996, January 14, 1997, January 29, 1997, February 5, 1997, June 10, 1997, January 16, 1998, December 7, 1998 and June 8, 2001 in the matter of File No. 70-8461.

Gulf Power Company (the "Company") hereby certifies to said Commission, pursuant to Rule 24, as follows with respect to the transactions described herein:

1. On November 16, 2001, the issuance and sale by Gulf Power Capital Trust III, a Delaware statutory business trust (the "Trust"), of 1,200,000 of its 7.375% Trust Preferred Securities (Liquidation amount $25 per Preferred Security) (the "Trust Preferred Securities") and all transactions relating thereto were carried out in accordance with the terms and conditions of and for the purposes represented by the application, as amended, and of said orders with respect thereto.

2. The issuance by the Company of $30,927,850 aggregate principal amount of its Series D 7.375% Junior Subordinated Notes due September 30, 2041 (the "Junior Subordinated Notes"), pursuant to the Fourth Supplemental Indenture dated as of November 16, 2001, supplementing the Subordinated Note Indenture dated as of January 1, 1997, between the Company and JPMorgan Chase Bank, as Trustee, was carried out in accordance with the terms and conditions of and for the purposes represented by the application, as amended, and of said orders with respect thereto.

3. The execution by the Company of the Guarantee Agreement, dated as of November 1, 2001, providing for the guarantee by the Company of certain obligations of the Trust in respect of the Trust Preferred Securities was carried out in accordance with the terms and conditions of and for the purposes represented by the application, as amended, and of said orders with respect thereto.

4. Filed herewith are the following exhibits:

Exhibit A - Copy of the prospectus supplement with respect to the Trust Preferred Securities, dated November 8, 2001, and accompanying prospectus dated June 1, 2001. (Filed electronically November 13, 2001, in File Nos. 333-59942, 333-59942-01 and 333-59942-02.)

Exhibit B - Underwriting Agreement dated November 8, 2001. (Designated in Form 8-K dated November 8, 2001, as Exhibit 1.)

Exhibit C - Amended and Restated Trust Agreement dated as of November 1, 2001. (Designated in Form 8-K dated November 8, 2001, as Exhibit 4.5.)

Exhibit D - Fourth Supplemental Indenture to the Subordinated Note Indenture dated as of November 16, 2001, between the Company and JPMorgan Chase Bank, as trustee. (Designated in Form 8-K dated November 8, 2001, as Exhibit 4.2.)

Exhibit E - Guarantee Agreement, dated as of November 1, 2001, with respect to the Trust Preferred Securities. (Designated in Form 8-K dated November 8, 2001, as Exhibit 4.8.)

Exhibit F - Opinion of Beggs & Lane dated November 19, 2001.

Dated November 19, 2001

GULF POWER COMPANY

By_____
Wayne Boston
Assistant Secretary

EXHIBIT D. 11.

Description of Holder

$30,000,000 7.375% Series D Junior Subordinated Notes
1,200,000 Trust Preferred Securities

Name of Underwriters	**Number of Shares of Securities**
Salomon Smith Barney Inc. 388 Greenwich Street New York, New York 10013	540,000
UBS Warburg LLC c/o Salomon Smith Barney Inc. 388 Greenwich Street New York, New York 10013	540,000
Raymond James & Associates, Inc. c/o Salomon Smith Barney Inc. 388 Greenwich Street New York, New York 10013	120,000

Underwriters Fees: $945,000

GULF POWER COMPANY
Summary of Debt Expenses in Conjunction with the
Issuance and Sale of $30,000,000 Principal Amount
7.375% Mandatorily Redeemable Trust Preferred Securities of
Gulf Power Capital Trust III Holding Company Jr. Subordinated Notes Due 2041

Item Number	Issuance Expenses For:	Amount $
1	Shelf Registration-Securities & Exchange Commission	12,249.77
2	Printing and Preparation of Registration Statement, Financial Statements, Prospectus, Competitive Bidding Papers, Supplemental Indenture, etc.	28,694.75
3	Charges of Trustee (Including Counsel)	7,626.14
4	Fees and Expenses of Counsel	56,722.50
5	Fees of Accountants	24,000.00
6	Rating Fees	6,000.00
7	Initial Listing Fee on New York Stock Exchange	17,700.00
8	Expenses of Southern Company Services, Inc.	1,847.82
9	Miscellaneous Expenses	108.30
	Total Expenses of Issue	154,949.28
	Unamortized Discount Expense	945,000.00
	Total Cost of Issue	$1,099,949.28

As filed with the Securities and Exchange Commission on May 1, 2001.
Subject to Amendment.

Registration Nos. 333-59942
333-59942-01
333-59942-02

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-3

EXHIBIT E. 1.

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Gulf Power Company Gulf Power Capital Trust III Gulf Power Capital Trust IV (Exact name of registrant as specified in its charter)	Maine Delaware Delaware (State or other jurisdiction of incorporation or organization)	59-0276810 58-6382080 Applied for (I.R.S. Employer Identification No.)

500 Bayfront Parkway
Pensacola, Florida 32501
(850) 444-6111
(Address, including zip code, and telephone number, including area code, of each registrant's principal executive offices)

WARREN E. TATE
Secretary and Treasurer
Gulf Power Company
500 Bayfront Parkway
Pensacola, Florida 32501
(850) 444-6206
(Name, address, including zip code, and telephone number, including area code, of agent for service of each registrant)

The Commission is requested to mail signed copies of all orders, notices and communications to:

GALE E. KLAPPA
Financial Vice President
THE SOUTHERN COMPANY
270 Peachtree Street, N.W.
Atlanta, Georgia 30303

JOHN D. McLANAHAN, ESQ.
TROUTMAN SANDERS LLP
600 Peachtree Street, N.E.
Suite 5200
Atlanta, Georgia 30308-2216

Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this registration statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. ☐

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. ☒

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐ _____

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐ _____

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. ☐

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price Per Unit(1)(2)(3)	Proposed Maximum Aggregate Offering Price(1)(2)(3)	Amount of Registration Fee(1)
Gulf Power Capital Trust III Preferred Securities				
Gulf Power Capital Trust IV Preferred Securities				
Gulf Power Company Senior Notes				
Gulf Power Company Junior Subordinated Notes				
Gulf Power Company Guarantees with respect to Preferred Securities of Gulf Power Capital Trust III and Gulf Power Capital Trust IV(4)(5)				
Total	$350,000,000(6)	100%	$350,000,000	$87,500(7)

(1) There are being registered hereunder such presently indeterminate number of Preferred Securities of Gulf Power Capital Trust III and Gulf Power Capital Trust IV and such presently indeterminate principal amount of Senior Notes and Junior Subordinated Notes of Gulf Power Company with an aggregate initial offering price not to exceed $350,000,000. Junior Subordinated Notes also may be issued to Gulf Power Capital Trust III or Gulf Power Capital Trust IV and later distributed upon dissolution and distribution of the assets thereof, which would include such Junior Subordinated Notes for which no separate consideration will be received. Pursuant to Rule 457(o) under the Securities Act of 1933, which permits the registration fee to be calculated on the basis of the maximum offering price of all the securities listed, the table does not specify by each class information as to the amount to be registered, proposed maximum offering price per unit or proposed maximum aggregate offering price.

(2) Estimated solely for the purpose of determining the registration fee.

(3) Exclusive of accrued interest and distributions, if any.

(4) No separate consideration will be received for the Gulf Power Company Guarantees. Pursuant to Rule 457(n) no separate fee is payable in respect of the Gulf Power Company Guarantees.

(5) Includes the obligations of Gulf Power Company under the respective Trust Agreements, the Subordinated Note Indenture, the related series of Junior Subordinated Notes, the respective Guarantees and the respective Agreements as to Expenses and Liabilities, which include the Company's covenant to pay any indebtedness, expenses or liabilities of the Trusts (other than obligations pursuant to the terms of the Preferred Securities or other similar interests), all as described in this registration statement.

(6) Includes $45,000,000 of unsold securities previously registered under Registration Statement No. 333-42033.

(7) Pursuant to Rule 429 under the Securities Act of 1933, the registration fee consists of $76,250 paid herewith and $11,250 which has been previously paid. See Note (6).

The registrants hereby amend this registration statement on such date or dates as may be necessary to delay its effective date until the registrants shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

The within Prospectus contains the information required by Rule 429 of the Commission under the Securities Act of 1933 with respect to the $45,000,000 of securities remaining unsold under Registration Statement No. 333-42033.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION DATED MAY 1, 2001

PROSPECTUS

$350,000,000

Gulf Power Company

Senior Notes

Junior Subordinated Notes

Gulf Power Capital Trust III
Gulf Power Capital Trust IV

Trust Preferred Securities

Fully and unconditionally guaranteed, as set forth herein, by

Gulf Power Company

a subsidiary of The Southern Company

We will provide the specific terms of these securities in supplements to this Prospectus. You should read this Prospectus and the applicable prospectus supplement carefully before you invest.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this Prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

, 2001

ABOUT THIS PROSPECTUS

This Prospectus is part of a registration statement filed with the Securities and Exchange Commission (the "Commission") using a "shelf" registration process under the Securities Act of 1933, as amended (the "1933 Act"). Under the shelf process, Gulf Power Company (the "Company") may sell, in one or more transactions,

- senior notes (the "Senior Notes")
- junior subordinated notes (the "Junior Subordinated Notes")

and Gulf Power Capital Trust III and Gulf Power Capital Trust IV (individually, a "Trust" and collectively, the "Trusts") may sell

- trust preferred securities or capital securities (the "Preferred Securities")

in one or more offerings up to a total dollar amount of $350,000,000. This Prospectus provides a general description of those securities. Each time the Company sells securities, the Company will provide a prospectus supplement that will contain specific information about the terms of that offering ("Prospectus Supplement"). The Prospectus Supplement may also add, update or change information contained in this Prospectus. You should read this Prospectus and the applicable Prospectus Supplement together with additional information under the heading "Available Information."

AVAILABLE INFORMATION

The Company and the Trusts have filed with the Commission a combined registration statement on Form S-3 (the "Registration Statement," which term encompasses any amendments thereof and exhibits thereto) under the 1933 Act. As permitted by the rules and regulations of the Commission, this Prospectus does not contain all of the information set forth in the Registration Statement and the exhibits and schedules thereto, to which reference is hereby made.

The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "1934 Act"), and in accordance therewith files reports and other information with the Commission. Such reports and other information can be inspected and copied at the public reference facilities of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, and at the Commission's Regional Offices at 500 West Madison Street, Suite 1400, Chicago, Illinois 60661 and Seven World Trade Center, 13th Floor, New York, New York 10048. Copies of such material can also be obtained at prescribed rates by writing to the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549. The Commission maintains a Web site that contains reports, proxy and information statements and other information regarding registrants including the Company that file electronically at http://www.sec.gov. In addition, reports and other material concerning the Company can be inspected at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

No separate financial statements of any Trust are included herein. The Company considers that such statements would not be material to holders of the Preferred Securities because each Trust has no independent operations and exists for the sole purpose of investing the proceeds of the sale of its Trust Securities (as defined below) in Junior Subordinated Notes.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents have been filed with the Commission pursuant to the 1934 Act and are incorporated herein by reference and made a part of this Prospectus:

(a) the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2000; and

(b) the Company's Current Report on Form 8-K dated February 28, 2001.

All documents filed by the Company with the Commission pursuant to Section 13(a), 13(c), 14 or 15(d) of the 1934 Act subsequent to the date of this Prospectus and prior to the termination of this offering shall be deemed to be incorporated herein by reference and made a part of this Prospectus from the date of filing of such documents. Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

The Company will provide without charge to each person to whom this Prospectus is delivered, on the written or oral request of any such person, a copy of any or all documents incorporated herein by reference (other than the exhibits to such documents unless such exhibits are specifically incorporated by reference). Such requests should be directed to Warren E. Tate, Secretary and Treasurer, Gulf Power Company, One Energy Place, Pensacola, Florida 32520, telephone: (850) 444-6111.

SELECTED INFORMATION

The following material, which is presented herein solely to furnish limited introductory information regarding the Company, has been selected from, or is based upon, the detailed information and financial statements appearing in the documents incorporated herein by reference or elsewhere in this Prospectus, is qualified in its entirety by reference thereto and, therefore, should be read together therewith.

Gulf Power Company

Business	Generation, transmission, distribution and sale of electric energy
Service Area	Approximately 7,400 square miles within the northwestern portion of the State of Florida
Service Area Population (1990 Census)	Approximately 740,000
Customers at December 31, 2000	370,119
Generating Capacity at December 31, 2000 (kilowatts)	2,188,150
Sources of Generation during 2000 (kilowatt-hours)	Coal (98%), Gas and Oil (2%)
Sources of Generation Estimated for 2001 (kilowatt-hours)	Coal (98%), Gas and Oil (2%)

Certain Ratios

The following table sets forth the Ratios of Earnings to Fixed Charges and Earnings to Fixed Charges Plus Preferred Dividend Requirements (Pre-Income Tax Basis) for the periods indicated.

	Year Ended December 31,				
	1996	1997	1998	1999	2000
Ratio of Earnings to Fixed Charges(1)	4.29	4.18	3.83	3.62	3.38
Ratio of Earnings to Fixed Charges Plus Preferred Dividend Requirements (Pre-Income Tax Basis)(2)	3.31	3.53	3.72	3.58	3.34

(1) This ratio is computed as follows: (i) "Earnings" have been calculated by adding to "Earnings Before Interest and Income Taxes" the debt portion of allowance for funds used during construction, and (ii) "Fixed Charges" consist of "Net Interest Charges" plus the debt portion of allowance for funds used during construction.

(2) In computing this ratio, "Preferred Dividend Requirements" represent the before tax earnings necessary to pay such dividends, computed at the effective tax rates for the applicable periods.

GULF POWER COMPANY

The Company is a corporation organized under the laws of the State of Maine on November 2, 1925, and was admitted to do business in Florida on January 15, 1926, in Mississippi on October 25, 1976 and in Georgia on November 20, 1984. The principal executive offices of the Company are located at 500 Bayfront Parkway, Pensacola, Florida 32501, and the telephone number is (850) 444-6111.

The Company is a wholly owned subsidiary of The Southern Company, a holding company registered under the Public Utility Holding Company Act of 1935, as amended. The Company is engaged, within the northwestern portion of the State of Florida, in the generation and purchase of electricity and the distribution and sale of such electricity at retail in 71 communities as well as in rural areas, and at wholesale to a nonaffiliated utility and to a municipality.

THE TRUSTS

Each Trust is a statutory business trust created under Delaware law pursuant to the filing of a certificate of trust with the Delaware Secretary of State on November 26, 1997, with respect to Gulf Power Capital Trust III, and April 25, 2001, with respect to Gulf Power Capital Trust IV. Each Trust's business is defined in a trust agreement, executed by the Company, as Depositor, and the Delaware Trustee thereunder. This trust agreement of each Trust will be amended and restated in its entirety substantially in the form filed as an exhibit to the Registration Statement of which this Prospectus forms a part (the "Trust Agreement"). Each Trust Agreement will be qualified as an indenture under the Trust Indenture Act of 1939, as amended (the "1939 Act"). The Company will own all of the common securities (the "Common Securities" and, together with the Preferred Securities, the "Trust Securities") of each Trust. The Trust Securities represent undivided beneficial interests in the assets of the respective Trusts. Each Trust exists for the exclusive purposes of (i) issuing its Trust Securities representing undivided beneficial interests in the assets of such Trust, (ii) investing the gross proceeds of its Trust Securities in a related series of Junior Subordinated Notes, and (iii) engaging in only those other activities necessary, appropriate, convenient or incidental thereto. The payment of periodic cash distributions on the Preferred Securities of each Trust and payments on liquidation and redemption with respect to the Preferred Securities of each Trust, in each case to the extent each Trust has funds legally and immediately available therefor, will be guaranteed by the Company (individually, a "Guarantee" and collectively, the "Guarantees") to the extent set forth under "Description of the Guarantees."

Each Trust's business and affairs will be conducted by its trustees, which shall be appointed by the Company as the holder of the Common Securities: two employees of the Company as Administrative Trustees; The Chase Manhattan Bank as Property Trustee; and Chase Manhattan Bank USA, National Association as Delaware Trustee (collectively, the "Securities Trustees"). The Property Trustee of each Trust will act as the indenture trustee with respect to such Trust for purposes of compliance with the provisions of the 1939 Act.

The principal place of business of each Trust shall be c/o the Company, 500 Bayfront Parkway, Pensacola, Florida 32501, telephone (850) 444-6111, Attn: Treasurer.

Reference is made to the Prospectus Supplement relating to the Preferred Securities of a Trust for further information concerning such Trust.

ACCOUNTING TREATMENT OF TRUSTS

For financial reporting purposes, the Trusts will be treated as subsidiaries of the Company and, accordingly, the accounts of the Trusts will be included in the consolidated financial statements of the Company. The Preferred Securities will be presented as a separate line item in the consolidated balance sheet of the Company, and appropriate disclosures concerning the Preferred Securities, the Guarantees and the Junior Subordinated Notes will be included in the notes to the consolidated financial statements. For financial reporting purposes, the Company will record distributions payable on the Preferred Securities as an expense.

USE OF PROCEEDS

Each Trust will invest the proceeds received from the sale of its Preferred Securities in Junior Subordinated Notes. Except as may be otherwise described in an applicable Prospectus Supplement, the net proceeds received by the Company from such investment and any proceeds received from the sale of its Senior Notes or other sales of its Junior Subordinated Notes will be used in connection with its ongoing construction program, to pay scheduled maturities and/or refundings of its securities, to repay short-term indebtedness to the extent outstanding and for other general corporate purposes.

DESCRIPTION OF THE SENIOR NOTES

Set forth below is a description of the general terms of the Senior Notes. The following description does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the Senior Note Indenture, dated as of January 1, 1998, between the Company and The Chase Manhattan Bank, as trustee (the "Senior Note Indenture Trustee"), as to be supplemented by a supplemental indenture thereto establishing the Senior Notes of each series (the Senior Note Indenture, as so supplemented, is hereinafter referred to as the "Senior Note Indenture"), the forms of which are filed as exhibits to the Registration Statement of which this Prospectus forms a part. The terms of the Senior Notes will include those stated in the Senior Note Indenture and those made a part of the Senior Note Indenture by reference to the 1939 Act. Certain capitalized terms used herein are defined in the Senior Note Indenture.

General

The Senior Notes will be issued as unsecured senior debt securities under the Senior Note Indenture and will rank *pari passu* with all other unsecured and unsubordinated debt of the Company. The Senior Notes will be effectively subordinated to all secured debt of the Company, including its first mortgage bonds, aggregating approximately $254,700,000 outstanding at December 31, 2000. The Senior Note Indenture does not limit the aggregate principal amount of Senior Notes that may be issued thereunder and provides that Senior Notes may be issued from time to time in one or more series pursuant to an indenture supplemental to the Senior Note Indenture. The Senior Note Indenture gives the Company the ability to reopen a previous issue of Senior Notes and issue additional Senior Notes of such series, unless otherwise provided.

Reference is made to the Prospectus Supplement that will accompany this Prospectus for the following terms of the series of Senior Notes being offered thereby: (i) the title of such Senior Notes; (ii) any limit on the aggregate principal amount of such Senior Notes; (iii) the date or dates on which the principal of such Senior Notes is payable; (iv) the rate or rates at which such Senior Notes shall bear interest, if any, or any method by which such rate or rates will be determined, the date or dates from which such interest will accrue, the interest payment dates on which such interest shall be payable, and the regular record date for the interest payable on any interest payment date; (v) the place or places where the principal of (and premium, if any) and interest, if any, on such Senior Notes shall be payable; (vi) the period or periods within which, the price or prices at which

and the terms and conditions on which such Senior Notes may be redeemed, in whole or in part, at the option of the Company, (vii) the obligation, if any, of the Company to redeem or purchase such Senior Notes; (viii) the denominations in which such Senior Notes shall be issuable; (ix) if other than the principal amount thereof, the portion of the principal amount of such Senior Notes which shall be payable upon declaration of acceleration of the maturity thereof; (x) any deletions from, modifications of or additions to the Events of Default or covenants of the Company as provided in the Senior Note Indenture pertaining to such Senior Notes; (xi) whether such Senior Notes shall be issued in whole or in part in the form of a Global Security; and (xii) any other terms of such Senior Notes.

The Senior Note Indenture does not contain provisions that afford holders of Senior Notes protection in the event of a highly leveraged transaction involving the Company.

Events of Default

The Senior Note Indenture provides that any one or more of the following described events with respect to the Senior Notes of any series, which has occurred and is continuing, constitutes an "Event of Default" with respect to the Senior Notes of such series:

(a) failure for 10 days to pay interest on the Senior Notes of such series, when due on an interest payment date other than at maturity or upon earlier redemption; or

(b) failure to pay principal or premium, if any, or interest on the Senior Notes of such series when due at maturity or upon earlier redemption; or

(c) failure for three Business Days to deposit any sinking fund payment when due by the terms of a Senior Note of such series; or

(d) failure to observe or perform any other covenant or warranty of the Company in the Senior Note Indenture (other than a covenant or warranty which has expressly been included therein solely for the benefit of one or more series of Senior Notes other than such series) for 90 days after written notice to the Company from the Senior Note Indenture Trustee or the holders of at least 25% in principal amount of the outstanding Senior Notes of such series; or

(e) certain events of bankruptcy, insolvency or reorganization of the Company.

The holders of not less than a majority in aggregate outstanding principal amount of the Senior Notes of any series have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Senior Note Indenture Trustee with respect to the Senior Notes of such series. If a Senior Note Indenture Event of Default occurs and is continuing with respect to the Senior Notes of any series, then the Senior Note Indenture Trustee or the holders of not less than 25% in aggregate outstanding principal amount of the Senior Notes of such series may declare the principal amount thereof due and payable immediately by notice in writing to the Company (and to the Senior Note Indenture Trustee if given by the holders), and upon any such declaration such principal amount shall become immediately due and payable. At any time after such a declaration of acceleration with respect to the Senior Notes of any series has been made and before a judgment or decree for payment of the money due has been obtained as provided in Article Five of the Senior Note Indenture, the holders of not less than a majority in aggregate outstanding principal amount of the Senior Notes of such series may rescind and annul such declaration and its consequences if the default has been cured or waived and the Company has paid or deposited with the Senior Note Indenture Trustee a sum sufficient to pay all matured installments of interest and principal due otherwise than by acceleration and all sums paid or advanced by the Senior Note Indenture Trustee, including reasonable compensation and expenses of the Senior Note Indenture Trustee.

The holders of not less than a majority in aggregate outstanding principal amount of the Senior Notes of any series may, on behalf of the holders of all the Senior Notes of such series, waive any past default with respect to such series, except (i) a default in the payment of principal or interest or (ii) a default in respect of a covenant or provision which under Article Nine of the Senior Note Indenture cannot be modified or amended thereunder without the consent of the holder of each outstanding Senior Note of such series affected thereby.

Registration and Transfer

The Company shall not be required to (i) issue, register the transfer of or exchange Senior Notes of any series during a period of 15 days immediately preceding the date notice is given identifying the Senior Notes of such series called for redemption, or (ii) register the transfer of or exchange any Senior Notes so selected for redemption, in whole or in part, except the unredeemed portion of any Senior Note being redeemed in part.

Payment and Paying Agent

Unless otherwise indicated in an applicable Prospectus Supplement, payment of principal of any Senior Notes will be made only against surrender to the Paying Agent of such Senior Notes. Principal of and interest on Senior Notes will be payable subject to any applicable laws and regulations, at the office of such Paying Agent or Paying Agents as the Company may designate from time to time, except that, at the option of the Company, payment of any interest may be made by wire transfer or by check mailed to the address of the person entitled thereto as such address shall appear in the Security Register with respect to the Senior Notes. Payment of interest on Senior Notes on any interest payment date will be made to the person in whose name the Senior Notes (or predecessor security) are registered at the close of business on the record date for such interest payment.

Unless otherwise indicated in an applicable Prospectus Supplement, the Senior Note Indenture Trustee will act as Paying Agent with respect to the Senior Notes. The Company may at any time designate additional Paying Agents or rescind the designation of any Paying Agents or approve a change in the office through which any Paying Agent acts.

All moneys paid by the Company to a Paying Agent for the payment of the principal of or interest on the Senior Notes of any series which remain unclaimed at the end of two years after such principal or interest shall have become due and payable will be repaid to the Company, and the holder of such Senior Notes will thereafter look only to the Company for payment thereof.

Modification

The Senior Note Indenture contains provisions permitting the Company and the Senior Note Indenture Trustee, with the consent of the holders of not less than a majority in principal amount of the outstanding Senior Notes of each series affected thereby, to modify the Senior Note Indenture or the rights of the holders of the Senior Notes of such series; provided, that no such modification may, without the consent of the holder of each outstanding Senior Note affected thereby, (i) change the stated maturity of the principal of, or any installment of principal of or interest on, any Senior Note, or reduce the principal amount thereof or the rate of interest thereon or any premium payable upon the redemption thereof, or change the method of calculating the rate of interest thereon, or impair the right to institute suit for the enforcement of any such payment on or after the stated maturity thereof (or, in the case of redemption, on or after the redemption date), or (ii) reduce the percentage of principal amount of the outstanding Senior Notes of any series, the consent of whose holders is required for any such supplemental indenture, or the consent of whose holders is required for any waiver (of compliance with certain provisions of the Senior Note Indenture or certain defaults thereunder and their consequences) provided for in the Senior Note Indenture, or (iii) modify any of the provisions of the Senior Note Indenture relating to supplemental indentures, waiver of past defaults, or waiver of certain covenants, except to increase any such percentage or to provide that certain other provisions of the Senior Note Indenture cannot be modified or waived without the consent of the holder of each outstanding Senior Note affected thereby.

In addition, the Company and the Senior Note Indenture Trustee may execute, without the consent of any holders of Senior Notes, any supplemental indenture for certain other usual purposes, including the creation of any new series of senior notes.

Consolidation, Merger and Sale

The Company shall not consolidate with or merge into any other corporation or convey, transfer or lease its properties and assets substantially as an entirety to any person, unless (1) such other corporation or person is a corporation organized and existing under the laws of the United States, any state thereof or the District of Columbia and such other corporation or person expressly assumes, by supplemental indenture executed and delivered to the Senior Note Indenture Trustee, the payment of the principal of (and premium, if any) and interest on all the Senior Notes and the performance of every covenant of the Senior Note Indenture on the part of the Company to be performed or observed; (2) immediately after giving effect to such transactions, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have happened and be continuing; and (3) the Company has delivered to the Senior Note Indenture Trustee an officers' certificate and an opinion of counsel, each stating that such transaction complies with the provisions of the Senior Note Indenture governing consolidation, merger, conveyance, transfer or lease and that all conditions precedent thereto have been complied with.

Information Concerning the Senior Note Indenture Trustee

The Senior Note Indenture Trustee, prior to an Event of Default with respect to Senior Notes of any series, undertakes to perform, with respect to Senior Notes of such series, only such duties as are specifically set forth in the Senior Note Indenture and, in case an Event of Default with respect to Senior Notes of any series has occurred and is continuing, shall exercise, with respect to Senior Notes of such series, the same degree of care as a prudent individual would exercise in the conduct of his or her own affairs. Subject to such provision, the Senior Note Indenture Trustee is under no obligation to exercise any of the powers vested in it by the Senior Note Indenture at the request of any holder of Senior Notes of any series, unless offered reasonable indemnity by such holder against the costs, expenses and liabilities which might be incurred thereby. The Senior Note Indenture Trustee is not required to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties if the Senior Note Indenture Trustee reasonably believes that repayment or adequate indemnity is not reasonably assured to it.

The Chase Manhattan Bank, the Senior Note Indenture Trustee, also serves as Subordinated Note Indenture Trustee, as Property Trustee and as Guarantee Trustee. The Company and certain of its affiliates maintain deposit accounts and banking relationships with The Chase Manhattan Bank. The Chase Manhattan Bank also serves as trustee under other indentures pursuant to which securities of the Company and affiliates of the Company are outstanding.

Governing Law

The Senior Note Indenture and the Senior Notes will be governed by, and construed in accordance with, the internal laws of the State of New York.

Miscellaneous

The Company will have the right at all times to assign any of its rights or obligations under the Senior Note Indenture to a direct or indirect wholly-owned subsidiary of the Company; provided, that, in the event of any such assignment, the Company will remain primarily liable for all such obligations. Subject to the foregoing, the Senior Note Indenture will be binding upon and inure to the benefit of the parties thereto and their respective successors and assigns.

DESCRIPTION OF THE JUNIOR SUBORDINATED NOTES

Set forth below is a description of the general terms of the Junior Subordinated Notes. The following description does not purport to be complete and is subject to, and is qualified in its entirety by reference to, the Subordinated Note Indenture, dated as of January 1, 1997, between the Company and The Chase Manhattan Bank, as trustee (the "Subordinated Note Indenture Trustee"), as to be supplemented by a supplemental indenture thereto establishing the Junior Subordinated Notes of each series (the Subordinated Note Indenture, as so supplemented, is hereinafter referred to as the "Subordinated Note Indenture"), the forms of which are filed as exhibits to the Registration Statement of which this Prospectus forms a part. The terms of the Junior Subordinated Notes will include those stated in the Subordinated Note Indenture and those made a part of the Subordinated Note Indenture by reference to the 1939 Act. Certain capitalized terms used herein are defined in the Subordinated Note Indenture.

General

The Junior Subordinated Notes will be issued as unsecured junior subordinated debt securities under the Subordinated Note Indenture. The Subordinated Note Indenture does not limit the aggregate principal amount of Junior Subordinated Notes that may be issued thereunder and provides that Junior Subordinated Notes may be issued from time to time in one or more series pursuant to an indenture supplemental to the Subordinated Note Indenture. The Subordinated Note Indenture gives the Company the ability to reopen a previous issue of Junior Subordinated Notes and issue additional Junior Subordinated Notes of such series, unless otherwise provided.

Reference is made to the Prospectus Supplement that will accompany this Prospectus for the following terms of the series of Junior Subordinated Notes being offered thereby: (i) the title of such Junior Subordinated Notes; (ii) any limit on the aggregate principal amount of such Junior Subordinated Notes; (iii) the date or dates on which the principal of such Junior Subordinated Notes is payable; (iv) the rate or rates at which such Junior Subordinated Notes shall bear interest, if any, or any method by which such rate or rates will be determined, the date or dates from which such interest will accrue, the interest payment dates on which such interest shall be payable, and the regular record date for the interest payable on any interest payment date; (v) the place or places where the principal of (and premium, if any) and interest, if any, on such Junior Subordinated Notes shall be payable; (vi) the period or periods within which, the price or prices at which and the terms and conditions on which such Junior Subordinated Notes may be redeemed, in whole or in part, at the option of the Company; (vii) the obligation, if any, of the Company to redeem or purchase such Junior Subordinated Notes; (viii) the denominations in which such Junior Subordinated Notes shall be issuable; (ix) if other than the principal amount thereof, the portion of the principal amount of such Junior Subordinated Notes which shall be payable upon declaration of acceleration of the maturity thereof; (x) any deletions from, modifications of or additions to the Events of Default or covenants of the Company as provided in the Subordinated Note Indenture pertaining to such Junior Subordinated Notes; (xi) whether such Junior Subordinated Notes shall be issued in whole or in part in the form of a Global Security; (xii) the right, if any, of the Company to extend the interest payment periods of such Junior Subordinated Notes; and (xiii) any other terms of such Junior Subordinated Notes. The terms of each series of Junior Subordinated Notes issued to a Trust will correspond to those of the related Preferred Securities of such Trust as described in the Prospectus Supplement relating to such Preferred Securities.

The Subordinated Note Indenture does not contain provisions that afford holders of Junior Subordinated Notes protection in the event of a highly leveraged transaction involving the Company.

Subordination

The Junior Subordinated Notes are subordinated and junior in right of payment to all Senior Indebtedness (as defined below) of the Company. No payment of principal of (including redemption payments, if any), or premium, if any, or interest on (including Additional Interest (as defined below)) the Junior Subordinated Notes may be made if (a) any Senior Indebtedness is not paid when due and any applicable grace period with respect to such default has ended with such default not being cured or waived or otherwise ceasing to exist, or (b) the

maturity of any Senior Indebtedness has been accelerated because of a default, or (c) notice has been given of the exercise of an option to require repayment, mandatory payment or prepayment or otherwise. Upon any payment or distribution of assets of the Company to creditors upon any liquidation, dissolution, winding-up, reorganization, assignment for the benefit of creditors, marshalling of assets or liabilities, or any bankruptcy, insolvency or similar proceedings of the Company, the holders of Senior Indebtedness shall be entitled to receive payment in full of all amounts due or to become due on or in respect of all Senior Indebtedness before the holders of the Junior Subordinated Notes are entitled to receive or retain any payment or distribution. Subject to the prior payment of all Senior Indebtedness, the rights of the holders of the Junior Subordinated Notes will be subrogated to the rights of the holders of Senior Indebtedness to receive payments and distributions applicable to such Senior Indebtedness until all amounts owing on the Junior Subordinated Notes are paid in full.

The term "Senior Indebtedness" means, with respect to the Company, (i) any payment due in respect of indebtedness of the Company, whether outstanding at the date of execution of the Subordinated Note Indenture or thereafter incurred, created or assumed, (a) in respect of money borrowed (including any financial derivative, hedging or futures contract or similar instrument) and (b) evidenced by securities, debentures, bonds, notes or other similar instruments issued by the Company that, by their terms, are senior or senior subordinated debt securities including, without limitation, all obligations under its indentures with various trustees; (ii) all capital lease obligations; (iii) all obligations issued or assumed as the deferred purchase price of property, all conditional sale obligations and all obligations of the Company under any title retention agreement (but excluding trade accounts payable arising in the ordinary course of business and long-term purchase obligations); (iv) all obligations for the reimbursement of any letter of credit, banker's acceptance, security purchase facility or similar credit transaction; (v) all obligations of the type referred to in clauses (i) through (iv) above of other persons the payment of which the Company is responsible or liable as obligor, guarantor or otherwise; and (vi) all obligations of the type referred to in clauses (i) through (v) above of other persons secured by any lien on any property or asset of the Company (whether or not such obligation is assumed by the Company), except for (1) any such indebtedness that is by its terms subordinated to or *pari passu* with the Junior Subordinated Notes and (2) any unsecured indebtedness between or among the Company or its affiliates. Such Senior Indebtedness shall continue to be Senior Indebtedness and be entitled to the benefits of the subordination provisions contained in the Subordinated Note Indenture irrespective of any amendment, modification or waiver of any term of such Senior Indebtedness.

The Subordinated Note Indenture does not limit the aggregate amount of Senior Indebtedness that may be issued by the Company. As of December 31, 2000, Senior Indebtedness of the Company aggregated approximately $416,000,000.

Additional Interest

"Additional Interest" is defined in the Subordinated Note Indenture as (i) such additional amounts as may be required so that the net amounts received and retained by a holder of Junior Subordinated Notes (if the holder is a Trust) after paying taxes, duties, assessments or governmental charges of whatever nature (other than withholding taxes) imposed by the United States or any other taxing authority will not be less than the amounts the holder would have received had no such taxes, duties, assessments, or other governmental charges been imposed; and (ii) any interest due and not paid on an interest payment date, together with interest thereon from such interest payment date to the date of payment, compounded quarterly, on each interest payment date.

Certain Covenants

The Company covenants in the Subordinated Note Indenture, for the benefit of the holders of each series of Junior Subordinated Notes, that, (i) if at such time the Company shall have given notice of its election to extend an interest payment period for such series of Junior Subordinated Notes and such extension shall be continuing, (ii) if at such time the Company shall be in default with respect to its payment or other obligations under the Guarantee with respect to the Trust Securities, if any, related to such series of Junior Subordinated Notes, or (iii) if at such time an Event of Default thereunder with respect to such series of Junior Subordinated Notes shall have occurred and be continuing, (a) the Company shall not declare or pay any dividend or make any

distributions with respect to, or redeem, purchase, acquire or make a liquidation payment with respect to, any of its capital stock, and (b) the Company shall not make any payment of interest, principal or premium, if any, on or repay, repurchase or redeem any debt securities (including guarantees other than the Guarantees) issued by the Company which rank *pari passu* with or junior to the Junior Subordinated Notes. None of the foregoing, however, shall restrict (i) any of the actions described in the preceding sentence resulting from any reclassifications of the Company's capital stock or the exchange or conversion of one class or series of the Company's capital stock for another class or series of the Company's capital stock, or (ii) the purchase of fractional interests in shares of the Company's capital stock pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged.

The Subordinated Note Indenture further provides that, for so long as the Trust Securities of any Trust remain outstanding, the Company covenants (i) to directly or indirectly maintain 100% ownership of the Common Securities of such Trust; provided, however, that any permitted successor of the Company under the Subordinated Note Indenture may succeed to the Company's ownership of such Common Securities, and (ii) to use its reasonable efforts to cause such Trust (a) to remain a statutory business trust, except in connection with the distribution of Junior Subordinated Notes to the holders of Trust Securities in liquidation of such Trust, the redemption of all of the Trust Securities of such Trust, or certain mergers, consolidations or amalgamations, each as permitted by the related Trust Agreement, and (b) to otherwise continue to be classified as a grantor trust for United States federal income tax purposes.

Events of Default

The Subordinated Note Indenture provides that any one or more of the following described events with respect to the Junior Subordinated Notes of any series, which has occurred and is continuing, constitutes an "Event of Default" with respect to the Junior Subordinated Notes of such series:

(a) failure for 10 days to pay interest on the Junior Subordinated Notes of such series, including any Additional Interest (as defined in clause (ii) of the definition thereof in the Subordinated Note Indenture) in respect thereof, when due on an interest payment date other than at maturity or upon earlier redemption; provided, however, that a valid extension of the interest payment period by the Company shall not constitute a default in the payment of interest for this purpose; or

(b) failure for 10 days to pay Additional Interest (as defined in clause (i) of the definition thereof in the Subordinated Note Indenture); or

(c) failure to pay principal or premium, if any, or interest, including Additional Interest (as defined in clause (ii) of the definition thereof in the Subordinated Note Indenture), on the Junior Subordinated Notes of such series when due at maturity or upon earlier redemption; or

(d) failure for three Business Days to deposit any sinking fund payment when due by the terms of a Junior Subordinated Note of such series; or

(e) failure to observe or perform any other covenant or warranty of the Company in the Subordinated Note Indenture (other than a covenant or warranty which has expressly been included therein solely for the benefit of one or more series of Junior Subordinated Notes other than such series) for 90 days after written notice to the Company from the Subordinated Note Indenture Trustee or the holders of at least 25% in principal amount of the outstanding Junior Subordinated Notes of such series; or

(f) certain events of bankruptcy, insolvency or reorganization of the Company.

The holders of not less than a majority in aggregate outstanding principal amount of the Junior Subordinated Notes of any series have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Subordinated Note Indenture Trustee with respect to the Junior Subordinated Notes of such series. If a Subordinated Note Indenture Event of Default occurs and is continuing with respect to the Junior Subordinated Notes of any series, then the Subordinated Note Indenture Trustee or the holders of not less than 25% in aggregate outstanding principal amount of the Junior Subordinated Notes of such series may declare the principal amount thereof due and payable immediately by notice in writing to the Company (and to the

Subordinated Note Indenture Trustee if given by the holders), and upon any such declaration such principal amount shall become immediately due and payable. At any time after such a declaration of acceleration with respect to the Junior Subordinated Notes of any series had been made and before a judgment or decree for payment of the money due has been obtained as provided in Article Five of the Subordinated Note Indenture, the holders of not less than a majority in aggregate outstanding principal amount of the Junior Subordinated Notes of such series may rescind and annul such declaration and its consequences if the default has been cured or waived and the Company has paid or deposited with the Subordinated Note Indenture Trustee a sum sufficient to pay all matured installments of interest (including any Additional Interest) and principal due otherwise than by acceleration and all sums paid or advanced by the Subordinated Note Indenture Trustee, including reasonable compensation and expenses of the Subordinated Note Indenture Trustee.

A holder of Preferred Securities may institute a legal proceeding directly against the Company, without first instituting a legal proceeding against the Property Trustee or any other person or entity, for enforcement of payment to such holder of principal of or interest on the Junior Subordinated Notes of the related series having a principal amount equal to the aggregate stated liquidation amount of the Preferred Securities of such holder on or after the due dates specified in the Junior Subordinated Notes of such series.

The holders of not less than a majority in aggregate outstanding principal amount of the Junior Subordinated Notes of any series may, on behalf of the holders of all the Junior Subordinated Notes of such series, waive any past default with respect to such series, except (i) a default in the payment of principal or interest or (ii) a default in respect of a covenant or provision which under Article Nine of the Subordinated Note Indenture cannot be modified or amended thereunder without the consent of the holder of each outstanding Junior Subordinated Note of such series affected thereby.

Registration and Transfer

The Company shall not be required to (i) issue, register the transfer of or exchange Junior Subordinated Notes of any series during a period of 15 days immediately preceding the date notice is given identifying the Junior Subordinated Notes of such series called for redemption, or (ii) register the transfer of or exchange any Junior Subordinated Notes so selected for redemption, in whole or in part, except the unredeemed portion of any Junior Subordinated Note being redeemed in part.

Payment and Paying Agent

Unless otherwise indicated in an applicable Prospectus Supplement, payment of principal of any Junior Subordinated Notes will be made only against surrender to the Paying Agent of such Junior Subordinated Notes. Principal of and interest on Junior Subordinated Notes will be payable, subject to any applicable laws and regulations, at the office of such Paying Agent or Paying Agents as the Company may designate from time to time, except that, at the option of the Company, payment of any interest may be made by wire transfer or by check mailed to the address of the person entitled thereto as such address shall appear in the Security Register with respect to the Junior Subordinated Notes. Payment of interest on Junior Subordinated Notes on any interest payment date will be made to the person in whose name the Junior Subordinated Notes (or predecessor security) are registered at the close of business on the record date for such interest payment.

Unless otherwise indicated in an applicable Prospectus Supplement, the Subordinated Note Indenture Trustee will act as Paying Agent with respect to the Junior Subordinated Notes. The Company may at any time designate additional Paying Agents or rescind the designation of any Paying Agents or approve a change in the office through which any Paying Agent acts.

All moneys paid by the Company to a Paying Agent for the payment of the principal of or interest on the Junior Subordinated Notes of any series which remain unclaimed at the end of two years after such principal or interest shall have become due and payable will be repaid to the Company, and the holder of such Junior Subordinated Notes will thereafter look only to the Company for payment thereof.

Modification

The Subordinated Note Indenture contains provisions permitting the Company and the Subordinated Note Indenture Trustee, with the consent of the holders of not less than a majority in principal amount of the outstanding Junior Subordinated Notes of each series affected thereby, to modify the Subordinated Note Indenture or the rights of the holders of the Junior Subordinated Notes of such series; provided, that no such modification may, without the consent of the holder of each outstanding Junior Subordinated Note affected thereby, (i) change the stated maturity of the principal of, or any installment of principal of or interest on, any Junior Subordinated Note, or reduce the principal amount thereof or the rate of interest (including Additional Interest) thereon or any premium payable upon the redemption thereof, or change the method of calculating the rate of interest thereon, or impair the right to institute suit for the enforcement of any such payment on or after the stated maturity thereof (or, in the case of redemption, on or after the redemption date), or (ii) reduce the percentage of principal amount of the outstanding Junior Subordinated Notes of any series, the consent of whose holders is required for any such supplemental indenture, or the consent of whose holders is required for any waiver (of compliance with certain provisions of the Subordinated Note Indenture or certain defaults thereunder and their consequences) provided for in the Subordinated Note Indenture, or (iii) modify any of the provisions of the Subordinated Note Indenture relating to supplemental indentures, waiver of past defaults, or waiver of certain covenants, except to increase any such percentage or to provide that certain other provisions of the Subordinated Note Indenture cannot be modified or waived without the consent of the holder of each outstanding Junior Subordinated Note affected thereby, or (iv) modify the provisions of the Subordinated Note Indenture with respect to the subordination of the Junior Subordinated Notes in a manner adverse to such holder.

In addition, the Company and the Subordinated Note Indenture Trustee may execute, without the consent of any holders of Junior Subordinated Notes, any supplemental indenture for certain other usual purposes, including the creation of any new series of junior subordinated notes.

Consolidation, Merger and Sale

The Company shall not consolidate with or merge into any other corporation or convey, transfer or lease its properties and assets substantially as an entirety to any person, unless (1) such other corporation or person is a corporation organized and existing under the laws of the United States, any state thereof or the District of Columbia and such other corporation or person expressly assumes, by supplemental indenture executed and delivered to the Subordinated Note Indenture Trustee, the payment of the principal of (and premium, if any) and interest (including Additional Interest) on all the Junior Subordinated Notes and the performance of every covenant of the Subordinated Note Indenture on the part of the Company to be performed or observed; (2) immediately after giving effect to such transactions, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have happened and be continuing; and (3) the Company has delivered to the Subordinated Note Indenture Trustee an officers' certificate and an opinion of counsel, each stating that such transaction complies with the provisions of the Subordinated Note Indenture governing consolidation, merger, conveyance, transfer or lease and that all conditions precedent thereto have been complied with.

Information Concerning the Subordinated Note Indenture Trustee

The Subordinated Note Indenture Trustee, prior to an Event of Default with respect to Junior Subordinated Notes of any series, undertakes to perform, with respect to Junior Subordinated Notes of such series, only such duties as are specifically set forth in the Subordinated Note Indenture and, in case an Event of Default with respect to Junior Subordinated Notes of any series has occurred and is continuing, shall exercise, with respect to Junior Subordinated Notes of such series, the same degree of care as a prudent individual would exercise in the conduct of his or her own affairs. Subject to such provision, the Subordinated Note Indenture Trustee is under no obligation to exercise any of the powers vested in it by the Subordinated Note Indenture at the request of any holder of Junior Subordinated Notes of any series, unless offered reasonable indemnity by such holder against the costs, expenses and liabilities which might be incurred thereby. The Subordinated Note Indenture Trustee is not required to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties if the Subordinated Note Indenture Trustee reasonably believes that repayment or adequate indemnity is not reasonably assured to it.

The Chase Manhattan Bank, the Subordinated Note Indenture Trustee, also serves as Senior Note Indenture Trustee, as Property Trustee and as Guarantee Trustee. The Company and certain of its affiliates maintain deposit accounts and banking relationships with The Chase Manhattan Bank. The Chase Manhattan Bank also serves as trustee under other indentures pursuant to which securities of the Company and affiliates of the Company are outstanding.

Governing Law

The Subordinated Note Indenture and Junior Subordinated Notes will be governed by, and construed in accordance with, the internal laws of the State of New York.

Miscellaneous

The Company will have the right at all times to assign any of its rights or obligations under the Subordinated Note Indenture to a direct or indirect wholly-owned subsidiary of the Company; provided, that, in the event of any such assignment, the Company will remain primarily liable for all such obligations. Subject to the foregoing, the Subordinated Note Indenture will be binding upon and inure to the benefit of the parties thereto and their respective successors and assigns.

DESCRIPTION OF THE PREFERRED SECURITIES

Each Trust may issue only one series of Preferred Securities having terms described in the Prospectus Supplement relating thereto. The Trust Agreement of each Trust will authorize the Administrative Trustees, on behalf of the Trust, to issue the Preferred Securities of such Trust. The Preferred Securities of each Trust will have such terms, including distributions, redemption, voting, liquidation rights and such other preferred, deferral or other special rights or such restrictions as shall be set forth in the Trust Agreement of such Trust. Reference is made to the Prospectus Supplement relating to the Preferred Securities of a Trust for specific terms, including (i) the distinctive designation of such Preferred Securities; (ii) the number of Preferred Securities issued by such Trust; (iii) the annual distribution rate (or method of determining such rate) for Preferred Securities of such Trust and the date or dates on which such distributions shall be payable; (iv) whether distributions on such Preferred Securities shall be cumulative and, in the case of Preferred Securities having cumulative distribution rights, the date or dates, or method of determining the date or dates, from which distributions on such Preferred Securities shall be cumulative; (v) the amount or amounts that shall be paid out of the assets of such Trust to the holders of the Preferred Securities of such Trust upon voluntary or involuntary dissolution, winding-up or termination of such Trust; (vi) the obligation, if any, of such Trust to purchase or redeem such Preferred Securities and the price or prices at which, the period or periods within which, and the terms and conditions upon which such Preferred Securities shall be purchased or redeemed, in whole or in part, pursuant to such obligation; (vii) the voting rights, if any, of such Preferred Securities in addition to those required by law, including the number of votes per Preferred Security and any requirement for the approval by the holders of Preferred Securities as a condition to specified action or amendments to the Trust Agreement of such Trust; (viii) the rights, if any, to defer distributions on the Preferred Securities by extending the interest payment period on the related Junior Subordinated Notes; and (ix) any other relative rights, preferences, privileges, limitations or restrictions of such Preferred Securities not inconsistent with the Trust Agreement of such Trust or applicable law. All Preferred Securities offered hereby will be guaranteed by the Company to the extent set forth under "Description of the Guarantees." Any material United States federal income tax considerations applicable to an offering of Preferred Securities will be described in the Prospectus Supplement relating thereto.

DESCRIPTION OF THE GUARANTEES

Set forth below is a summary of information concerning the Guarantees that will be executed and delivered by the Company for the benefit of the holders of Preferred Securities of the respective Trusts from time to time. Each Guarantee will be qualified as an indenture under the 1939 Act. The Chase Manhattan Bank will act as indenture trustee under each Guarantee (the "Guarantee Trustee") for purposes of the 1939 Act. The terms of the respective Guarantees will be those set forth therein and those made part thereof by the 1939 Act. The following summary does not purport to be complete and is subject in all respects to the provisions of, and is qualified in its entirety by reference to, the Guarantees, the form of which is filed as an exhibit to the Registration Statement of which this Prospectus forms a part, and the 1939 Act. Each Guarantee will be held by the Guarantee Trustee for the benefit of holders of the Preferred Securities to which it relates.

General

Pursuant to each Guarantee, the Company will irrevocably and unconditionally agree, to the extent set forth therein, to pay in full, to the holders of the related Preferred Securities, the Guarantee Payments (as defined herein), to the extent not paid by, or on behalf of, the related Trust, regardless of any defense, right of set-off or counterclaim that the Company may have or assert against any person. The following payments or distributions with respect to the Preferred Securities of any Trust to the extent not paid or made by, or on behalf of, such Trust will be subject to the Guarantee related thereto (without duplication): (i) any accrued and unpaid distributions required to be paid on the Preferred Securities of such Trust but if and only if and to the extent that such Trust has funds legally and immediately available therefor, (ii) the redemption price, including all accrued and unpaid distributions to the date of redemption (the "Redemption Price"), with respect to any Preferred Securities called for redemption by such Trust, but if and only to the extent such Trust has funds legally and immediately available therefor, and (iii) upon a dissolution, winding-up or termination of such Trust (other than in connection with the distribution of Junior Subordinated Notes to the holders of Trust Securities of such Trust or the redemption of all of the Preferred Securities of such Trust), the lesser of (a) the aggregate of the liquidation amount and all accrued and unpaid distributions on the Preferred Securities of such Trust to the date of payment, to the extent such Trust has funds legally and immediately available therefor, and (b) the amount of assets of such Trust remaining available for distribution to holders of Preferred Securities of such Trust in liquidation of such Trust (the "Guarantee Payments"). The Company's obligation to make a Guarantee Payment may be satisfied by direct payment of the required amounts by the Company to the holders of the related Preferred Securities or by causing the related Trust to pay such amounts to such holders.

Each Guarantee will be a guarantee of the Guarantee Payments with respect to the related Preferred Securities from the time of issuance of such Preferred Securities, but will not apply to the payment of distributions and other payments on such Preferred Securities when the related Trust does not have sufficient funds legally and immediately available to make such distributions or other payments. **If the Company does not make interest payments on the Junior Subordinated Notes held by the Property Trustee under any Trust, such Trust will not make distributions on its Preferred Securities.**

Subordination

The Company's obligations under each Guarantee to make the Guarantee Payments will constitute an unsecured obligation of the Company and will rank (i) subordinate and junior in right of payment to all other liabilities of the Company, including the Junior Subordinated Notes, except those obligations or liabilities made *pari passu* or subordinate by their terms, (ii) *pari passu* with the most senior preferred or preference stock now or hereafter issued by the Company and with any guarantee now or hereafter entered into by the Company in respect of any preferred or preference securities of any affiliate of the Company, and (iii) senior to all common stock of the Company. The terms of the Preferred Securities will provide that each holder of Preferred Securities by acceptance thereof agrees to the subordination provisions and other terms of the Guarantee related thereto. The Company has outstanding preferred stock that ranks *pari passu* to the Guarantees and common stock that ranks junior to the Guarantees.

Each Guarantee will constitute a guarantee of payment and not of collection (that is, the guaranteed party may institute a legal proceeding directly against the guarantor to enforce its rights under the guarantee without first instituting a legal proceeding against any other person or entity).

Amendments and Assignment

Except with respect to any changes that do not materially and adversely affect the rights of holders of the related Preferred Securities (in which case no consent will be required), each Guarantee may be amended only with the prior approval of the holders of not less than 66⅔% in liquidation amount of such outstanding Preferred Securities. The manner of obtaining any such approval of holders of the Preferred Securities will be as set forth in an accompanying Prospectus Supplement. All guarantees and agreements contained in each Guarantee shall bind the successors, assigns, receivers, trustees and representatives of the Company and shall inure to the benefit of the holders of the related Preferred Securities then outstanding.

Termination

Each Guarantee will terminate and be of no further force and effect as to the related Preferred Securities upon full payment of the Redemption Price of all such Preferred Securities, upon distribution of Junior Subordinated Notes to the holders of such Preferred Securities, or upon full payment of the amounts payable upon liquidation of the related Trust. Each Guarantee will continue to be effective or will be reinstated, as the case may be, if at any time any holder of the related Preferred Securities must restore payment of any sums paid with respect to such Preferred Securities or under such Guarantee.

Events of Default

An event of default under each Guarantee will occur upon the failure by the Company to perform any of its payment obligations thereunder. The holders of a majority in liquidation amount of the Preferred Securities to which any Guarantee relates have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Guarantee Trustee in respect of such Guarantee or to direct the exercise of any trust or power conferred upon the Guarantee Trustee under such Guarantee. Any holder of the related Preferred Securities may institute a legal proceeding directly against the Company to enforce its rights under such Guarantee without first instituting a legal proceeding against the Guarantee Trustee or any other person or entity. The holders of a majority in liquidation amount of Preferred Securities of any series may, by vote, on behalf of the holders of all the Preferred Securities of such series, waive any past event of default and its consequences.

Information Concerning the Guarantee Trustee

The Guarantee Trustee, prior to the occurrence of any event of default with respect to any Guarantee and after the curing or waiving of all events of default with respect to such Guarantee, undertakes to perform only such duties as are specifically set forth in such Guarantee and, in case an event of default has occurred, shall exercise the same degree of care as a prudent individual would exercise in the conduct of his or her own affairs. Subject to such provisions, the Guarantee Trustee is under no obligation to exercise any of the powers vested in it by any Guarantee at the request of any holder of the related Preferred Securities, unless offered reasonable indemnity against the costs, expenses and liabilities which might be incurred thereby.

The Chase Manhattan Bank, the Guarantee Trustee, also serves as Property Trustee, as Senior Note Indenture Trustee and as Subordinated Note Indenture Trustee. The Company and certain of its affiliates maintain deposit accounts and banking relationships with The Chase Manhattan Bank. The Chase Manhattan Bank serves as trustee under other indentures pursuant to which securities of the Company and affiliates of the Company are outstanding.

Governing Law

Each Guarantee will be governed by, and construed in accordance with, the internal laws of the State of New York.

The Agreements as to Expenses and Liabilities

Pursuant to an Agreement as to Expenses and Liabilities to be entered into by the Company under each Trust Agreement, the Company will irrevocably and unconditionally guarantee to each person or entity to whom each Trust becomes indebted or liable the full payment of any indebtedness, expenses or liabilities of such Trust, other than obligations of such Trust to pay to the holders of the related Preferred Securities or other similar interests in such Trust the amounts due such holders pursuant to the terms of such Preferred Securities or such other similar interests, as the case may be.

RELATIONSHIP AMONG THE PREFERRED SECURITIES, THE JUNIOR SUBORDINATED NOTES AND THE GUARANTEES

As long as payments of interest and other payments are made when due on each series of Junior Subordinated Notes issued to a Trust, such payments will be sufficient to cover distributions and payments due on the related Trust Securities of such Trust primarily because (i) the aggregate principal amount of each series of Junior Subordinated Notes will be equal to the sum of the aggregate stated liquidation amount of the related Trust Securities; (ii) the interest rate and interest and other payment dates on each series of Junior Subordinated Notes will match the distribution rate and distribution and other payment dates for the related Preferred Securities; (iii) the Company shall pay for all costs and expenses of each Trust pursuant to the Agreements as to Expenses and Liabilities; and (iv) each Trust Agreement provides that the Securities Trustees thereunder shall not cause or permit the Trust to, among other things, engage in any activity that is not consistent with the purposes of the Trust.

Payments of distributions (to the extent funds therefor are legally and immediately available) and other payments due on the Preferred Securities (to the extent funds therefor are legally and immediately available) will be guaranteed by the Company as and to the extent set forth under "Description of the Guarantees." If the Company does not make interest payments on any series of Junior Subordinated Notes, it is not expected that the related Trust will have sufficient funds to pay distributions on its Preferred Securities. Each Guarantee is a guarantee from the time of its issuance, but does not apply to any payment of distributions unless and until the related Trust has sufficient funds legally and immediately available for the payment of such distributions.

If the Company fails to make interest or other payments on any series of Junior Subordinated Notes when due (taking into account any extension period as described in the applicable Prospectus Supplement), the Trust Agreement provides a mechanism whereby the holders of the related Preferred Securities may appoint a substitute Property Trustee. Such holders may also direct the Property Trustee to enforce its rights under the Junior Subordinated Notes of such series, including proceeding directly against the Company to enforce such Junior Subordinated Notes. If the Property Trustee fails to enforce its rights under any series of Junior Subordinated Notes, to the fullest extent permitted by applicable law, any holder of related Preferred Securities may institute a legal proceeding directly against the Company to enforce the Property Trustee's rights under such series of Junior Subordinated Notes without first instituting any legal proceeding against the Property Trustee or any other person or entity. Notwithstanding the foregoing, a holder of Preferred Securities may institute a legal proceeding directly against the Company, without first instituting a legal proceeding against the Property Trustee or any other person or entity, for enforcement of payment to such holder of principal of or interest on Junior Subordinated Notes of the related series having a principal amount equal to the aggregate stated liquidation amount of the Preferred Securities of such holder on or after the due dates specified in the Junior Subordinated Notes of such series.

If the Company fails to make payments under any Guarantee, such Guarantee provides a mechanism whereby the holders of the Preferred Securities to which such Guarantee relates may direct the Guarantee Trustee to enforce its rights thereunder. In addition, any holder of Preferred Securities may institute a legal proceeding directly against the Company to enforce the Guarantee Trustee's rights under the related Guarantee without first instituting a legal proceeding against the Guarantee Trustee or any other person or entity.

Each Guarantee, the Subordinated Note Indenture, the Junior Subordinated Notes of the related series, the related Trust Agreement and the related Agreement as to Expenses and Liabilities, as described above, constitute a full and unconditional guarantee by the Company of the payments due on the related series of Preferred Securities.

Upon any voluntary or involuntary dissolution, winding-up or termination of any Trust, unless Junior Subordinated Notes of the related series are distributed in connection therewith, the holders of Preferred Securities of such Trust will be entitled to receive, out of assets legally available for distribution to holders, a liquidation distribution in cash as described in the applicable Prospectus Supplement. Upon any voluntary or involuntary liquidation or bankruptcy of the Company, the Property Trustee, as holder of the related series of Junior Subordinated Notes, would be a subordinated creditor of the Company, subordinated in right of payment to all Senior Indebtedness, but entitled to receive payment in full of principal and interest, before any stockholders of the Company receive payments or distributions. Because the Company is guarantor under each Guarantee and has agreed to pay for all costs, expenses and liabilities of each Trust (other than the Trust's obligations to holders of the Preferred Securities) pursuant to the related Agreement as to Expenses and Liabilities, the positions of a holder of Preferred Securities and a holder of Junior Subordinated Notes of the related series relative to other creditors and to stockholders of the Company in the event of liquidation or bankruptcy of the Company would be substantially the same.

A default or event of default under any Senior Indebtedness would not constitute a default or Event of Default under the Subordinated Note Indenture. However, in the event of payment defaults under, or acceleration of, Senior Indebtedness, the subordination provisions of the Junior Subordinated Notes provide that no payments may be made in respect of the Junior Subordinated Notes until such Senior Indebtedness has been paid in full or any payment default thereunder has been cured or waived. Failure to make required payments on the Junior Subordinated Notes of any series would constitute an Event of Default under the Subordinated Note Indenture with respect to the Junior Subordinated Notes of such series except that failure to make interest payments on the Junior Subordinated Notes of such series will not be an Event of Default during an extension period as described in the applicable Prospectus Supplement.

PLAN OF DISTRIBUTION

The Company may sell the Senior Notes and the Junior Subordinated Notes and the Trusts may sell the Preferred Securities in one or more of the following ways from time to time: (i) to underwriters for resale to the public or to institutional investors; (ii) directly to institutional investors; or (iii) through agents to the public or to institutional investors. The Prospectus Supplement with respect to each series of Senior Notes, Junior Subordinated Notes or Preferred Securities will set forth the terms of the offering of such Senior Notes, Junior Subordinated Notes or Preferred Securities, including the name or names of any underwriters or agents, the purchase price of such Senior Notes, Junior Subordinated Notes or Preferred Securities and the proceeds to the Company or the applicable Trust from such sale, any underwriting discounts or agency fees and other items constituting underwriters' or agents' compensation, any initial public offering price, any discounts or concessions allowed or reallowed or paid to dealers and any securities exchange on which such Senior Notes, Junior Subordinated Notes or Preferred Securities may be listed.

If underwriters participate in the sale, such Senior Notes, Junior Subordinated Notes or Preferred Securities will be acquired by the underwriters for their own account and may be resold from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale.

Unless otherwise set forth in the Prospectus Supplement, the obligations of the underwriters to purchase any series of Senior Notes, Junior Subordinated Notes or Preferred Securities will be subject to certain conditions precedent and the underwriters will be obligated to purchase all of such series of Senior Notes, Junior Subordinated Notes or Preferred Securities, if any are purchased.

Underwriters and agents may be entitled under agreements entered into with the Company and/or the applicable Trust to indemnification against certain civil liabilities, including liabilities under the 1933 Act. Underwriters and agents may engage in transactions with, or perform services for, the Company in the ordinary course of business.

Each series of Senior Notes, Junior Subordinated Notes or Preferred Securities will be a new issue of securities and will have no established trading market. Any underwriters to whom Senior Notes, Junior Subordinated Notes or Preferred Securities are sold for public offering and sale may make a market in such Senior Notes, Junior Subordinated Notes or Preferred Securities, but such underwriters will not be obligated to do so and may discontinue any market making at any time without notice. The Senior Notes, Junior Subordinated Notes or Preferred Securities may or may not be listed on a national securities exchange.

LEGAL MATTERS

Certain matters of Delaware law relating to the validity of the Preferred Securities will be passed upon on behalf of the Company and the Trusts by Richards, Layton & Finger, Wilmington, Delaware, special Delaware counsel to the Company and the Trusts. The validity of the Senior Notes, the Junior Subordinated Notes, the Guarantees and certain matters relating thereto will be passed upon on behalf of the Company by Beggs & Lane, Pensacola, Florida, and by Troutman Sanders LLP, Atlanta, Georgia. Certain legal matters will be passed upon for the Underwriters by Dewey Ballantine LLP, New York, New York.

EXPERTS

The financial statements and schedules of the Company included in the Company's Annual Report on Form 10-K for the year ended December 31, 2000, incorporated by reference in this Prospectus, have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their reports with respect thereto, and are incorporated herein in reliance upon the authority of said firm as experts in accounting and auditing in giving said reports.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 14. ***Other Expenses of Issuance and Distribution.***

The estimated expenses of issuance and distribution, other than underwriting discounts and commissions, to be borne by the Company are as follows:

Florida Documentary Stamp Tax	$1,225,000
Florida intangible personal property tax	26,000
Filing Fees—Securities and Exchange Commission—registration statement	87,500
Charges of trustees (including counsel)	100,000
Listing fees of New York Stock Exchange	88,500
Printing and preparation of registration statement, prospectus, etc.	125,000
Rating Agency fees	280,000
Services of Southern Company Services, Inc.	140,000
Fees and expenses of counsel	175,000
Blue sky fees and expenses	14,000
Fees of accountants, Arthur Andersen LLP	175,000
Miscellaneous, including telephone charges and traveling expenses	14,000
Total	$2,450,000*

* Each Prospectus Supplement will reflect estimated expenses of the Company based upon the amount of the related offering.

Item 15. ***Indemnification of Directors and Officers.***

Section 719 of Title 13-A of the Maine Revised Statutes, as amended in 1987, provides that a corporation shall have the power to indemnify, or if so provided in the bylaws shall in all cases indemnify, any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that that person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, trustee, partner, fiduciary, employee or agent of another corporation, partnership, joint venture, trust, pension or other employee benefit plan or other enterprise, against expenses, including attorneys' fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by that person in connection with such action, suit or proceeding; provided that no indemnification shall be provided for any person with respect to any matter as to which that person shall have been finally adjudicated not to have acted honestly or in the reasonable belief that that person's action was in or not opposed to the best interests of the corporation or its shareholders or, in the case of a person serving as a fiduciary of an employee benefit plan or trust, in or not opposed to the best interests of that plan or trust, or its participants or beneficiaries; or, with respect to any criminal action or proceeding, had reasonable cause to believe that that person's conduct was unlawful. The termination of any action, suit or proceeding by judgment, order or conviction adverse to that person, or by settlement or plea of nolo contendere or its equivalent, shall not of itself create a presumption that that person did not act honestly or in the reasonable belief that that person's action was in or not opposed to the best interests of the corporation or its shareholders or, in the case of a person serving as a fiduciary of an employee benefit plan or trust, in or not opposed to the best interests of that plan or trust or its participants or beneficiaries and, with respect to any criminal action or proceeding, had reasonable cause to believe that that person's conduct was unlawful.

Section 21 of the By-laws of the Company provides in pertinent part as follows:

To the fullest extent permitted by law, the Company shall indemnify each person made, or threatened to be made, a party to any threatened, pending, or completed claim, action, suit or proceeding, whether civil or criminal, administrative or investigative, and whether by or in the right of the Company or otherwise, by reason of the fact that such person, or such person's testator or intestate, is or was a director, officer or was an employee of the Company holding one or more management positions through and inclusive of managers (but not positions below the level of managers) (such positions being hereinafter referred to as "Management Positions") or is or was serving at the request of the Company as a director, officer, employee, agent or trustee of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, in any capacity at the request of the Company, against all loss and expense actually or reasonably incurred by him including, without limiting the generality of the foregoing, judgments, fines, penalties, liabilities, sanctions and amounts paid in settlement and attorneys fees and disbursements actually and necessarily incurred by him in defense of such action or proceeding, or any appeal therefrom. The indemnification provided by this Section shall inure to the benefit of the heirs, executors and administrators of such person.

In any case in which a director, officer of the Company or employee of the Company holding one or more Management Positions requests indemnification with respect to the defense of any such claim, action, suit or proceedings, the Company may advance expenses (including attorney's fees) incurred by such person prior to the final disposition of such claim, action, suit or proceeding, as authorized by the Board of Directors in the specific case, upon receipt of a written undertaking by or on behalf of such person to repay amounts advanced if it shall ultimately be determined that such person was not entitled to be indemnified by the Company under this Section or otherwise; provided, however, that the advancement of such expenses shall not be deemed to be indemnification unless and until it shall ultimately be determined that such person is entitled to be indemnified by the Company. Such a person claiming indemnification shall be entitled to indemnification upon a determination that no judgment or other final adjudication adverse to such person has established that such person's acts were committed in bad faith or were the result of active and deliberate dishonesty and were material to the cause of action so adjudicated, or such person personally obtained an economic benefit including a financial profit or other advantage to which such person was not legally entitled. Without limiting the generality of the foregoing provision, no former, present or future director or officer of the Company or employee of the Company holding one or more management positions, or his heirs, executors or administrators, shall be liable for any undertaking entered into by the Company or its subsidiaries or affiliates as required by the Securities and Exchange Commission pursuant to any rule or regulation of the Securities and Exchange Commission now or hereafter in effect or orders issued pursuant to the Public Utility Holding Company Act of 1935, the Federal Power Act, or any undertaking entered into by the Company due to environmental requirements including all legally enforceable environmental compliance obligations imposed by federal, state or local statute, regulation, permit, judicial or administrative decree, order and judgment or other similar means, or any undertaking entered into by the Company pursuant to any approved Company compliance plan or any federal or state or municipal ordinance which directly or indirectly regulates the Company, or its parent by reason of their being holding or investment companies, public utility companies, public utility holding companies or subsidiaries of public utility holding companies.

The foregoing rights shall not be exclusive of any other rights to which any such director, officer or employee may otherwise be entitled and shall be available whether or not the director, officer or employee continues to be a director, officer or employee at the time of incurring any such expenses and liabilities.

The Company has an insurance policy covering its liabilities and expenses which might arise in connection with its lawful indemnification of its directors and officers for certain of their liabilities and expenses and also covering its officers and directors against certain other liabilities and expenses.

Item 16. *Exhibits.*

Exhibit Number	
1.1	—Form of Underwriting Agreement relating to Senior Notes.*
1.2	—Form of Underwriting Agreement relating to Junior Subordinated Notes.*
1.3	—Form of Underwriting Agreement relating to Preferred Securities.*
4.1	—Senior Note Indenture between Gulf Power Company and The Chase Manhattan Bank, as Trustee (Designated in the Company's Current Report on Form 8-K dated June 18, 1998, File No. 0-2429, as Exhibits 4.1 and 4.2 and in Form 8-K dated August 17, 1999, File No. 0-2429, as Exhibit 4.2).
4.2	—Form of Supplemental Indenture to Senior Note Indenture to be used in connection with the issuance of Senior Notes.*
4.3	—Subordinated Note Indenture between Gulf Power Company and The Chase Manhattan Bank, as Trustee (Designated in the Company's Current Report on Form 8-K dated January 27, 1997, File No. 0-2429, as Exhibits 4.1 and 4.2, in Form 8-K dated July 28, 1997, File No. 0-2429, as Exhibit 4.2 and in Form 8-K dated January 13, 1998, File No. 0-2429, as Exhibit 4.2).
4.4	—Form of Supplemental Indenture to Subordinated Note Indenture to be used in connection with the issuance of Junior Subordinated Notes.*
4.5-A	—Certificate of Trust of Gulf Power Capital Trust III (Designated in Registration No. 333-42033 as Exhibit 4.5-B).
4.5-B	—Certificate of Trust of Gulf Power Capital Trust IV.
4.6-A	—Trust Agreement of Gulf Power Capital Trust III (Designated in Registration No. 333-42033 as Exhibit 4.6-B).
4.6-B	—Trust Agreement of Gulf Power Capital Trust IV.
4.7-A	—Form of Amended and Restated Trust Agreement of Gulf Power Capital Trust III (Designated in Registration No. 333-42033 as Exhibit 4.7-B).
4.7-B	—Form of Amended and Restated Trust Agreement of Gulf Power Capital Trust IV.
4.8-A	—Form of Preferred Security of Gulf Power Capital Trust III (included in Exhibit 4.7-A above).
4.8-B	—Form of Preferred Security of Gulf Power Capital Trust IV (included in Exhibit 4.7-B above).
4.9	—Form of Senior Note (included in Exhibit 4.2 above).
4.10	—Form of Junior Subordinated Note (included in Exhibit 4.4 above).
4.11-A	—Form of Guarantee relating to Gulf Power Capital Trust III (Designated in Registration No. 333-42033 as Exhibit 4.11-B).
4.11-B	—Form of Guarantee relating to Gulf Power Capital Trust IV.
4.12-A	—Form of Agreement as to Expenses and Liabilities relating to Gulf Power Capital Trust III (included in Exhibit 4.7-A above).
4.12-B	—Form of Agreement as to Expenses and Liabilities relating to Gulf Power Capital Trust IV (included in Exhibit 4.7-B above).
5.1	—Opinion of Beggs & Lane.
5.2-A	—Opinion of Richards, Layton & Finger, P.A. relating to Gulf Power Capital Trust III.
5.2-B	—Opinion of Richards, Layton & Finger, P.A. relating to Gulf Power Capital Trust IV.
12.1	—Computation of ratio of earnings to fixed charges.
12.2	—Computation of ratio of earnings to fixed charges plus preferred dividend requirements (pre-income tax basis).
23.1	—Consent of Arthur Andersen LLP.
23.2	—Consent of Beggs & Lane (included in Exhibit 5.1 above).
23.3	—Consent of Richards, Layton & Finger, P.A. (included in Exhibits 5.2-A and 5.2-B above).
24.1	—Powers of Attorney and Resolution.
25.1	—Statement of Eligibility under Trust Indenture Act of 1939, as amended, of The Chase Manhattan Bank, as Senior Note Indenture Trustee.

Exhibit Number

25.2 —Statement of Eligibility under Trust Indenture Act of 1939, as amended, of The Chase Manhattan Bank, as Subordinated Note Indenture Trustee.

25.3 —Statement of Eligibility under Trust Indenture Act of 1939, as amended, of The Chase Manhattan Bank, as Property Trustee, relating to Gulf Power Capital Trust III.

25.4 —Statement of Eligibility under Trust Indenture Act of 1939, as amended, of The Chase Manhattan Bank, as Guarantee Trustee, relating to Gulf Power Capital Trust III.

25.5 —Statement of Eligibility under Trust Indenture Act of 1939, as amended, of The Chase Manhattan Bank, as Property Trustee, relating to Gulf Power Capital Trust IV.

25.6 —Statement of Eligibility under Trust Indenture Act of 1939, as amended, of The Chase Manhattan Bank, as Guarantee Trustee, relating to Gulf Power Capital Trust IV.

Exhibits listed above which have heretofore been filed with the Commission and which were designated as noted above are hereby incorporated herein by reference and made a part hereof with the same effect as if filed herewith.

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* To be subsequently filed or incorporated by reference.

Item 17. ***Undertakings.***

(a) Undertaking related to Rule 415 offering:

The undersigned registrants hereby undertake:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement; Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement.

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

Provided, however, that paragraphs (a)(1)(i) and (a)(1)(ii) do not apply if the registration statement is on Form S-3, S-8 or F-3 and the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed by the registrants pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) Undertaking related to filings incorporating subsequent Securities Exchange Act of 1934 documents by reference:

The undersigned registrants hereby undertake that, for purposes of determining any liability under the Securities Act of 1933, each filing of the Company's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) Undertaking related to acceleration of effectiveness:

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrants pursuant to the foregoing provisions or otherwise, the registrants have been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrants of expenses incurred or paid by a director, officer or controlling person of the registrants in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrants will, unless in the opinion of their counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

(d) The undersigned registrants hereby undertake that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrants pursuant to Rule 424(b)(1) or (4) or 497(h) under the Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, Gulf Power Company certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Atlanta, State of Georgia, on the 1st day of May, 2001.

GULF POWER COMPANY

By: TRAVIS J. BOWDEN,
President and Chief Executive Officer

By: WAYNE BOSTON,
Attorney-in-fact

Pursuant to the requirements of the Securities Act of 1933, Gulf Power Capital Trust III certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Atlanta, State of Georgia, on the 1st day of May, 2001.

GULF POWER CAPITAL TRUST III

By: GULF POWER COMPANY
Depositor

By: WAYNE BOSTON,
Assistant Secretary

Pursuant to the requirements of the Securities Act of 1933, Gulf Power Capital Trust IV certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Atlanta, State of Georgia, on the 1st day of May, 2001.

GULF POWER CAPITAL TRUST IV

By: GULF POWER COMPANY
Depositor

By: WAYNE BOSTON,
Assistant Secretary

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following directors and officers of Gulf Power Company in the capacities and on the date indicated.

Signature	Title	Date
TRAVIS J. BOWDEN	President, Chief Executive Officer and Director (Principal Executive Officer)	
RONNIE R. LABRATO	Comptroller and Chief Financial Officer (Principal Financial and Accounting Officer)	
FRED C. DONOVAN W. DECK HULL, JR. BARBARA H. THAMES	Directors	
By WAYNE BOSTON **(Wayne Boston, Attorney-in-fact)**		May 1, 2001

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

EXHIBIT E. 2.

FORM 10-K

(X) ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year Ended December 31, 2000
OR
( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the Transition Period from to

Commission File Number	Registrant, State of Incorporation, Address and Telephone Number	I.R.S. Employer Identification No.
1-3526	**The Southern Company** (A Delaware Corporation) 270 Peachtree Street, N.W. Atlanta, Georgia 30303 (404) 506-5000	58-0690070
1-3164	**Alabama Power Company** (An Alabama Corporation) 600 North 18th Street Birmingham, Alabama 35291 (205) 257-1000	63-0004250
1-6468	**Georgia Power Company** (A Georgia Corporation) 241 Ralph McGill Boulevard, N.E. Atlanta, Georgia 30308 (404) 506-6526	58-0257110
0-2429	**Gulf Power Company** (A Maine Corporation) One Energy Place Pensacola, Florida 32520 (850) 444-6111	59-0276810
0-6849	**Mississippi Power Company** (A Mississippi Corporation) 2992 West Beach Gulfport, Mississippi 39501 (228) 864-1211	64-0205820
1-5072	**Savannah Electric and Power Company** (A Georgia Corporation) 600 East Bay Street Savannah, Georgia 31401 (912) 644-7171	58-0418070

Further Inquiries Contact:
Warren Tate-Secretary
Gulf Power Company
One Energy Place
Pensacola FL 32520-0100

Securities registered pursuant to Section 12(b) of the Act:[1]

Each of the following classes or series of securities registered pursuant to Section 12(b) of the Act is registered on the New York Stock Exchange.

Title of each class	Registrant
Common Stock, $5 par value	**The Southern Company**
Company obligated mandatorily redeemable preferred securities, $25 liquidation amount	
7.75% Cumulative Quarterly Income Preferred Securities[2]	
7 1/8% Trust Originated Preferred Securities[3]	
6.875% Cumulative Quarterly Income Preferred Securities[4]	
Class A preferred, cumulative, $25 stated capital	**Alabama Power Company**
5.20% Series	5.83% Series
Senior Notes	
7 1/8% Series A	7% Series C
7% Series B	6.75% Series J
Company obligated mandatorily redeemable preferred securities, $25 liquidation amount	
7.375% Trust Preferred Securities[5]	
7.60% Trust Originated Preferred Securities[6]	
Senior Notes	**Georgia Power Company**
6 7/8% Series A	6 5/8% Series D
6.60% Series B	
Company obligated mandatorily redeemable preferred securities, $25 liquidation amount	
7.75% Trust Preferred Securities[7]	7.60% Trust Preferred Securities[8]
7.75% Cumulative Quarterly Income Preferred Securities[9]	6.85% Trust Preferred Securities[10]

[1] As of December 31, 2000.
[2] Issued by Southern Company Capital Trust III and guaranteed by The Southern Company.
[3] Issued by Southern Company Capital Trust IV and guaranteed by The Southern Company.
[4] Issued by Southern Company Capital Trust V and guaranteed by The Southern Company.
[5] Issued by Alabama Power Capital Trust I and guaranteed by Alabama Power Company.
[6] Issued by Alabama Power Capital Trust II and guaranteed by Alabama Power Company.
[7] Issued by Georgia Power Capital Trust I and guaranteed by Georgia Power Company.
[8] Issued by Georgia Power Capital Trust II and guaranteed by Georgia Power Company.
[9] Issued by Georgia Power Capital Trust III and guaranteed by Georgia Power Company.
[10] Issued by Georgia Power Capital Trust IV and guaranteed by Georgia Power Company.

Company obligated mandatorily redeemable preferred securities, $25 liquidation amount — **Gulf Power Company**

7.625% Cumulative Quarterly Income Preferred Securities[11]
7.00% Cumulative Quarterly Income Preferred Securities[12]

Depositary preferred shares, each representing one-fourth of a share of preferred stock, cumulative, $100 par value — **Mississippi Power Company**

6.32% Series 6.65% Series

Company obligated mandatorily redeemable preferred securities, $25 liquidation amount

7.75% Trust Originated Preferred Securities[13]

Company obligated mandatorily redeemable preferred securities, $25 liquidation amount — **Savannah Electric and Power Company**

6.85% Trust Preferred Securities[14]

Securities registered pursuant to Section 12(g) of the Act:[15]

Title of each class	**Registrant**
Preferred stock, cumulative, $100 par value	**Alabama Power Company**
4.20% Series, 4.60% Series, 4.72% Series	
4.52% Series, 4.64% Series, 4.92% Series	
Class A preferred, cumulative, $100,000 stated capital	
Auction (1993 Series)	
Class A preferred, cumulative, $100 stated capital	
Auction (1988 Series)	
Preferred stock, cumulative, $100 stated value	**Georgia Power Company**
$4.60 Series (1954)	

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[11] Issued by Gulf Power Capital Trust I and guaranteed by Gulf Power Company.
[12] Issued by Gulf Power Capital Trust II and guaranteed by Gulf Power Company.
[13] Issued by Mississippi Power Capital Trust I and guaranteed by Mississippi Power Company.
[14] Issued by Savannah Electric Capital Trust I and guaranteed by Savannah Electric and Power Company.
[15] As of December 31, 2000.

Preferred stock, cumulative, $100 par value — **Gulf Power Company**

4.64% Series 5.44% Series
5.16% Series

Preferred stock, cumulative, $100 par value — **Mississippi Power Company**

4.40% Series 4.60% Series
4.72% Series 7.00% Series

Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days. Yes _X_ No___

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrants' knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ( )

Aggregate market value of voting stock held by non-affiliates of The Southern Company at February 28, 2001: $21.1 billion. Each of such other registrants is a wholly-owned subsidiary of The Southern Company. A description of registrants' common stock follows:

Registrant	Description of Common Stock	Shares Outstanding at February 28, 2001
The Southern Company	Par Value $5 Per Share	681,946,097
Alabama Power Company	Par Value $40 Per Share	5,608,955
Georgia Power Company	No Par Value	7,761,500
Gulf Power Company	No Par Value	992,717
Mississippi Power Company	Without Par Value	1,121,000
Savannah Electric and Power Company	Par Value $5 Per Share	10,844,635

Documents incorporated by reference: specified portions of The Southern Company's Proxy Statement relating to the 2001 Annual Meeting of Stockholders are incorporated by reference into PART III. In addition, specified portions of the Information Statements of Alabama Power Company, Georgia Power Company, Gulf Power Company and Mississippi Power Company relating to each of their respective 2001 Annual Meetings of Shareholders are incorporated by reference into PART III.

This combined Form 10-K is separately filed by The Southern Company, Alabama Power Company, Georgia Power Company, Gulf Power Company, Mississippi Power Company and Savannah Electric and Power Company. Information contained herein relating to any individual company is filed by such company on its own behalf. Each company makes no representation as to information relating to the other companies.

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DEFINITIONS

When used in Items 1 through 5 and Items 10 through 14, the following terms will have the meanings indicated.

Term	Meaning
AEC	Alabama Electric Cooperative, Inc.
AFUDC	Allowance for Funds Used During Construction
ALABAMA	Alabama Power Company
AMEA	Alabama Municipal Electric Authority
Clean Air Act	Clean Air Act Amendments of 1990
Dalton	City of Dalton, Georgia
DOE	United States Department of Energy
EMF	Electromagnetic field
Energy Act	Energy Policy Act of 1992
Energy Solutions	Southern Company Energy Solutions, Inc.
Entergy Gulf States	Entergy Gulf States Utilities Company
EPA	United States Environmental Protection Agency
FERC	Federal Energy Regulatory Commission
FPC	Florida Power Corporation
FP&L	Florida Power & Light Company
GEORGIA	Georgia Power Company
GULF	Gulf Power Company
Holding Company Act	Public Utility Holding Company Act of 1935, as amended
IBEW	International Brotherhood of Electrical Workers
integrated Southeast utilities	ALABAMA, GEORGIA, GULF, MISSISSIPPI and SAVANNAH
IPP	Independent power producer
IRS	Internal Revenue Service
JEA	Jacksonville Electric Authority
MEAG	Municipal Electric Authority of Georgia
MESH	Mobile Energy Services Holdings
Mirant	Mirant Corporation (formerly Southern Energy, Inc.)
MISSISSIPPI	Mississippi Power Company
NRC	Nuclear Regulatory Commission
OPC	Oglethorpe Power Corporation
PSC	Public Service Commission
RTO	Regional Transmission Organization
RUS	Rural Utility Service (formerly Rural Electrification Administration)

DEFINITIONS
(continued)

SAVANNAH	Savannah Electric and Power Company
SCS	Southern Company Services, Inc. (the system service company)
SEC	Securities and Exchange Commission
SEGCO	Southern Electric Generating Company
SEPA	Southeastern Power Administration
SERC	Southeastern Electric Reliability Council
SMEPA	South Mississippi Electric Power Association
SOUTHERN	The Southern Company
Southern LINC	Southern Communications Services, Inc.
Southern Nuclear	Southern Nuclear Operating Company, Inc.
SOUTHERN system	SOUTHERN, the integrated Southeast utilities, SEGCO, Southern Nuclear, SCS, Southern LINC, Energy Solutions and other subsidiaries
Southern Telecom	Southern Telecom, Inc.
SPC	Southern Power Company
TVA	Tennessee Valley Authority

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This Annual Report on Form 10-K contains forward-looking and historical information. Forward-looking information includes, among other things, statements concerning the strategic goals for SOUTHERN's new wholesale business and also SOUTHERN's earnings per share and earnings growth goals. In some cases, forward-looking statements can be identified by terminology such as "may," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of these terms or other comparable terminology. The registrants caution that there are various important factors that could cause actual results to differ materially from those indicated in the forward-looking statements; accordingly, there can be no assurance that such indicated results will be realized. These factors include the impact of recent and future federal and state regulatory change, including legislative and regulatory initiatives regarding deregulation and restructuring of the electric utility industry and also changes in environmental and other laws and regulations to which SOUTHERN and its subsidiaries are subject, as well as changes in application of existing laws and regulations; current and future litigation, including the pending EPA civil action against certain of the integrated Southeast utilities and the race discrimination litigation against certain of SOUTHERN's subsidiaries; the extent and timing of the entry of additional competition in the markets of SOUTHERN's subsidiaries; potential business strategies, including acquisitions or dispositions of assets or businesses, which cannot be assured to be completed or beneficial; internal restructuring or other restructuring options that may be pursued by SOUTHERN; state and federal rate regulation in the United States and in foreign countries in which SOUTHERN's subsidiaries operate; political, legal and economic conditions and developments in the United States and in foreign countries in which SOUTHERN's subsidiaries operate; financial market conditions and the results of financing efforts; the impact of fluctuations in commodity prices, interest rates and customer demand; weather and other natural phenomena; the performance of projects undertaken by the non-traditional business and the success of efforts to invest in and develop new opportunities; the timing and acceptance of SOUTHERN's new product and service offerings; the ability of SOUTHERN to obtain additional generating capacity at competitive prices; developments in the California power markets, including, but not limited to, governmental intervention, deterioration in the financial condition of counterparties, default on receivables due, adverse results in current or future litigation and adverse changes in the tariffs of the California Power Exchange Corporation or the California Independent System Operator Corporation; and other factors discussed elsewhere herein and in other reports filed from time to time with the SEC.

PART I

Item 1. BUSINESS

SOUTHERN was incorporated under the laws of Delaware on November 9, 1945. SOUTHERN is domesticated under the laws of Georgia and is qualified to do business as a foreign corporation under the laws of Alabama. SOUTHERN owns all the outstanding common stock of ALABAMA, GEORGIA, GULF, MISSISSIPPI and SAVANNAH, each of which is an operating public utility company. The integrated Southeast utilities supply electric service in the states of Alabama, Georgia, Florida, Mississippi and Georgia, respectively. More particular information relating to each of the integrated Southeast utilities is as follows:

ALABAMA is a corporation organized under the laws of the State of Alabama on November 10, 1927, by the consolidation of a predecessor Alabama Power Company, Gulf Electric Company and Houston Power Company. The predecessor Alabama Power Company had had a continuous existence since its incorporation in 1906.

GEORGIA was incorporated under the laws of the State of Georgia on June 26, 1930, and admitted to do business in Alabama on September 15, 1948.

GULF is a corporation which was organized under the laws of the State of Maine on November 2, 1925, and admitted to do business in Florida on January 15, 1926, in Mississippi on October 25, 1976, and in Georgia on November 20, 1984.

MISSISSIPPI was incorporated under the laws of the State of Mississippi on July 12, 1972, was admitted to do business in Alabama on November 28, 1972, and effective December 21, 1972, by the merger into it of the predecessor Mississippi Power Company, succeeded to the business and properties of the latter company. The predecessor Mississippi Power Company was incorporated under the laws of the State of Maine on November 24, 1924, and was admitted to do business in Mississippi on December 23, 1924, and in Alabama on December 7, 1962.

SAVANNAH is a corporation existing under the laws of the State of Georgia; its charter was granted by the Secretary of State on August 5, 1921.

SOUTHERN also owns all the outstanding common stock of Southern LINC, Southern Nuclear, SCS, Energy Solutions, Southern Telecom, SPC and other direct and indirect subsidiaries. Southern LINC provides digital wireless communications services to SOUTHERN's integrated Southeast utilities and also markets these services to the public within the Southeast. Southern Nuclear provides services to ALABAMA's and GEORGIA's nuclear plants. Energy Solutions develops new business opportunities related to energy products and services. Southern Telecom provides wholesale fiber optic solutions to telecommunication providers in the Southeastern United States. SPC, formed in January 2001, will be the primary growth engine for SOUTHERN's market-based energy business.

ALABAMA and GEORGIA each own 50% of the outstanding common stock of SEGCO. SEGCO owns electric generating units with an aggregate capacity of 1,019,680 kilowatts at Plant Gaston on the Coosa River near Wilsonville, Alabama, and ALABAMA and GEORGIA are each entitled to one-half of SEGCO's capacity and energy. ALABAMA acts as SEGCO's agent in the operation of SEGCO's units and furnishes coal to SEGCO as fuel for its units. SEGCO also owns three 230,000 volt transmission lines extending from Plant Gaston to the Georgia state line at which point connection is made with the GEORGIA transmission line system.

Reference is also made to Note 12 to the financial statements of SOUTHERN in Item 8 herein for additional information regarding SOUTHERN's segment and related information.

Mirant Corporation

Previously, SOUTHERN owned all the outstanding common stock of Mirant. In April 2000, SOUTHERN announced an initial public offering of up to 19.9 percent of Mirant and its intentions to spin off the remaining ownership of Mirant to SOUTHERN's common stockholders within 12 months of the initial stock offering. On October 2, 2000, Mirant completed an initial public offering of 66.7 million shares. On February 19, 2001, SOUTHERN's board of directors approved the spin off of the remaining ownership of 272 million Mirant shares to be completed in a tax free distribution on April 2, 2001. As a result of the spin off, SOUTHERN's financial statements and related

information in Item 8 herein reflect Mirant as discontinued operations.

The SOUTHERN System

Integrated Southeast Utilities

The transmission facilities of each of the integrated Southeast utilities are connected to the respective company's own generating plants and other sources of power and are interconnected with the transmission facilities of the other integrated Southeast utilities and SEGCO by means of heavy-duty high voltage lines. (In the case of GEORGIA's integrated transmission system, see Item 1 - BUSINESS - "Territory Served by the Integrated Southeast Utilities" herein.)

Operating contracts covering arrangements in effect with principal neighboring utility systems provide for capacity exchanges, capacity purchases and sales, transfers of economy energy and other similar transactions. Additionally, the integrated Southeast utilities have entered into voluntary reliability agreements with the subsidiaries of Entergy Corporation, Florida Electric Power Coordinating Group and TVA and with Carolina Power & Light Company, Duke Energy Corporation, South Carolina Electric & Gas Company and Virginia Electric and Power Company, each of which provides for the establishment and periodic review of principles and procedures for planning and operation of generation and transmission facilities, maintenance schedules, load retention programs, emergency operations, and other matters affecting the reliability of bulk power supply. The integrated Southeast utilities have joined with other utilities in the Southeast (including those referred to above) to form the SERC to augment further the reliability and adequacy of bulk power supply. Through the SERC, the integrated Southeast utilities are represented on the National Electric Reliability Council.

An intra-system interchange agreement provides for coordinating operations of the power producing facilities of the integrated Southeast utilities and the capacities available to such companies from non-affiliated sources and for the pooling of surplus energy available for interchange. Coordinated operation of the entire interconnected system is conducted through a central power supply coordination office maintained by SCS. The available sources of energy are allocated to the integrated Southeast utilities to provide the most economical sources of power consistent with good operation. The resulting benefits and savings are apportioned among the integrated Southeast utilities.

On December 20, 1999, the FERC issued its final rule on RTOs ("Order 2000"). The order encouraged utilities owning transmission systems to form RTOs on a voluntary basis. Utilities were required to make a filing with the FERC by October 16, 2000 explaining how they would respond to Order 2000 consistent with this requirement. On October 16, 2000, SOUTHERN filed its RTO proposal. The proposal is for the formation of a for-profit company that would have control of the bulk power transmission system of SOUTHERN and other participating utilities in the region. Participants would have the option to either maintain their ownership, divest, sell or lease their transmission assets to the proposed RTO. On March 14, 2001, the FERC rejected SOUTHERN's proposal on the grounds that the limitation of the scope of services to new wholesale transmission and the provision of incentives to passive owners were inconsistent with Order 2000. This order requires a status report from SOUTHERN by May 14, 2001, but does not establish a deadline for SOUTHERN to file a revised petition. Reference is made to each registrant's "Management's Discussion and Analysis – Future Earnings Potential" in Item 7 for additional information.

SCS has contracted with SOUTHERN, each integrated Southeast utility, Mirant, various of the other subsidiaries, Southern Nuclear and SEGCO to furnish, at cost and upon request, the following services: general executive and advisory services, power pool operations, general engineering, design engineering, purchasing, accounting, finance and treasury, taxes, insurance and pensions, corporate, rates, budgeting, public relations, employee relations, systems and procedures and other services with respect to business and operations. Energy Solutions and Southern LINC have also secured from the integrated Southeast utilities certain services which are furnished at cost.

Southern Nuclear has contracts with ALABAMA to operate the Farley Nuclear Plant, and with GEORGIA to operate Plants Hatch and Vogtle. See Item 1 - BUSINESS - "Regulation - Atomic Energy Act of 1954" herein.

Other Business

Energy Solutions focuses on new and existing programs to enhance customer satisfaction, efficiency and stockholder value. Examples are: Good Cents, an energy efficiency program for electric utility customers; Energy Services, an energy solutions consultant and contractor for industrial and large commercial customers; and Bill Payment Protection, an insurance product that protects a residential customer by paying the electric bill in the event the customer becomes involuntarily unemployed, disabled, or goes on unpaid leave.

In 1996, Southern LINC began serving SOUTHERN's integrated Southeast utilities and marketing its services to non-affiliates within the Southeast. Its system covers approximately 127,000 square miles and combines the functions of two-way radio dispatch, cellular phone, short text and numeric messaging and wireless data transfer.

These continuing efforts to invest in and develop new business opportunities offer the potential of earning returns which may exceed those of rate-regulated operations. However, these activities also involve a higher degree of risk. SOUTHERN expects to make substantial investments over the period 2001-2003 in these and other new businesses.

In 1999, MESH, a subsidiary of SOUTHERN, filed a petition for Chapter 11 bankruptcy relief in the U.S. Bankruptcy Court. On August 4, 2000, MESH filed a proposed plan of reorganization with the bankruptcy court that was amended on September 15, 2000. The proposed plan of reorganization was again amended on February 21, 2001. Reference is made to Note 3 to the financial statements of SOUTHERN in Item 8 herein for additional information relating to this matter.

Certain Factors Affecting the Industry

Various factors are currently affecting the electric utility industry in general, including increasing competition and the regulatory changes related thereto, costs required to comply with environmental regulations, and the potential for new business opportunities (with their associated risks) outside of traditional rate-regulated operations. The effects of these and other factors on the SOUTHERN system are described herein. Particular reference is made to Item 1 - BUSINESS - "Other Business", "Competition" and "Environmental Regulation." See also "Cautionary Statement Regarding Forward-Looking Information."

Construction Programs

The subsidiary companies of SOUTHERN are engaged in continuous construction programs to accommodate existing and estimated future loads on their respective systems. Construction additions or acquisitions of property during 2001 through 2003 by the integrated Southeast utilities, SEGCO, SCS, Southern LINC and other subsidiaries are estimated as follows: (in millions)

	2001	2002	2003
ALABAMA	$ 735	$ 891	$ 625
GEORGIA	1,613	1,349	785
GULF	279	96	76
MISSISSIPPI	62	60	69
SAVANNAH	33	31	32
SEGCO	16	17	16
SCS	29	21	21
Southern LINC	26	39	26
Other	111	60	1
SOUTHERN system	$2,904	$2,564	$1,651

Included in these estimated totals are expenditures for construction of wholesale generation assets that may be transferred to SPC. Assuming such transfers are made, SPC's projected construction program expenditures are approximately $1.2 billion in 2001, $725 million in 2002, and $452 million in 2003.

Estimated construction costs in 2001 are expected to be apportioned approximately as follows: (in millions)

	SOUTHERN system*	ALABAMA	GEORGIA	GULF	MISSISSIPPI	SAVANNAH
New generation	$ 940	$169	$ 596	$172	$ 3	$ -
Other generating facilities including associated plant substations	682	181	433	35	10	7
New business	368	129	188	22	19	10
Transmission	340	110	189	21	14	6
Joint line and substation	47	-	34	13	-	-
Distribution	184	68	85	12	11	8
Nuclear fuel	93	38	55	-	-	-
General plant	250	40	33	4	5	2
	$2,904	$735	$1,613	$279	$62	$33

*Southern LINC, SCS, and other businesses plan capital additions to general plant in 2001 of $26 million, $29 million, and $111 million, respectively, while SEGCO plans capital additions of $16 million to generating facilities. (See Item 1 - BUSINESS - "Other Business" herein.)

The construction programs are subject to periodic review and revision, and actual construction costs may vary from the above estimates because of numerous factors. These factors include: changes in business conditions; acquisitions of additional generating assets; revised load growth estimates; changes in environmental regulations; changes in existing nuclear plants to meet new regulatory requirements; increasing costs of labor, equipment and materials; and cost of capital. In addition, there can be no assurance that costs related to capital expenditures will be fully recovered.

SOUTHERN has approximately 6,600 megawatts of new generating capacity scheduled to be placed in service by 2003. Approximately 4,400 megawatts of additional new capacity will be dedicated to the wholesale market and owned by SPC.

In 1991, the Georgia legislature passed legislation which requires GEORGIA and SAVANNAH each to file an Integrated Resource Plan for approval by the Georgia PSC. Under the plan rules, the Georgia PSC must pre-certify the construction of new power plants and new purchase power contracts. (See Item 1 - BUSINESS - "Rate Matters - Integrated Resource Planning" herein.)

See Item 1 - BUSINESS - "Regulation - Environmental Regulation" herein for information with respect to certain existing and proposed environmental requirements and Item 2 - PROPERTIES - "Jointly-Owned Facilities" herein for additional information concerning ALABAMA's and GEORGIA's joint ownership of certain generating units and related facilities with certain non-affiliated utilities.

Financing Programs

The amount and timing of additional equity capital to be raised in 2001, as well as subsequent years, will be contingent on SOUTHERN's investment opportunities. Equity capital can be provided from any combination of public offerings, private placements, or SOUTHERN's stock plans.

The integrated Southeast utilities plan to obtain the funds required for construction and other purposes from sources similar to those used in the past, which were primarily from internal sources. However, the type and timing of any financings -- if needed -- will depend on market conditions and regulatory approval. Recently, the integrated Southeast utilities have relied on the issuance of unsecured debt and trust preferred securities, in addition to unsecured pollution control bonds issued for its benefit by public authorities to meet its long-term external financing requirements. In years past, the integrated Southeast utilities issued first mortgage bonds, mortgage backed pollution control bonds and preferred stock to fund its external requirements. The amount outstanding of the latter securities has been declining in recent years.

If the integrated Southeast utilities were to choose to issue new first mortgage bonds or preferred stock once again, they would be required to meet certain coverage requirements.

Short-term debt is often utilized as appropriate at SOUTHERN and the integrated Southeast utilities.

The maximum amounts of short-term and term-loan indebtedness authorized by the appropriate regulatory authorities are shown on the following table:

	Amount Authorized	Outstanding at December 31, 2000
	(in millions)	
ALABAMA	$ 750 (1)	$ 281
GEORGIA	1,700 (2)	704
GULF	300(1)	43
MISSISSIPPI	350(1)	56
SAVANNAH	160(2)	75
SOUTHERN	2,000(1)	550

Notes:

(1) ALABAMA's authority is based on authorization received from the Alabama PSC, which expires December 31, 2001. No SEC authorization is required for ALABAMA. GULF, MISSISSIPPI and SOUTHERN have received SEC authorization to issue from time to time short-term and/or term-loan notes to banks and commercial paper to dealers in the amounts shown through December 31, 2003, December 31, 2002 and March 31, 2008, respectively.

(2) GEORGIA and SAVANNAH have received SEC authorization to issue from time to time short-term and term-loan notes to banks and commercial paper to dealers in the amounts shown through December 31, 2002. Authorization for term-loan indebtedness is also required by the Georgia PSC. SAVANNAH received authority from the Georgia PSC for $70 million in term loans expiring January 31, 2002.

Reference is made to Note 8 to the financial statements for SOUTHERN, Note 4 to the financial statements for ALABAMA, GULF, MISSISSIPPI and SAVANNAH and Note 9 to the financial statements for GEORGIA in Item 8 herein for information regarding the registrants' credit arrangements.

Fuel Supply

The integrated Southeast utilities' and SEGCO's supply of electricity is derived predominantly from coal. The sources of generation for the years 1998 through 2000 and the estimates for 2001 are shown below:

	Coal	Nuclear	Hydro	Oil and Gas
ALABAMA				
1998	72	18	8	2
1999	72	20	5	3
2000	72	19	3	6
2001	70	16	5	9
GEORGIA				
1998	73	22	3	2
1999	75	22	1	2
2000	76	21	1	2
2001	75	21	3	1
GULF				
1998	98	**	**	2
1999	97	**	**	3
2000	98	**	**	2
2001	98	**	**	2
MISSISSIPPI				
1998	80	**	**	20
1999	81	**	**	19
2000	83	**	**	17
2001	78	**	**	22
SAVANNAH				
1998	76	**	**	24
1999	78	**	**	22
2000	88	**	**	12
2001	85	**	**	15
SEGCO				
1998	100	**	**	*
1999	100	**	**	*
2000	100	**	**	*
2001	100	**	**	*
SOUTHERN system* **				
1998	76	16	4	4
1999	78	17	2	3
2000	76	16	4	4
2001	76	15	3	6

*Less than 0.5%.

**Not applicable.

***Amounts shown for the SOUTHERN system are weighted averages of the integrated Southeast utilities and SEGCO.

The average costs of fuel in cents per net kilowatt-hour generated for 1998 through 2000 are shown below:

	1998	1999	2000
ALABAMA	1.54	1.44	1.54
GEORGIA	1.36	1.34	1.39
GULF	1.69	1.60	1.68
MISSISSIPPI	1.62	1.65	1.80
SAVANNAH	2.33	2.20	2.28
SEGCO	1.53	1.77	1.51
SOUTHERN System*	1.48	1.45	1.51

* Amounts shown for the SOUTHERN system are weighted averages of the integrated Southeast utilities and SEGCO.

See SELECTED FINANCIAL DATA in Item 6 herein for each registrant's source of energy supply.

As of February 9, 2001, the integrated Southeast utilities had stockpiles of coal on hand at their respective coal-fired plants which represented an estimated 23 days of recoverable supply for bituminous coal and 31 days for sub-bituminous coal. It is estimated that approximately 68 million tons of coal will be consumed in 2001 by the integrated Southeast utilities (including those units GEORGIA owns jointly with OPC, MEAG and Dalton and operates for FP&L and JEA and the units ALABAMA owns jointly with AEC). The integrated Southeast utilities currently have 60 coal contracts. These contracts cover remaining terms of up to 12 years. Approximately 15% of 2001 estimated coal requirements will be purchased in the spot market. Additionally, it has been determined that approximately 34 normal full load days of recoverable supply is desirable at the beginning of the heavy burn season between June 1 and September 30 with 31 normal full load days being the average annual target.

In 2000, the weighted average sulfur content of all coal purchased by the integrated Southeast utilities for use in the coal-fired facilities was 0.77% sulfur. This sulfur level, along with banked sulfur dioxide allowances, allowed the integrated Southeast utilities and SEGCO to remain within limits as set forth by Phase II of the Clean Air Act. As more and more strict environmental regulations are proposed that impact the utilization of coal, the fuel mix will be monitored to insure that sufficient quantities of the proper type of coal or natural gas are in place to remain in compliance with applicable laws and regulations. See Item 1 - BUSINESS - "Regulation - Environmental Regulation" herein.

Changes in fuel prices are generally reflected in fuel adjustment clauses contained in rate schedules. See Item 1 - BUSINESS - "Rate Matters - Rate Structure" herein.

ALABAMA and GEORGIA have numerous contracts covering a portion of their nuclear fuel needs for uranium, conversion services, enrichment services and fuel fabrication. These contracts have varying expiration dates and most are short to medium term (less than 10 years). Management believes that sufficient capacity for nuclear fuel supplies and processing exists to preclude the impairment of normal operations of the SOUTHERN system's nuclear generating units.

ALABAMA and GEORGIA have contracts with the DOE that provide for the permanent disposal of spent nuclear fuel. The DOE failed to begin disposing of spent fuel in January 1998, as required by the contracts, and the companies are pursuing legal remedies against the government for breach of contract. Effective June 2000, an on-site dry storage facility for Plant Hatch became operational. Sufficient capacity is believed to be available to continue dry storage operations at Plant Hatch through the life of the plant. Sufficient fuel storage capacity currently is available at Plant Vogtle to maintain full-core discharge capability for both units into the year 2014. Sufficient fuel storage capacity is available at Plant Farley to maintain full-core discharge capability until the refueling outage scheduled in 2006 for Farley unit 1 and the refueling outage scheduled in 2008 for Farley unit 2. Procurement of on-site dry spent fuel storage capacity at Plant Farley is in progress, with the intent to place the capacity in operation as early as 2005.

The Energy Act imposed upon utilities with nuclear plants, including ALABAMA and GEORGIA, obligations for the decontamination and decommissioning of federal nuclear fuel enrichment facilities. See Note 1 to SOUTHERN's, ALABAMA's and GEORGIA's financial statements in Item 8 herein.

Territory Served by the Integrated Southeast Utilities

The territory in which the integrated Southeast utilities provide electric service comprises most of the states of Alabama and Georgia together with the northwestern portion of Florida and southeastern Mississippi. In this territory there are non-affiliated electric distribution systems which obtain some or all of their power requirements either directly or indirectly from the integrated Southeast utilities. The territory has an area of approximately 120,000 square miles and an estimated population of approximately 11 million.

ALABAMA is engaged, within the State of Alabama, in the generation and purchase of electricity and the distribution and sale of such electricity at retail in over 1,000 communities (including Anniston, Birmingham, Gadsden, Mobile, Montgomery and Tuscaloosa) and at wholesale to 15 municipally-owned electric distribution systems, 11 of which are served indirectly through sales to AMEA, and two rural distributing cooperative associations. ALABAMA also supplies steam service in downtown Birmingham. ALABAMA also sells, and cooperates with dealers in promoting the sale of, electric appliances.

GEORGIA is engaged in the generation and purchase of electricity and the distribution and sale of such electricity within the State of Georgia at retail in over 600 communities, as well as in rural areas, and at wholesale currently to OPC, MEAG, the City of Dalton and the City of Hampton.

GULF is engaged, within the northwestern portion of Florida, in the generation and purchase of electricity and the distribution and sale of such electricity at retail in 71 communities (including Pensacola, Panama City and Fort Walton Beach), as well as in rural areas, and at wholesale to a non-affiliated utility and a municipality.

MISSISSIPPI is engaged in the generation and purchase of electricity and the distribution and sale of such energy within the 23 counties of southeastern Mississippi, at retail in 123 communities (including Biloxi, Gulfport, Hattiesburg, Laurel, Meridian and Pascagoula), as well as in rural areas, and at wholesale to one municipality, six rural electric distribution cooperative associations and one generating and transmitting cooperative.

SAVANNAH is engaged, within a five-county area in eastern Georgia, in the generation and purchase of electricity and the distribution and sale of such electricity at retail and, as a member of the SOUTHERN system power pool, the transmission and sale of wholesale energy.

For information relating to kilowatt-hour sales by classification for each registrant, reference is made to "Management's Discussion and Analysis-Results of Operations" in Item 7 herein. Also, for information relating to the sources of revenues for the SOUTHERN system and each of the integrated Southeast utilities, reference is made to Item 6 herein.

A portion of the area served by the integrated Southeast utilities adjoins the area served by TVA and its municipal and cooperative distributors. An Act of Congress limits the distribution of TVA power, unless otherwise authorized by Congress, to specified areas or customers which generally were those served on July 1, 1957.

The RUS has authority to make loans to cooperative associations or corporations to enable them to provide electric service to customers in rural sections of the country. There are 71 electric cooperative organizations operating in the territory in which the integrated Southeast utilities provide electric service at retail or wholesale.

One of these, AEC, is a generating and transmitting cooperative selling power to several distributing cooperatives, municipal systems and other customers in south Alabama and northwest Florida. AEC owns generating units with approximately 840 megawatts of nameplate capacity, including an undivided ownership interest in ALABAMA's Plant Miller Units 1 and 2. AEC's facilities were financed with RUS loans secured by long-term contracts requiring distributing cooperatives to take their requirements from AEC to the extent such energy is available. Two of the 14 distributing cooperatives operating in ALABAMA's service territory obtain a portion of their power requirements directly from ALABAMA.

Four electric cooperative associations, financed by the RUS, operate within GULF's service area. These cooperatives purchase their full requirements from AEC and SEPA (a federal power marketing agency). A non-affiliated utility also operates within GULF's service area and purchases its full requirements from GULF.

ALABAMA and GULF have entered into separate agreements with AEC involving interconnection between the respective systems. The delivery of capacity and energy from AEC to certain distributing cooperatives in the service areas of ALABAMA and GULF is governed by the SOUTHERN/AEC Network Transmission Service Agreement. The rates for this service to AEC are based on the negotiated agreement on file with the FERC. See Item 2 - PROPERTIES - "Jointly-Owned Facilities" herein for details of ALABAMA's joint-ownership with AEC of a portion of Plant Miller.

MISSISSIPPI has an interchange agreement with SMEPA, a generating and transmitting cooperative, pursuant to which various services are provided, including the furnishing of protective capacity by MISSISSIPPI to SMEPA. SMEPA has a generating capacity of 821 megawatts and a transmission system estimated to be 1,480 miles in length.

There are 43 electric cooperative organizations operating in, or in areas adjoining, territory in the State of Georgia in which GEORGIA provides electric service at retail or wholesale. Three of these organizations obtain their power from TVA and one from other sources. Since July 1, 1975, OPC has supplied the requirements of the remaining 39 of these cooperative organizations from self-owned generation acquired from GEORGIA and, until September 1991, through partial requirements purchases from GEORGIA. GEORGIA entered into a power coordination agreement with OPC pursuant to which, effective in September 1991, OPC ceased to be partial requirements wholesale customer of GEORGIA. Instead, OPC began the purchase of 1,250 megawatts of capacity from GEORGIA through 1999, subject to reduction or extension by OPC, and may satisfy the balance of its needs through purchases from others. OPC decreased its purchases of capacity by 250 megawatts each in September 1997, 1998 and 1999. Under the amended 1995 Integrated Resource Plan approved by the Georgia PSC in March 1997, the resources associated with the decreased purchases by OPC in 1997, 1998 and 1999 will be used to meet the needs of GEORGIA's retail customers through 2004. In April 1999, a new power supply agreement was implemented between GEORGIA and OPC. Pursuant to this agreement, OPC will purchase 250 megawatts of steam capacity through March 2006, 250 megawatts of peaking capacity through August 2000, and 125 megawatts of peaking capacity from September 2000 through August 2001.

There are 65 municipally-owned electric distribution systems operating in the territory in which the integrated Southeast utilities provide electric service at retail or wholesale.

AMEA was organized under an act of the Alabama legislature and is comprised of 11 municipalities. In 1986, ALABAMA entered into a firm power purchase contract with AMEA entitling AMEA to scheduled amounts of capacity (to a maximum of 100 megawatts) for a period of 15 years commencing September 1, 1986. In October 1991, ALABAMA entered into a second firm power purchase contract with AMEA entitling AMEA to scheduled amounts of additional capacity (to a maximum 80 megawatts) for a period of 15 years commencing October 1, 1991. In both contracts, the power is being sold to AMEA for its member municipalities that previously were served directly by ALABAMA as wholesale customers. Under the terms of the contracts, ALABAMA received payments from AMEA representing the net present value of the revenues associated with the respective capacity entitlements. See Note 6 to ALABAMA's financial statements in Item 8 herein for further information on these contracts.

Forty-eight municipally-owned electric distribution systems and one county-owned system receive their requirements through MEAG, which was established by a state statute in 1975. MEAG serves these requirements from self-owned generation facilities acquired from GEORGIA and purchases from others. In August 1997, a power coordination agreement was implemented between GEORGIA and MEAG that replaced the partial requirements tariff pursuant to which GEORGIA previously sold wholesale energy to MEAG. Since 1977, Dalton has filled its requirements from generation facilities acquired from GEORGIA and through partial requirements purchases. One municipally-owned electric distribution system's full requirements are served under a

market-based contract by GEORGIA. (See Item 2 - PROPERTIES - "Jointly-Owned Facilities" herein.)

GULF and MISSISSIPPI provide wholesale requirements for one municipal system each.

GEORGIA has entered into substantially similar agreements with Georgia Transmission Corporation (formerly OPC's transmission division), MEAG and Dalton providing for the establishment of an integrated transmission system to carry the power and energy of each. The agreements require an investment by each party in the integrated transmission system in proportion to its respective share of the aggregate system load. (See Item 2 - PROPERTIES - "Jointly-Owned Facilities" herein.)

SCS, acting on behalf of ALABAMA, GEORGIA, GULF, MISSISSIPPI and SAVANNAH, also has a contract with SEPA providing for the use of those companies' facilities at government expense to deliver to certain cooperatives and municipalities, entitled by federal statute to preference in the purchase of power from SEPA, quantities of power equivalent to the amounts of power allocated to them by SEPA from certain United States government hydroelectric projects.

The retail service rights of all electric suppliers in the State of Georgia are regulated by the 1973 State Territorial Electric Service Act. Pursuant to the provisions of this Act, all areas within existing municipal limits were assigned to the primary electric supplier therein on March 29, 1973 (451 municipalities, including Atlanta, Columbus, Macon, Augusta, Athens, Rome and Valdosta, to GEORGIA; 115 to electric cooperatives; and 50 to publicly-owned systems). Areas outside of such municipal limits were either to be assigned or to be declared open for customer choice of supplier by action of the Georgia PSC pursuant to standards set forth in the Act. Consistent with such standards, the Georgia PSC has assigned substantially all of the land area in the state to a supplier. Notwithstanding such assignments, the Act provides that any new customer locating outside of 1973 municipal limits and having a connected load of at least 900 kilowatts may receive electric service from the supplier of its choice. (See also Item 1 - BUSINESS - "Competition" herein.)

Under and subject to the provisions of its franchises and concessions and the 1973 State Territorial Electric Service Act, SAVANNAH has the full but nonexclusive right to serve the City of Savannah, the Towns of Bloomingdale, Pooler, Garden City, Guyton, Newington, Oliver, Port Wentworth, Rincon, Tybee Island, Springfield, Thunderbolt, Vernonburg, and in conjunction with a secondary supplier, the Town of Richmond Hill. In addition, SAVANNAH has been assigned certain unincorporated areas in Chatham, Effingham, Bryan, Bulloch and Screven Counties by the Georgia PSC. (See also Item 1 - BUSINESS - "Competition" herein.)

Pursuant to the 1956 Utility Act, the Mississippi PSC issued "Grandfather Certificates" of public convenience and necessity to MISSISSIPPI and to six distribution rural cooperatives operating in southeastern Mississippi, then served in whole or in part by MISSISSIPPI, authorizing them to distribute electricity in certain specified geographically described areas of the state. The six cooperatives serve approximately 300,000 retail customers in a certificated area of approximately 10,300 square miles. In areas included in a "Grandfather Certificate," the utility holding such certificate may, without further certification, extend its lines up to five miles; other extensions within that area by such utility, or by other utilities, may not be made except upon a showing of, and a grant of a certificate of, public convenience and necessity. Areas included in such a certificate which are subsequently annexed to municipalities may continue to be served by the holder of the certificate, irrespective of whether it has a franchise in the annexing municipality. On the other hand, the holder of the municipal franchise may not extend service into such newly annexed area without authorization by the Mississippi PSC.

Long-Term Power Sales and Lease Agreements

Reference is made to Note 5 to the financial statements for SOUTHERN; Note 6 to the financial statements for ALABAMA, GULF and MISSISSIPPI, and Note 7 to the financial statements for GEORGIA in Item 8 herein for information regarding contracts for the sales and lease of capacity and energy to non-territorial customers.

Competition

The electric utility industry in the United States is currently undergoing a period of dramatic change as a result of regulatory and competitive factors. Among the primary agents of change has been the Energy Act. The Energy Act allows IPPs to access a utility's transmission network in order to sell electricity to other utilities. This enhances the incentive for IPPs to build cogeneration plants for a utility's large industrial and commercial customers, and sell energy generation to other utilities. Also, electricity sales for resale rates are being driven down by wholesale transmission access and numerous potential new energy suppliers, including power marketers and brokers. The integrated Southeast utilities are aggressively working to maintain and expand their share of wholesale sales in the Southeastern power markets.

Although the Energy Act does not permit retail customer access, it was a major catalyst for the current restructuring and consolidation taking place within the utility industry. Numerous federal and state initiatives are in varying stages to promote wholesale and retail competition. Among other things, these initiatives allow customers to choose their electricity provider. Some states have approved initiatives that result in a separation of the ownership and/or operation of generating facilities from the ownership and/or operation of transmission and distribution facilities. While various restructuring and competition initiatives have been discussed in Alabama, Florida, Georgia, and Mississippi, none have been enacted. Enactment would require numerous issues to be resolved, including significant ones relating to recovery of any stranded investments, full cost recovery of energy produced, and other issues related to the current energy crisis in California. As a result of this crisis, many states have either discontinued or delayed implementation of initiatives involving retail deregulation. The inability of a company to recover its investments, including the regulatory assets described in Note 1 to each registrant's respective financial statements, could have a material adverse effect on such company's financial condition and results of operations. The integrated Southeast utilities are attempting to minimize or reduce their cost exposure. Reference is made to Note 3 to the financial statements for SOUTHERN under "Alabama Power Rate Adjustment Procedures" and "Georgia Power 1998 Retail Rate Order" for information regarding these efforts.

Reference is made to Item 1 - BUSINESS - "Integrated Southeast Utilities" herein for information relating to an RTO filing with FERC.

Continuing to be a low-cost producer could provide opportunities to increase market share and profitability in markets that evolve with changing regulation. Conversely, if the integrated Southeast utilities do not remain low-cost producers and provide quality service, then energy sales growth could be limited, and this could significantly erode earnings. Reference is made to ALABAMA, GULF, MISSISSIPPI and SAVANNAH, "Management's Discussion and Analysis - Future Earnings Potential" in Item 7 herein for further discussion of competition.

To adapt to a less regulated, more competitive environment, SOUTHERN continues to evaluate and consider a wide array of potential business strategies. These strategies may include business combinations, acquisitions involving other utility or non-utility businesses or properties, internal restructuring, disposition of certain assets, or some combination thereof. Furthermore, SOUTHERN may engage in other new business ventures that arise from competitive and regulatory changes in the utility industry. Pursuit of any of the above strategies, or any combination thereof, may significantly affect the business operations and financial condition of SOUTHERN. (See Item 1 - BUSINESS - "Other Business" herein.)

As a result of the foregoing factors, SOUTHERN has experienced increasing competition for available off-system sales of capacity and energy from neighboring utilities and alternative sources of energy. Additionally, the future effect of cogeneration and small-power production facilities on the SOUTHERN system cannot currently be determined but may be adverse.

ALABAMA currently has cogeneration contracts in effect with twelve industrial customers. Under the terms of these contracts, ALABAMA purchases excess generation of such companies. During 2000, ALABAMA purchased approximately 104.9 million kilowatt-hours from such companies at a cost of $3.1 million.

GEORGIA currently has contracts in effect with eight small power producers whereby GEORGIA purchases their excess generation. During 2000, GEORGIA purchased 11.6 million kilowatt-hours from such companies at a cost of $482,000. GEORGIA has purchased power agreements for electricity with two cogeneration facilities. Payments are subject to reductions for failure to meet minimum capacity output. During 2000, GEORGIA purchased 698.3 million kilowatt-hours at a cost of $70.4 million from these facilities. Reference is made to Note 4 to the financial statements for GEORGIA in Item 8 herein for information regarding purchased power commitments.

GULF currently has agreements in effect with four industrial customers pursuant to which GULF purchases "as available" energy from customer-owned generation. During 2000, GULF purchased 127 million kilowatt-hours from such companies for $5.2 million.

SAVANNAH currently has cogeneration contracts in effect with five large customers. Under the terms of these contracts, SAVANNAH purchases excess generation of such companies. During 2000, SAVANNAH purchased 43.9 million kilowatt-hours from such companies at a cost of $2.7 million.

The competition for retail energy sales among competing suppliers of energy is influenced by various factors, including price, availability, technological advancements and reliability. These factors are, in turn, affected by, among other influences, regulatory, political and environmental considerations, taxation and supply.

The integrated Southeast utilities have experienced, and expect to continue to experience, competition in their respective retail service territories in varying degrees as the result of self-generation (as described above) and fuel switching by customers and other factors. (See also Item 1 - BUSINESS - "Territory Served by the Integrated Southeast Utilities" herein for information concerning suppliers of electricity operating within or near the areas served at retail by the integrated Southeast utilities.)

Regulation

State Commissions

The integrated Southeast utilities are subject to the jurisdiction of their respective state regulatory commissions, which have broad powers of supervision and regulation over public utilities operating in the respective states, including their rates, service regulations, sales of securities (except for the Mississippi PSC) and, in the cases of the Georgia PSC and Mississippi PSC, in part, retail service territories. (See Item 1 - BUSINESS - "Rate Matters" and "Territory Served by the Integrated Southeast Utilities" herein.)

Holding Company Act

SOUTHERN is registered as a holding company under the Holding Company Act, and it and its subsidiary companies are subject to the regulatory provisions of said Act, including provisions relating to the issuance of securities, sales and acquisitions of securities and utility assets, services performed by SCS and Southern Nuclear, and the activities of certain of SOUTHERN's special purpose subsidiaries.

While various proposals have been introduced in Congress regarding the Holding Company Act, the prospects for legislative reform or repeal are uncertain at this time.

Federal Power Act

The Federal Power Act subjects the integrated Southeast utilities and SEGCO to regulation by the FERC as companies engaged in the transmission or sale at wholesale of electric energy in interstate commerce, including regulation of accounting policies and practices.

ALABAMA and GEORGIA are also subject to the provisions of the Federal Power Act or the earlier Federal Water Power Act applicable to licensees with respect to their hydroelectric developments. Among the hydroelectric projects subject to licensing by the FERC are 14 existing ALABAMA generating stations having an aggregate installed capacity of 1,593,600 kilowatts and

18 existing GEORGIA generating stations having an aggregate installed capacity of 1,074,696 kilowatts.

GEORGIA has started the relicensing process for the Middle Chattahoochee Project. This project consists of the Goat Rock, Oliver, and North Highlands facilities.

GEORGIA and OPC also have a license, expiring in 2027, for the Rocky Mountain Plant, a pure pumped storage facility of 847,800 kilowatt capacity which began commercial operation in 1995. (See Item 2 - PROPERTIES - "Jointly-Owned Facilities" herein and Note 3 to SOUTHERN's and GEORGIA's financial statements in Item 8 herein for additional information.)

Licenses for all projects, excluding those discussed above, expire in the period 2007-2033 in the case of ALABAMA's projects and in the period 2005-2036 in the case of GEORGIA's projects.

Upon or after the expiration of each license, the United States Government, by act of Congress, may take over the project, or the FERC may relicense the project either to the original licensee or to a new licensee. In the event of takeover or relicensing to another, the original licensee is to be compensated in accordance with the provisions of the Federal Power Act, such compensation to reflect the net investment of the licensee in the project, not in excess of the fair value of the property taken, plus reasonable damages to other property of the licensee resulting from the severance therefrom of the property taken.

Atomic Energy Act of 1954

ALABAMA, GEORGIA and Southern Nuclear are subject to the provisions of the Atomic Energy Act of 1954, as amended, which vests jurisdiction in the NRC over the construction and operation of nuclear reactors, particularly with regard to certain public health and safety and antitrust matters. The National Environmental Policy Act has been construed to expand the jurisdiction of the NRC to consider the environmental impact of a facility licensed under the Atomic Energy Act of 1954, as amended.

NRC operating licenses currently expire in June 2017 and March 2021 for Plant Farley units 1 and 2, respectively, in August 2014 and June 2018 for Plant Hatch units 1 and 2, respectively, and in January 2027 and February 2029 for Plant Vogtle units 1 and 2, respectively. On February 29, 2000, Southern Nuclear, on behalf of GEORGIA, filed a license renewal application with the NRC for Plant Hatch units 1 and 2. If approved, the operating license will be extended to 2034.

Reference is made to Notes 1 and 10 to SOUTHERN's, Notes 1 and 11 to ALABAMA's and Notes 1 and 5 to GEORGIA's financial statements in Item 8 herein for information on nuclear decommissioning costs and nuclear insurance. Additionally, Note 3 to GEORGIA's financial statements contains information regarding nuclear performance standards imposed by the Georgia PSC that may impact retail rates.

Environmental Regulation

The integrated Southeast utilities' and SEGCO's operations are subject to federal, state and local environmental requirements which, among other things, control emissions of particulates, sulfur dioxide and nitrogen oxides into the air; the use, transportation, storage and disposal of hazardous and toxic waste; and discharges of pollutants, including thermal discharges, into waters of the United States. The integrated Southeast utilities and SEGCO expect to comply with such requirements, which generally are becoming increasingly stringent, through technical improvements, the use of appropriate combinations of low-sulfur fuel and chemicals, addition of environmental control facilities, changes in control techniques and reduction of the operating levels of generating facilities. Failure to comply with such requirements could result in the complete shutdown of individual facilities not in compliance as well as the imposition of civil and criminal penalties.

Reference is made to each registrant's "Management's Discussion and Analysis" in Item 7 herein for a discussion of the Clean Air Act and other environmental legislation and proceedings, including a pending lawsuit brought on behalf of the EPA.

The integrated Southeast utilities' and SEGCO's estimated capital expenditures for environmental quality control facilities for the years 2001, 2002 and 2003 are as follows: (in millions)

	2001	2002	2003
ALABAMA	$ 76	$144	$ 48
GEORGIA	345	302	48
GULF	7	7	14
MISSISSIPPI	2	4	-
SAVANNAH	2	1	4
SEGCO	1	1	1
Total	$433	$459	$115

The foregoing estimates are included in the current construction programs. (See Item 1 - BUSINESS - "Construction Programs" herein.)

Additionally, each integrated Southeast utility and SEGCO has incurred costs for environmental remediation of various sites. Reference is made to each registrant's "Management's Discussion and Analysis" in Item 7 herein for information regarding the registrants' environmental remediation efforts. Also, see Note 3 to SOUTHERN's and GEORGIA's financial statements in Item 8 herein for information regarding the identification of sites that may require environmental remediation by GEORGIA.

The integrated Southeast utilities and SEGCO are unable to predict at this time what additional steps they may be required to take as a result of the implementation of existing or future quality control requirements for air, water and hazardous or toxic materials, but such steps could adversely affect system operations and result in substantial additional costs.

The outcome of the matters mentioned above under "Regulation" cannot now be determined, except that these developments may result in delays in obtaining appropriate licenses for generating facilities, increased construction and operating costs, or reduced generation, the nature and extent of which, while not determinable at this time, could be substantial.

Rate Matters

Rate Structure

The rates and service regulations of the integrated Southeast utilities are uniform for each class of service throughout their respective service areas. Rates for residential electric service are generally of the block type based upon kilowatt-hours used and include minimum charges.

Residential and other rates contain separate customer charges. Rates for commercial service are presently of the block type and, for large customers, the billing demand is generally used to determine capacity and minimum bill charges. These large customers' rates are generally based upon usage by the customer including those with special features to encourage off-peak usage. Additionally, the integrated Southeast utilities are allowed by their respective PSCs to negotiate the terms and compensation of service to large customers. Such terms and compensation of service, however, are subject to final PSC approval. ALABAMA, GEORGIA and SAVANNAH are allowed by state law to recover fuel and net purchased energy costs through fuel cost recovery provisions which are adjusted to reflect increases or decreases in such costs. GULF recovers from retail customers costs of fuel, net purchased power, energy conservation and environmental compliance through provisions which are adjusted to reflect increases or decreases in such costs. GULF's recovery of these costs is based upon an annual projection - any over/under recovery during such period is reflected in a subsequent annual period with interest. With respect to MISSISSIPPI's retail rates, fuel and purchased power costs are billed to such customers under the fuel and energy adjustment clause. The adjustment factors for MISSISSIPPI's retail and wholesale rates are generally levelized based on the estimated energy cost for the year, adjusted for any actual over/under collection from the previous year. Revenues are adjusted for differences between recoverable fuel costs and amounts actually recovered in current rates.

Rate Proceedings

Reference is made to Note 3 to each registrant's financial statements in Item 8 herein for a discussion of rate matters. Reference is also made to GULF's

"Management's Discussion and Analysis – Future Earnings Potential" in Item 7 herein for a discussion of recent Florida PSC matters.

Integrated Resource Planning

GEORGIA and SAVANNAH filed a new Integrated Resource Plan with the Georgia PSC on January 31, 2001. The plans specify how GEORGIA and SAVANNAH each intends to meet the future electrical needs of their customers through a combination of demand-side and supply-side resources. The Georgia PSC must pre-certify these new resources. Once certified, all prudently incurred construction costs and purchased power costs will be recoverable through rates.

In July 1998, the Georgia PSC approved GEORGIA's and SAVANNAH's 1998 Integrated Resource Plans as filed, with minor modifications. The approved plans identify resource needs of approximately 800 megawatts to 1,200 megawatts starting in the summer of 2002. As a result, GEORGIA and SAVANNAH issued a joint request for proposals for their collective needs of 800 megawatts to 1,200 megawatts for 2002 and 2003. The bids were evaluated against self-build options, and a certification filing for the selected resources was approved by the Georgia PSC in March 2000. The selected resources for retail needs in Georgia are: (1) a 7-year purchased power agreement with the West Georgia Generating Company for 310 megawatts starting in 2002, increasing to 465 megawatts in 2005, and terminating at the end of 2009; and (2) a 7 ½-year purchased power agreement for two 568 megawatt combined cycle units to be located at Plant Wansley starting in 2002 and terminating at the end of 2009. SAVANNAH has a 7-year purchased power agreement with GEORGIA for 200 megawatts of the 1,136 megawatt addition at Plant Wansley starting in 2002 and terminating in 2009. After 2009, this capacity will be available to the wholesale market.

On December 15, 2000, GEORGIA filed a certification request for a 7-year purchased power agreement for 571 megawatts starting in 2003 and 610 megawatts starting in 2004 to be served from two combined cycle units at Plant Goat Rock; and 615 megawatts in 2004 to be served from a combined cycle unit at Plant Autaugaville. In addition, GEORGIA is seeking certification for upgrades from 3 megawatts to 9 megawatts at Plant Goat Rock Hydro units 1 and 2.

GEORGIA expects the Georgia PSC to approve the 2001 Integrated Resource Plan and grant certification of the purchased power agreements in July 2001.

Environmental Cost Recovery Plans

GULF and MISSISSIPPI both have retail rate mechanisms that provide for recovery of environmental compliance costs. For a description of these plans, see Note 3 to each of GULF's and MISSISSIPPI's financial statements in Item 8 herein.

Employee Relations

The companies of the SOUTHERN system had a total of 26,021 employees on their payrolls at December 31, 2000.

	Employees at December 31, 2000
ALABAMA	6,871
GEORGIA	8,855
GULF	1,327
MISSISSIPPI	1,319
SAVANNAH	554
SCS	3,431
Southern Nuclear	3,009
Other	655
Total	26,021

The integrated Southeast utilities have separate agreements with local unions of the IBEW generally covering wages, working conditions and procedures for handling grievances and arbitration. These agreements apply with certain exceptions to operating, maintenance and construction employees.

ALABAMA has agreements with the IBEW on a three-year contract extending to August 14, 2001. Upon notice given at least 60 days prior to that date, negotiations may be initiated with respect to agreement terms to be effective after such date.

GEORGIA has an agreement with the IBEW covering wages and working conditions, which is in effect through June 30, 2002.

GULF has an agreement with the IBEW on a three-year contract extending to August 15, 2001.

MISSISSIPPI has an agreement with the IBEW on a four-year contract extending to August 16, 2002.

SAVANNAH has four-year labor agreements with the IBEW and the Office and Professional Employees International Union that expire April 15, 2003 and December 1, 2003, respectively.

Southern Nuclear has agreements with the IBEW on separate three-year contracts extending to August 15, 2001 for Plant Farley and to June 30, 2002 for Plants Hatch and Vogtle. Upon notice given at least 60 days prior to these dates, negotiations may be initiated with respect to agreement terms to be effective after such dates.

Southern Nuclear also has an agreement with the United Plant Guard Workers of America for security officers at Plant Hatch extending to September 30, 2001. Upon notice given at least 60 days prior to that date, negotiations may be initiated with respect to agreement terms to be effective after such date.

The agreements also subject the terms of the pension plans for the companies discussed above to collective bargaining with the unions at five-year intervals.

Item 2. PROPERTIES

Electric Properties – The Integrated Southeast Utilities

The integrated Southeast utilities and SEGCO, at December 31, 2000, operated 34 hydroelectric generating stations, 33 fossil fuel generating stations, three nuclear generating stations and four combined cycle/cogeneration stations. The amounts of capacity owned by each company are shown in the table below.

Generating Station	Location	Nameplate Capacity (1) (Kilowatts)
Fossil Steam		
Gadsden	Gadsden, AL	120,000
Gorgas	Jasper, AL	1,221,250
Barry	Mobile, AL	1,525,000
Greene County	Demopolis, AL	300,000 (2)
Gaston Unit 5	Wilsonville, AL	880,000
Miller	Birmingham, AL	2,532,288 (3)
ALABAMA Total		6,578,538
Arkwright	Macon, GA	160,000
Atkinson	Atlanta, GA	180,000
Bowen	Cartersville, GA	3,160,000
Branch	Milledgeville, GA	1,539,700
Hammond	Rome, GA	800,000
McDonough	Atlanta, GA	490,000
McManus	Brunswick, GA	115,000
Mitchell	Albany, GA	170,000
Scherer	Macon, GA	750,924 (4)
Wansley	Carrollton, GA	925,550 (5)
Yates	Newnan, GA	1,250,000
GEORGIA Total		9,541,174
Crist	Pensacola, FL	1,045,000
Lansing Smith	Panama City, FL	305,000
Scholz	Chattahoochee, FL	80,000
Daniel	Pascagoula, MS	500,000 (6)
Scherer Unit 3	Macon, GA	204,500 (4)
GULF Total		2,134,500
Eaton	Hattiesburg, MS	67,500
Sweatt	Meridian, MS	80,000
Watson	Gulfport, MS	1,012,000
Daniel	Pascagoula, MS	500,000 (6)
Greene County	Demopolis, AL	200,000 (2)
MISSISSIPPI Total		1,859,500
McIntosh	Effingham County, GA	163,117
Kraft	Port Wentworth, GA	281,136
Riverside	Savannah, GA	102,278
SAVANNAH Total		546,531
Gaston Units 1-4	Wilsonville, AL	
SEGCO Total		1,000,000 (7)
Total Fossil Steam		21,660,243
Nuclear Steam		
Farley	Dothan, AL	
ALABAMA Total		1,720,000
Hatch	Baxley, GA	899,612 (8)
Vogtle	Augusta, GA	1,060,240 (9)
GEORGIA Total		1,959,852
Total Nuclear Steam		3,679,852
Combustion Turbines		
Greene County	Demopolis, AL	
ALABAMA Total		720,000
Arkwright	Macon, GA	30,580
Atkinson	Atlanta, GA	78,720
Bowen	Cartersville, GA	39,400
Dahlberg	Athens, GA	640,000
Intercession City	Intercession City, FL	47,333 (10)
McDonough	Atlanta, GA	78,800
McIntosh Units 1,2,3,4,7,8	Effingham County, GA	480,000
McManus	Brunswick, GA	481,700
Mitchell	Albany, GA	118,200
Robins	Warner Robins, GA	160,000
Wilson	Augusta, GA	354,100
Wansley	Carrollton, GA	26,322 (5)
GEORGIA Total		2,535,155
Lansing Smith Unit A	Panama City, FL	39,400
Pea Ridge Units 1-3	Pea Ridge, FL	14,250
GULF Total		53,650
Chevron Cogenerating Station	Pascagoula, MS	147,292 (11)
Sweatt	Meridian, MS	39,400
Watson	Gulfport, MS	39,360
MISSISSIPPI Total		226,052

Generating Station	Location	Nameplate Capacity (Kilowatts)
Boulevard	Savannah, GA	59,100
Kraft	Port Wentworth, GA	22,000
McIntosh Units 5&6	Effingham County, GA	160,000
SAVANNAH Total		241,100
Gaston **(SEGCO)**	Wilsonville, AL	19,680 (7)
Total Combustion Turbines		3,795,637
Cogeneration		
Washington County	Washington County, AL	123,428
GE Plastics Project	Burkeville, AL	104,800
Theodore	Theodore, AL	236,418
ALABAMA Total		464,646
Combined Cycle		
Barry	Mobile, AL	
ALABAMA Total		535,212
Hydroelectric Facilities		
Weiss	Leesburg, AL	87,750
Henry	Ohatchee, AL	72,900
Logan Martin	Vincent, AL	128,250
Lay	Clanton, AL	177,000
Mitchell	Verbena, AL	170,000
Jordan	Wetumpka, AL	100,000
Bouldin	Wetumpka, AL	225,000
Harris	Wedowee, AL	135,000
Martin	Dadeville, AL	154,200
Yates	Tallassee, AL	32,000
Thurlow	Tallassee, AL	60,000
Lewis Smith	Jasper, AL	157,500
Bankhead	Holt, AL	54,000
Holt	Holt, AL	40,000
ALABAMA Total		1,593,600
Barnett Shoals (Leased)	Athens, GA	2,800
Bartletts Ferry	Columbus, GA	173,000
Goat Rock	Columbus, GA	26,000
Lloyd Shoals	Jackson, GA	14,400
Morgan Falls	Atlanta, GA	16,800
North Highlands	Columbus, GA	29,600
Oliver Dam	Columbus, GA	60,000
Rocky Mountain	Rome, GA	215,256 (12)
Sinclair Dam	Milledgeville, GA	45,000
Tallulah Falls	Clayton, GA	72,000
Terrora	Clayton, GA	16,000
Tugalo	Clayton, GA	45,000
Wallace Dam	Eatonton, GA	321,300
Yonah	Toccoa, GA	22,500
6 Other Plants		18,080
GEORGIA Total		1,077,736
Total Hydroelectric Facilities		2,671,336
Total Generating Capacity		32,806,926

Notes:

(1) For additional information regarding facilities jointly-owned with non-affiliated parties, see Item 2 - PROPERTIES - "Jointly-Owned Facilities" herein.

(2) Owned by ALABAMA and MISSISSIPPI as tenants in common in the proportions of 60% and 40%, respectively.

(3) Excludes the capacity owned by AEC.

(4) Capacity shown for GEORGIA is 8.4% of Units 1 and 2 and 75% of Unit 3. Capacity shown for GULF is 25% of Unit 3.

(5) Capacity shown is GEORGIA's portion (53.5%) of total plant capacity.

(6) Represents 50% of the plant which is owned as tenants in common by GULF and MISSISSIPPI.

(7) SEGCO is jointly-owned by ALABAMA and GEORGIA. (See Item 1 - BUSINESS herein.)

(8) Capacity shown is GEORGIA's portion (50.1%) of total plant capacity.

(9) Capacity shown is GEORGIA's portion (45.7%) of total plant capacity.

(10) Capacity shown represents 33-1/3% of total plant capacity. GEORGIA owns a 1/3 interest in the unit with 100% use of the unit from June through September. FPC operates the unit.

(11) Generation is dedicated to a single industrial customer.

(12) Capacity shown is GEORGIA's portion (25.4%) of total plant capacity. OPC operates the plant.

Except as discussed below under "Titles to Property," the principal plants and other important units of the integrated Southeast utilities and SEGCO are owned in fee by the respective companies. It is the opinion of management of each such company that its operating properties are adequately maintained and are substantially in good operating condition.

MISSISSIPPI owns a 79-mile length of 500-kilovolt transmission line which is leased to Entergy Gulf States. The line, completed in 1984, extends from Plant Daniel to the Louisiana state line. Entergy Gulf States is paying a use fee over a forty-year period covering all expenses and the amortization of the original $57 million cost of the line. At December 31, 2000, the unamortized portion of this cost was $34.8 million.

The all-time maximum demand on the integrated Southeast utilities and SEGCO was 31,359,000 kilowatts and occurred in August 2000. This amount excludes demand served by capacity retained by MEAG and Dalton and excludes demand associated with power purchased from OPC and SEPA by its preference customers. The reserve margin for the integrated Southeast utilities and SEGCO at that time was 8.1%. For additional information on peak demands, reference is made to Item 6 - SELECTED FINANCIAL DATA herein.

ALABAMA and GEORGIA will incur significant costs in decommissioning their nuclear units at the end of their useful lives. (See Item 1 - BUSINESS - "Regulation - Atomic Energy Act of 1954" and Note 1 to SOUTHERN's, ALABAMA's and GEORGIA's financial statements in Item 8 herein.)

Jointly-Owned Facilities

ALABAMA and GEORGIA have sold and GEORGIA has purchased undivided interests in certain generating plants and other related facilities to or from non-affiliated parties. The percentages of ownership resulting from these transactions are as follows:

	Total Capacity (Megawatts)	Percentage Ownership						
		ALABAMA	AEC	GEORGIA	OPC	MEAG	DALTON	FPC
Plant Miller Units 1 and 2	1,320	91.8%	8.2%	-%	-%	-%	-%	-%
Plant Hatch	1,796	-	-	50.1	30.0	17.7	2.2	-
Plant Vogtle	2,320	-	-	45.7	30.0	22.7	1.6	-
Plant Scherer Units 1 and 2	1,636	-	-	8.4	60.0	30.2	1.4	-
Plant Wansley	1,779	-	-	53.5	30.0	15.1	1.4	-
Rocky Mountain	848	-	-	25.4	74.6	-	-	-
Intercession City, FL	142	-	-	33.3	-	-	-	66.7

ALABAMA and GEORGIA have contracted to operate and maintain the respective units in which each has an interest (other than Rocky Mountain and Intercession City, as described below) as agent for the joint owners.

In addition, GEORGIA has commitments regarding a portion of a 5 percent interest in Plant Vogtle owned by MEAG that are in effect until the later of retirement of the plant or the latest stated maturity date of MEAG's bonds issued to finance such ownership interest. The payments for capacity are required whether any capacity is available. The energy cost is a function of each unit's variable operating costs. Except for the portion of the capacity payments related to the 1987 and 1990 write-offs of Plant Vogtle costs, the cost of such capacity and energy is included in purchased power from non-affiliates in GEORGIA's Statements of Income in Item 8 herein.

Titles to Property

The integrated Southeast utilities' and SEGCO's interests in the principal plants (other than certain pollution control facilities, one small hydroelectric generating station leased by GEORGIA and the land on which five combustion turbine generators of MISSISSIPPI are located, which is held by easement) and other important units of the respective companies are owned in fee by such companies, subject only to the liens of applicable mortgage indentures (except for SEGCO) and to excepted encumbrances as defined therein. The integrated Southeast utilities own the fee interests in certain of their principal plants as tenants in common. (See Item 2 - PROPERTIES - "Jointly-Owned Facilities" herein.) Properties such as electric transmission and distribution lines and steam heating mains are constructed principally on rights-of-way which are maintained under franchise or are held by easement only. A substantial portion of lands submerged by reservoirs is held under flood right easements. In substantially all of its coal reserve lands, SEGCO owns or will own the coal only, with adequate rights for the mining and removal thereof.

Item 3. LEGAL PROCEEDINGS

(1) **United States of America v. ALABAMA**
(United States District Court for the Northern District of Alabama)

Reference is made to Note 3 to ALABAMA's financial statements in Item 8 herein under the caption "Environmental Litigation."

(2) **United States of America v. GEORGIA and SAVANNAH**
(United States District Court for the Northern District of Georgia)

On March 27, 2001, the U.S. District Court granted the EPA's motion to amend its complaint to add the alleged violations at SAVANNAH's Plant Kraft and to add SAVANNAH as a defendant and denied the EPA's motion to add GULF and MISSISSIPPI as defendants due to lack of jurisdiction.

Reference is made to Note 3 to GEORGIA's financial statements in Item 8 herein under the caption "Environmental Litigation."

(3) **Cooper et al. v. GEORGIA, SOUTHERN, SCS and Energy Solutions**
(Superior Court of Fulton County, Georgia)

Reference is made to Note 3 to SOUTHERN's and GEORGIA's financial statements in Item 8 herein under the caption "Race Discrimination Litigation."

(4) GEORGIA has been designated as a potentially responsible party under the Comprehensive Environmental Response, Compensation and Liability Act with respect to a site in Brunswick, Georgia.

Reference is made to Note 3 to SOUTHERN's and GEORGIA's financial statements in Item 8 herein under the captions "Georgia Power Potentially Responsible Party Status" and "Other Environmental Contingencies," respectively.

(5) **In re: Mobile Energy Services Company, LLC; In re: Mobile Energy Services Holdings, Inc.**
(U.S. Bankruptcy Court for the Southern District of Alabama).

Reference is made to Note 3 to SOUTHERN's financial statements in Item 8 herein under the caption "Mobile Energy Services' Petition for Bankruptcy."

(6) **Gordon v. SOUTHERN et al.**
(United States District Court for the Southern District of California)

Reference is made to Note 3 to SOUTHERN''s financial statements in Item 8 herein under the caption "California Electricity Markets Litigation."

(7) **Pier 23 Restaurant v. SOUTHERN et al.**
(United States District Court for the Northern District of California)

Reference is made to Note 3 to SOUTHERN''s financial statements in Item 8 herein under the caption "California Electricity Markets Litigation."

See Item 1 - BUSINESS - "Construction Programs," "Fuel Supply," "Regulation - Federal Power Act" and "Rate Matters" as well as Note 3 to each registrant's financial statements in Item 8 herein for a description of certain other administrative and legal proceedings discussed therein.

Additionally, each of the integrated Southeast utilities, SCS, Southern Nuclear, Energy Solutions and Southern LINC are, in the normal course of business, engaged in litigation or administrative proceedings that include, but are not limited to, acquisition of property, injuries and damages claims, and complaints by present and former employees.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

ALABAMA

ALABAMA held a special meeting of shareholders on December 14, 2000, for the purpose of amending its charter to provide to the holders of Preferred Stock the right to vote at all elections of directors of ALABAMA. The amendment was passed and the vote tabulation was as follows:

	Shares		
	For	Against	Abstain
Common Stock	5,608,955	0	0
Preferred Stock	1,505,832	462,101	127,473
Total	7,114,787	462,101	127,473

GEORGIA

By unanimous written consent effective December 14, 2000, GEORGIA's common shareholder authorized amending GEORGIA's charter to provide to the holders of Preferred Stock the right to vote at all elections of directors of GEORGIA. The vote tabulation was as follows:

	Shares		
	For	Against	Abstain
Common Stock	7,761,500	0	0

GULF

GULF held a special meeting of shareholders on December 14, 2000, for the purpose of amending its charter to provide to the holders of Preferred Stock the right to vote at all elections of directors of GULF. The amendment was passed and the vote tabulation was as follows:

	Shares		
	For	Against	Abstain
Common Stock	992,717	0	0
Preferred Stock	26,842	1,321	21
Total	1,019,559	1,321	21

MISSISSIPPI

MISSISSIPPI held a special meeting of shareholders on December 14, 2000, for the purpose of amending its charter to provide to the holders of Preferred Stock the right to vote at all elections of directors of MISSISSIPPI. The amendment was passed and the vote tabulation was as follows:

	Shares		
	For	Against	Abstain
Common Stock	1,121,000	0	0
Preferred Stock	196,119	10,363	11,762
Total	1,317,119	10,363	11,762

EXECUTIVE OFFICERS OF SOUTHERN

(Identification of executive officers of SOUTHERN is inserted in Part I in accordance with Regulation S-K, Item 401(b), Instruction 3.) The ages of the officers set forth below are as of December 31, 2000.

A. W. Dahlberg
Chairman and Director
Age 60
Elected Director in 1985 and Chairman effective March 1995 through March 2001, and Chief Executive Officer effective March 1995 to March 2001. Also served as President from January 1994 to June 1999.

H. Allen Franklin
President, Chief Executive Officer and Director
Age 56
Elected Director in 1988 and Chief Executive Officer effective March 1, 2001. Previously served as President and Chief Operating Officer of SOUTHERN from June 1999 to March 2001; and as President and Chief Executive Officer of GEORGIA from January 1994 to June 1999.

Elmer B. Harris
Executive Vice President and Director
Age 61
Elected Director in 1989 and Executive Vice President in 1991. He also has served as President and Chief Executive Officer of ALABAMA since 1989.

David M. Ratcliffe
Executive Vice President
Age 52
Elected in 1999. He also has served as President and Chief Executive Officer of GEORGIA since June 1999. Previously served as Executive Vice President, Treasurer and Chief Financial Officer of GEORGIA from March 1998 to June 1999; and as Senior Vice President of SOUTHERN from March 1995 to March 1998.

Stephen A. Wakefield
Senior Vice President and General Counsel
Age 60
Elected in 1997. Previously, he was a partner at the law firm of Akin, Gump, Strauss, Hauer & Feld, LLP from July 1991 through August 1997.

Gale E. Klappa
Financial Vice President, Chief Financial Officer and Treasurer
Age 50
Elected effective March 1, 2001. Previously served as Chief Strategic Officer of SOUTHERN from October 1999 to March 2001; President of Mirant's North America Group and Senior Vice President of Mirant from December 1998 to October 1999; and as President and Chief Executive Officer of Western Power Distribution, a subsidiary of Mirant located in Bristol, England, from September 1995 to December 1998.

Charles D. McCrary
Vice President
Age 49
Elected in 1998; serves as Chief Production Officer for the SOUTHERN system. He also has served as Executive Vice President of GEORGIA since May 1998. Previously, he served as Executive Vice President of ALABAMA from 1994 through April 1998.

W. G. Hairston, III
Age 56
President and Chief Executive Officer of Southern Nuclear since 1993.

The officers of SOUTHERN were elected for a term running from the last annual meeting of the directors (May 24, 2000) for one year until the next annual meeting or until their successors are elected and have qualified, except for Mr. Franklin and Mr. Klappa, whose elections were effective on the date indicated.

EXECUTIVE OFFICERS OF ALABAMA

(Identification of executive officers of ALABAMA is inserted in Part I in accordance with Regulation S-K, Item 401(b), Instruction 3.) The ages of the officers set forth below are as of December 31, 2000.

Elmer B. Harris
President, Chief Executive Officer and Director
Age 61
Elected in 1989. Served as President and Chief Executive Officer since 1989. Elected Executive Vice President of SOUTHERN in 1991. Served as a Director of SOUTHERN since 1989.

Michael D. Garrett
Executive Vice President
Age 51
Elected in 1998. Served as Executive Vice President of Customer Service since January 2000. Previously served as Executive Vice President of External Affairs from March 1998 to January 2000; and Senior Vice President of External Affairs from February 1994 to March 1998.

William B. Hutchins, III
Executive Vice President, Chief Financial Officer and Treasurer
Age 57
Elected in 1991. Served as Treasurer since 1998 in addition to Executive Vice President and Chief Financial Officer since 1991.

C. Alan Martin
Executive Vice President
Age 52
Elected in 1999. Served as Executive Vice President of External Affairs since January 2000. Previously served as Executive Vice President and Chief Marketing Officer for SOUTHERN from 1998 to 1999; and Vice President of Human Resources for SOUTHERN from May 1995 to March 1998.

Jerry L. Stewart
Senior Vice President
Age 51
Elected in 1999. Served as Senior Vice President of Fossil and Hydro Generation since 1999. Previously served as Vice President of SCS from 1992 to 1999.

The officers of ALABAMA were elected for a term running from the last annual meeting of the directors (April 28, 2000) for one year until the next annual meeting or until their successors are elected and have qualified.

EXECUTIVE OFFICERS OF GEORGIA

(Identification of executive officers of GEORGIA is inserted in Part I in accordance with Regulation S-K, Item 401(b), Instruction 3.) The ages of the officers set forth below are as of December 31, 2000.

David M. Ratcliffe
President, Chief Executive Officer and Director
Age 52
Elected as an Executive Officer in 1998 and as Director in 1999. Served as President and Chief Executive Officer since June 1999. Previously served as Executive Vice President, Treasurer and Chief Financial Officer of GEORGIA from 1998 to 1999; and as Senior Vice President of SOUTHERN from March 1995 to March 1998.

William C. Archer, III
Executive Vice President
Age 52
Elected in 1995. Served as Executive Vice President of External Affairs since 1995. Previously served as Senior Vice President of External Affairs from April 1995 to September 1995.

Thomas A. Fanning
Executive Vice President, Treasurer and
Chief Financial Officer
Age 43
Elected in 1999. Previously served as Senior Vice President of SOUTHERN from June 1998 to June 1999; and Senior Vice President and Chief Information Officer for SOUTHERN from March 1995 to 1998.

Gene R. Hodges
Executive Vice President
Age 62
Elected in 1986. Served as Executive Vice President of Customer Operations, Power Delivery and Safety since 1992.

James K. Davis
Senior Vice President
Age 60
Elected in 1993. Served as Senior Vice President of Corporate Relations since 1993, with Employee Relations being added to his responsibilities in 2000.

Robert H. Haubein
Senior Vice President
Age 60
Elected in 1992. Served as Senior Vice President of Fossil/Hydro Power since 1994.

Leonard J. Haynes
Senior Vice President
Age 50
Elected in 1998. Served as Senior Vice President of Marketing since 1998. Previously served as Vice President of Retail Sales and Services from October 1995 to November 1998.

Fred D. Williams
Senior Vice President
Age 56
Elected in 1992. Served as Senior Vice President of Resource Policy and Planning since 1998. Previously served as Senior Vice President of Wholesale Power Marketing from 1995 to 1998.

The officers of GEORGIA were elected for a term running from the last annual meeting of the directors (May 17, 2000) for one year until the next annual meeting or until their successors are elected and have qualified.

EXECUTIVE OFFICERS OF GULF

(Identification of executive officers of GULF is inserted in Part I in accordance with Regulation S-K, Item 401(b), Instruction 3.) The ages of the officers set forth below are as of December 31, 2000.

Travis J. Bowden
President, Chief Executive Officer and Director
Age 62
Elected in 1994. Served as President and Chief Executive Officer since 1994.

Francis M. Fisher, Jr.
Vice President
Age 52
Elected in 1989. Served as Vice President of Power Delivery and Customer Operations since 1996. Previously served as Vice President of Employee and External Relations from 1989 to 1996.

John E. Hodges, Jr.
Vice President
Age 57
Elected in 1989. Served as Vice President of Marketing and Employee/External Affairs since 1996. Previously served as Vice President of Customer Operations from 1989 to 1996.

Ronnie R. Labrato
Comptroller and Chief Financial Officer
Age 47
Elected as an Executive Officer in July 2000. Previously served as Controller from 1992 to 2000.

Robert G. Moore
Vice President
Age 51
Elected in 1997. Served as Vice President of Power Generation and Transmission of GULF and Vice President of Fossil Generation of SCS since 1997. Previously served as Plant Manager of Plant Bowen at GEORGIA from March 1993 to August 1997.

Warren E. Tate
Secretary/Treasurer and
Regional Chief Information Officer
Age 58
Elected as an Executive Officer in July 2000. Served as Secretary/Treasurer and Regional Chief Information Officer since 1996.

The officers of GULF were elected for a term running from the last annual meeting of the directors (July 28, 2000) for one year until the next annual meeting or until their successors are elected and have qualified.

EXECUTIVE OFFICERS OF MISSISSIPPI

(Identification of executive officers of MISSISSIPPI is inserted in Part I in accordance with Regulation S-K, Item 401(b), Instruction 3.) The ages of the officers set forth below are as of December 31, 2000.

Dwight H. Evans
President, Chief Executive Officer and Director
Age 52
Elected in 1995. Previously served as Executive Vice President of External Affairs of GEORGIA from 1989 to 1995.

H. E. Blakeslee
Vice President
Age 60
Elected in 1984. Served as Vice President of Customer Services and Retail Marketing since 1984.

Don E. Mason
Vice President
Age 59
Elected in 1983. Served as Vice President of External Affairs and Corporate Services since 1983.

Michael W. Southern
Vice President, Secretary, Treasurer and Chief Financial Officer
Age 48
Elected in 1995. Served as Vice President, Secretary, Treasurer and Chief Financial Officer since 1995.

Gene L. Ussery, Jr.
Vice President
Age 51
Elected in 2000. Served as Vice President of Power Generation and Delivery since September 2000. Previously served as Northern Cluster Manager at GEORGIA for Plants Hammond, Bowen and McDonough-Atkinson from July 2000 to September 2000. He served as Manager of Plant Bowen at GEORGIA from 1997 to 2000; and Manager of Plant McDonough at GEORGIA from 1996 to 1997.

The officers of MISSISSIPPI were elected for a term running from the last annual meeting of the directors (April 26, 2000) for one year until the next annual meeting or until their successors are elected and have qualified, except for Mr. Ussery, whose election was effective on September 21, 2000.

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PART II

Item 5. MARKET FOR REGISTRANTS' COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

(a) The common stock of SOUTHERN is listed and traded on the New York Stock Exchange. The stock is also traded on regional exchanges across the United States. High and low stock prices, per the New York Stock Exchange Composite Tape during each quarter for the past two years were as follows:

	High	Low
2000		
First Quarter	$25-7/8	$20-3/8
Second Quarter	27-7/8	21-11/16
Third Quarter	35	23-13/32
Fourth Quarter	33-22/25	27-1/2
1999		
First Quarter	$29-5/8	$23-1/4
Second Quarter	29-3/16	22-3/4
Third Quarter	28	25
Fourth Quarter	27-1/8	22-1/16

There is no market for the other registrants' common stock, all of which is owned by SOUTHERN. On February 28, 2001, the closing price of SOUTHERN's common stock was $30.95.

(b) Number of SOUTHERN's common stockholders at December 31, 2000: 160,116

Each of the other registrants have one common stockholder, SOUTHERN.

(c) Dividends on each registrant's common stock are payable at the discretion of their respective board of directors. The dividends on common stock declared by SOUTHERN and the integrated Southeast utilities to their stockholder(s) for the past two years were as follows: (in thousands)

Registrant	Quarter	2000	1999
SOUTHERN	First	$220,557	$233,879
	Second	217,289	233,445
	Third	217,289	228,690
	Fourth	218,098	225,470
ALABAMA	First	103,600	98,000
	Second	105,200	98,400
	Third	104,400	99,700
	Fourth	103,900	103,500
GEORGIA	First	136,500	133,100
	Second	138,600	133,700
	Third	137,600	135,500
	Fourth	136,900	140,700
GULF	First	14,600	15,000
	Second	14,900	15,100
	Third	14,800	15,300
	Fourth	14,700	15,900
MISSISSIPPI	First	13,600	13,800
	Second	13,800	13,800
	Third	13,700	14,000
	Fourth	13,600	14,500
SAVANNAH	First	6,100	6,200
	Second	6,200	6,200
	Third	6,000	6,300
	Fourth	6,000	6,500

The dividend paid per share by SOUTHERN was 33.5¢ for each quarter of 1999 and 2000. The dividend paid on SOUTHERN's common stock for the first quarter of 2001 was 33.5¢ per share.

The amount of dividends on their common stock that may be paid by the subsidiary registrants is restricted in accordance with their first mortgage bond indenture. The

amounts of earnings retained in the business and the amounts restricted against the payment of cash dividends on common stock at December 31, 2000 were as follows:

	Retained Earnings	Restricted Amount
	(in millions)	
ALABAMA	$1,228	$ 796
GEORGIA	1,788	891
GULF	156	127
MISSISSIPPI	173	118
SAVANNAH	110	68
Consolidated	4,672	2,000

Item 6. SELECTED FINANCIAL DATA

SOUTHERN. Reference is made to information under the heading "Selected Consolidated Financial and Operating Data," contained herein at pages II-41 and II-42.

ALABAMA. Reference is made to information under the heading "Selected Financial and Operating Data," contained herein at pages II-74 and II-75.

GEORGIA. Reference is made to information under the heading "Selected Financial and Operating Data," contained herein at pages II-109 and II-110.

GULF. Reference is made to information under the heading "Selected Financial and Operating Data," contained herein at pages II-138 and II-139.

MISSISSIPPI. Reference is made to information under the heading "Selected Financial and Operating Data," contained herein at pages II-167 and II-168.

SAVANNAH. Reference is made to information under the heading "Selected Financial and Operating Data," contained herein at pages II-194 and II-195.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

SOUTHERN. Reference is made to information under the heading "Management's Discussion and Analysis of Results of Operations and Financial Condition," contained herein at pages II-8 through II-17.

ALABAMA. Reference is made to information under the heading "Management's Discussion and Analysis of Results of Operations and Financial Condition," contained herein at pages II-46 through II-54.

GEORGIA. Reference is made to information under the heading "Management's Discussion and Analysis of Results of Operations and Financial Condition," contained herein at pages II-79 through II-87.

GULF. Reference is made to information under the heading "Management's Discussion and Analysis of Results of Operations and Financial Condition," contained herein at pages II-114 through II-122.

MISSISSIPPI. Reference is made to information under the heading "Management's Discussion and Analysis of Results of Operations and Financial Condition," contained herein at pages II-143 through II-150.

SAVANNAH. Reference is made to information under the heading "Management's Discussion and Analysis of Results of Operations and Financial Condition," contained herein at pages II-172 through II-178.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Reference is made to information in SOUTHERN's "Management's Discussion and Analysis - Market Price Risk" and to Note 1 to SOUTHERN's financial statements under the heading "Financial Instruments for Non-Trading Activities" contained herein on pages II-13 through II-14 and II-28, respectively.

Reference is also made to "Management's Discussion and Analysis – Exposure to Market Risks" in Item 7 of ALABAMA, GEORGIA, GULF, MISSISSIPPI and SAVANNAH contained herein at pages II-51, II-83. II-118, II-146, and II-175, respectively.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

THE SOUTHERN COMPANY
AND SUBSIDIARY COMPANIES

FINANCIAL SECTION

MANAGEMENT'S REPORT
Southern Company and Subsidiary Companies 2000 Annual Report

The management of Southern Company has prepared -- and is responsible for -- the consolidated financial statements and related information included in this report. These statements were prepared in accordance with accounting principles generally accepted in the United States and necessarily include amounts that are based on the best estimates and judgments of management. Financial information throughout this annual report is consistent with the financial statements.

The company maintains a system of internal accounting controls to provide reasonable assurance that assets are safeguarded and that the accounting records reflect only authorized transactions of the company. Limitations exist in any system of internal controls, however, based on a recognition that the cost of the system should not exceed its benefits. The company believes its system of internal accounting controls maintains an appropriate cost/benefit relationship.

The company's system of internal accounting controls is evaluated on an ongoing basis by the company's internal audit staff. The company's independent public accountants also consider certain elements of the internal control system in order to determine their auditing procedures for the purpose of expressing an opinion on the financial statements.

The audit committee of the board of directors, composed of five independent directors provides a broad overview of management's financial reporting and control functions. Periodically, this committee meets with management, the internal auditors, and the independent public accountants to ensure that these groups are fulfilling their obligations and to discuss auditing, internal controls, and financial reporting matters. The internal auditors and independent public accountants have access to the members of the audit committee at any time.

Management believes that its policies and procedures provide reasonable assurance that the company's operations are conducted according to a high standard of business ethics.

In management's opinion, the consolidated financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of Southern Company and its subsidiary companies in conformity with accounting principles generally accepted in the United States.

H. Allen Franklin
President and Chief Executive Officer

Gale E. Klappa
Financial Vice President, Chief Financial Officer, and Treasurer

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Southern Company:

We have audited the accompanying consolidated balance sheets and consolidated statements of capitalization of Southern Company (a Delaware corporation) and subsidiary companies as of December 31, 2000 and 1999, and the related consolidated statements of income, comprehensive income, common stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements (pages II-18 through II-40) referred to above present fairly, in all material respects, the financial position of Southern Company and subsidiary companies as of December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Arthur Andersen LLP

Atlanta, Georgia
February 28, 2001

RESULTS OF OPERATIONS

Overview of Consolidated Earnings

Southern Company's solid financial performance resulted in record earnings for 2000. Higher earnings were driven by both strong growth of selling electricity in the Southeast and by the global subsidiary's competitive energy supply business outside the Southeast. Reported earnings in both 2000 and 1999 reflected significant items not related to the normal day-to-day business activities. After adjusting for these items, earnings per share for 2000 was $2.13 compared with $1.90 in 1999. Earnings as reported and the details of earnings as adjusted are shown in the following table.

In April 2000, Southern Company announced an initial public offering of up to 19.9 percent of Mirant Corporation -- formerly Southern Energy, Inc. -- and its intentions to spin off the remaining ownership of Mirant to Southern Company stockholders within 12 months of the initial stock offering. On October 2, 2000, Mirant completed an initial public offering of 66.7 million shares of common stock.

On February 19, 2001, Southern Company's board of directors approved the spin off of the remaining ownership of 272 million Mirant shares to be completed in a tax free distribution on April 2, 2001. As a result of the spin off, Southern Company financial statements and related information reflect Mirant as discontinued operations.

A reconciliation of reported consolidated earnings, including discontinued operations, to earnings as adjusted -- which exclude non-day to day business items -- and the related explanations are as follows:

	Consolidated Net Income		Earnings Per Share	
	2000	1999	**2000**	1999
	(in millions)			
Earnings from --				
Continuing operations	**$ 994**	$ 915	**$1.52**	$1.33
Discontinued operations	**319**	361	**.49**	.53
Earnings as reported	**1,313**	1,276	**2.01**	1.86
Mirant transition costs	**80**	–	**.12**	–
Mobile Energy write down	**10**	69	**.01**	.10
Gain on asset sale	**–**	(78)	**–**	(.11)
Work force reductions	**–**	50	**–**	.07
Other	**(8)**	(14)	**(.01)**	(.02)
Total adjustments	**82**	27	**.12**	.04
Earnings as adjusted	**$1,395**	$1,303	**$2.13**	$1.90

Mirant's transition costs shown in the table include charges related to becoming a public company and changes in their tax strategy in Asia.

In 2000 and 1999, Southern Company recorded asset impairment charges related to Mobile Energy Services -- see Note 3 to the financial statements. In 1999, Mirant sold a portion of its business in the United Kingdom. Work force reduction programs began in late 1999 for a German utility in which Mirant has an ownership interest.

Southern Company Business Activities

Discussion of the results of operations is focused on the traditional business of the integrated Southeast utilities. The remaining portion of Southern Company's other business activities include telecommunications, energy products and services, leveraged leasing activities, as well as the parent holding company. The impact of these other business activities on the consolidated results of operations is not significant. For more information, see Note 12.

Integrated Southeast Utilities

The five integrated Southeast utilities provide electric service in four states. These utilities are Alabama Power, Georgia Power, Gulf Power, Mississippi Power, and Savannah Electric. A condensed income statement for these companies is as follows:

	Amount	Increase (Decrease) From Prior Year	
	2000	2000	1999
		(in millions)	
Operating revenues	**$9,860**	**$735**	$(238)
Fuel	**2,564**	**236**	7
Purchased power	**677**	**268**	13
Other operation and maintenance	**2,472**	**41**	4
Depreciation and amortization	**1,135**	**89**	(277)
Taxes other than income taxes	**532**	**11**	13
Total operating expenses	**7,380**	**645**	(240)
Operating income	**2,480**	**90**	2
Other income, net	**(18)**	**(11)**	(84)
Earnings before interest and taxes	**2,462**	**79**	(82)
Interest expenses and other	**650**	**15**	(44)
Income taxes	**703**	**28**	(28)
Net income	**$1,109**	**$ 36**	$ (10)

Revenues

Operating revenues for the integrated Southeast utilities in 2000 and the amount of change from the prior year are as follows:

	Amount	Increase (Decrease) From Prior Year	
	2000	2000	1999
		(in millions)	
Retail --			
Base revenues	**$6,014**	$174	$(262)
Fuel cost recovery and other	**2,599**	**353**	76
Total retail	**8,613**	**527**	(186)
Sales for resale --			
Within service area	**377**	**27**	(24)
Outside service area	**600**	**127**	(49)
Total sales for resale	**977**	**154**	(73)
Other operating revenues	**270**	**54**	21
Operating revenues	**$9,860**	**$735**	$(238)
Percent change		**8.1%**	(2.5)%

Base revenues increased $174 million in 2000 as a result of continued customer growth in the traditional service area and the positive impact of weather on energy sales. However, total base revenues of $5.8 billion in 1999 declined as a result of a Georgia Power rate reduction and recorded revenue sharing in 1999. For additional information, see Note 3 to the financial statements under "Georgia Power 1998 Retail Rate Order." Customer growth in the Southeast somewhat offset the rate decrease.

Electric rates include provisions to adjust billings for fluctuations in fuel costs, the energy component of purchased power costs, and certain other costs. Under these fuel cost recovery provisions, fuel revenues generally equal fuel expenses -- including the fuel component of purchased energy -- and do not affect net income. However, cash flow is affected by the economic loss from untimely recovery of these receivables. Each company has filed or will be filing for approval of new fuel rates to be more reflective of escalating fuel costs.

Revenues from sales for resale within the service area were up as a result of additional demand during the hot summer of 2000. Sales for resale revenues within the service area were $350 million in 1999, down 6.5 percent from the prior year. This sharp decline resulted primarily from supplying less electricity under contractual agreements with certain wholesale customers in 1999.

Energy sales for resale outside the service area are principally unit power sales under long-term contracts to Florida utilities. Economy energy and energy under short-term contracts are also sold for resale outside the service area. Revenues from long-term unit power contracts have both a capacity and energy component. Capacity revenues reflect the recovery of fixed costs and a return on investment under the contracts. Energy is generally sold at variable cost. The capacity and energy components of the unit power contracts were as follows:

	2000	1999	1998
		(in millions)	
Capacity	**$177**	$174	$196
Energy	**178**	157	152
Total	**$355**	$331	$348

Capacity revenues in 2000 and 1999 varied slightly compared with the prior year as a result of adjustments and true-ups related to contractual pricing. No significant declines in the amount of capacity are scheduled until the termination of the contracts in 2010.

Energy Sales

The changes in revenues for the traditional business in the Southeast are influenced heavily by the amount of energy sold each year. Kilowatt-hour sales for 2000 and the percent change by year were as follows:

(billions of kilowatt-hours)	Amount	Percent Change		
	2000	**2000**	1999	1998
Residential	**46.2**	**6.5%**	(0.2)%	10.9%
Commercial	**46.2**	**6.6**	4.0	7.2
Industrial	**56.7**	**1.0**	1.6	2.1
Other	**1.0**	**2.7**	1.6	3.1
Total retail	**150.1**	**4.3**	1.7	6.2
Sales for resale --				
Within service area	**9.6**	**1.5**	(4.1)	(0.4)
Outside service area	**17.2**	**33.0**	(0.4)	(5.6)
Total	**176.9**	**6.4**	1.2	4.7

The rate of growth in 2000 total retail energy sales was very strong. Residential energy sales reflected a substantial increase as a result of the hotter-than-normal summer weather and the number of residential customers served increased by 59,000 during the year.

Commercial and industrial sales, both in 2000 and 1999, continued to show slight gains in excess of the national averages. This reflects the strength of business and economic conditions in Southern Company's traditional service area in the southeastern United States. The rate of increase in 1999 total retail energy sales was significantly lower than in 1998. Residential energy sales experienced a decline as a result of milder weather in 1999, which strongly affected the total retail sales increase of 1.7 percent. Energy sales to retail customers are projected to increase at an average annual rate of 2.1 percent during the period 2001 through 2011.

Sales to customers outside the service area under long-term contracts for unit power sales increased 21 percent in 2000 and increased 19 percent in 1999. These changes in sales were influenced by weather and fluctuations in prices for oil and natural gas, the primary fuel sources for utilities with which the company has long-term contracts. However, these fluctuations in energy sales under long-term contracts have minimal effects on earnings because the energy is generally sold at variable cost.

Expenses

In 2000, operating expenses of $7.4 billion increased $645 million compared with the prior year. The costs to produce electricity for the traditional business in 2000 increased by $498 million to meet higher energy demands. Non-production operation and maintenance expenses increased $47 million in 2000. In 2000, depreciation and amortization expenses increased $89 million of which $50 million resulted from the 1998 Georgia Power rate order as referred to earlier.

In 1999, operating expenses of $6.7 billion decreased $240 million. This decline was driven by a reduction of $277 million accelerated depreciation of plant being recorded primarily as a result of the 1998 Georgia Power rate order. The costs to produce electricity for the traditional business in the Southeast for 1999 increased by $68 million to meet higher energy demands. All other operation and maintenance expenses declined by $44 million.

Fuel costs constitute the single largest expense for the integrated Southeast utilities. The mix of fuel sources for generation of electricity is determined primarily by system load, the unit cost of fuel consumed, and the availability of hydro and nuclear generating units. The amount and sources of generation and the average cost of fuel per net kilowatt-hour generated -- within the traditional business service area -- were as follows:

	2000	1999	1998
Total generation (billions of kilowatt-hours)	**174**	165	164
Sources of generation (percent) –			
Coal	**78**	78	77
Nuclear	**16**	17	16
Hydro	**2**	2	4
Oil and gas	**4**	3	3
Average cost of fuel per net kilowatt-hour generated (cents) –	**1.51**	1.45	1.48

In 2000, fuel and purchased power costs increased $504 million as a result of 10.6 billion more kilowatt-hours being sold than in 1999. Demand was met with some 2.5 billion additional kilowatt-hours being purchased and using generation with higher unit fuel cost than last year.

Total fuel and purchased power costs of $2.7 billion in 1999 increased only $20 million while total energy sales increased 2.0 billion kilowatt-hours compared with the amounts recorded in 1998. Continued efforts to control energy costs helped lower the average cost of fuel per net kilowatt-hour generated in 1999.

Total interest charges and other financing costs in 2000 increased $15 million reflecting new generating units being constructed requiring some external financing. Total interest charges and other financing costs in 1999 decreased $44 million from amounts reported in the previous year. The decline reflected additional refinancing of debt in 1999.

Discontinued Operations

Mirant is a global energy company whose businesses include competitive electricity distribution companies, independent power projects, and energy trading and risk management companies.

On February 19, 2001, Southern Company's board of directors approved the spin off of Mirant, to be effective on April 2, 2001. As a result of this action, Mirant's financial and related information is shown as discontinued operations. All historical financial statements, footnotes, and related disclosures have been reclassified to conform with the current year presentation.

Earnings from discontinued operations are shown net of income taxes and minority interest. Southern Company earnings per share as adjusted was $2.13 in 2000, of which Mirant's earnings as adjusted contributed approximately $0.60 per share. On the same basis in 1999, Southern Company earnings per share was $1.90, of which $0.47 was attributed to Mirant.

Effects of Inflation

Southern Company's traditional business of the integrated Southeast utilities is subject to rate regulation and income tax laws that are based on the recovery of historical costs. Therefore, inflation creates an economic loss because the company is recovering its costs of investments in dollars that have less purchasing power. While the inflation rate has been relatively low in recent years, it continues to have an adverse effect on Southern Company because of the large investment in utility plant with long economic lives. Conventional accounting for historical cost does not recognize this economic loss nor the partially offsetting gain that arises through financing facilities with fixed-money obligations such as long-term debt and preferred securities. Any recognition of inflation by regulatory authorities is reflected in the rate of return allowed.

Future Earnings Potential

The results of continuing operations for the past three years are not necessarily indicative of future earnings potential. The level of Southern Company's future earnings depends on numerous factors. The two major factors are the ability of the regulated integrated Southeast utilities to achieve energy sales growth while containing cost in a more competitive environment; and the profitability of the new competitive market-based wholesale generating facilities being added.

The traditional business or the five Southeast utilities currently operate as vertically integrated companies providing electricity to customers within the traditional service area of the southeastern United States. Prices for electricity provided to retail customers are set by state public service commissions under cost-based regulatory principles. Retail rates and earnings are reviewed and adjusted periodically within certain limitations based on earned return on equity. See Note 3 to the financial statements for additional information about these and other regulatory matters.

Future earnings for the traditional business in the near term will depend upon growth in energy sales, which is subject to a number of factors. These factors include weather, competition, new short and long-term contracts with neighboring utilities, energy conservation practiced by customers, the elasticity of demand, and the rate of economic growth in the traditional service area.

The electric utility industry in the United States is continuing to evolve as a result of regulatory and competitive factors. Among the primary agents of change has been the Energy Policy Act of 1992 (Energy Act). The Energy Act allows independent power producers (IPPs) to access a utility's transmission network in order to sell electricity to other utilities. This enhances the incentive for IPPs to build cogeneration plants for a utility's large industrial and commercial customers and sell energy generation to other utilities. Also, electricity sales for resale rates are affected by wholesale transmission access and numerous potential new energy suppliers, including power marketers and brokers.

Although the Energy Act does not permit retail customer access, it was a major catalyst for the current restructuring and consolidation taking place within the utility industry. Numerous federal and state initiatives are in varying stages to promote wholesale and retail competition. Among other things, these initiatives allow customers to choose their electricity provider. Some states have approved initiatives that result in a separation of the ownership and/or operation of generating facilities from the ownership and/or operation of transmission and distribution facilities. While various restructuring and competition initiatives have been discussed in Alabama, Florida, Georgia, and Mississippi, none have been enacted. Enactment would require numerous issues to be resolved, including significant ones relating to recovery of any stranded investments, full cost recovery of energy produced, and other issues related to the current energy

crisis in California. As a result of this crisis, many states have either discontinued or delayed implementation of initiatives involving retail deregulation. The inability of a company to recover its investments, including the regulatory assets described in Note 1 to the financial statements, could have a material adverse effect on financial condition and results of operations.

Continuing to be a low-cost producer could provide opportunities to increase market share and profitability in markets that evolve with changing regulation. Conversely, if Southern Company's integrated Southeast utilities do not remain low-cost producers and provide quality service, then energy sales growth could be limited, and this could significantly erode earnings.

To adapt to a less regulated, more competitive environment, Southern Company continues to evaluate and consider a wide array of potential business strategies. These strategies may include business combinations, acquisitions involving other utility or non-utility businesses or properties, internal restructuring, disposition of certain assets, or some combination thereof. Furthermore, Southern Company may engage in other new business ventures that arise from competitive and regulatory changes in the utility industry. Pursuit of any of the above strategies, or any combination thereof, may significantly affect the business operations and financial condition of Southern Company.

On December 20, 1999, the Federal Energy Regulatory Commission (FERC) issued its final rule on Regional Transmission Organizations (RTOs). The order encouraged utilities owning transmission systems to form RTOs on a voluntary basis. After participating in regional conferences with customers and other members of the public to discuss the formation of RTOs, utilities were required to make a filing with the FERC. Southern Company filed on October 16, 2000, a proposal for the creation of an RTO. The proposal is for the formation of a for-profit company that would have control of the bulk power transmission system of Southern Company and any other participating utilities. Participants would have the option to either maintain their ownership, divest, sell, or lease their assets to the proposed RTO. If the FERC accepts the proposal as filed, the creation of an RTO is not expected to have a material impact on Southern Company's financial statements. The outcome of this matter cannot now be determined.

The Energy Act amended the Public Utility Holding Company Act of 1935 (PUHCA) to allow holding companies to form exempt wholesale generators to sell power largely free of regulation under PUHCA. These entities are able to own and operate power generating facilities and sell power to affiliates -- under certain restrictions.

Southern Company is aggressively working to maintain and expand its share of wholesale sales in the southeastern power markets. In January 2001, Southern Company announced the formation of a new subsidiary -- Southern Power Company. The new subsidiary will own, manage, and finance wholesale generating assets in the Southeast. Southern Power will be the primary growth engine for Southern Company's market-based energy business. Energy from its assets will be marketed to wholesale customers under the Southern Company name. By 2005, plans call for Southern Power to have developed or acquired more than 7,500 megawatts dedicated to the competitive wholesale business. Within 10 years, the new wholesale generating company's goal is to own more than 15,000 megawatts.

In accordance with Financial Accounting Standards Board (FASB) Statement No. 87, Employers' Accounting for Pensions, Southern Company recorded non-cash income of approximately $130 million in 2000. Pension plan income in 2001 is expected to be less as a result of plan amendments. Future pension income is dependent on several factors including trust earnings and changes to the plan. For more information, see Note 2.

Southern Company is involved in various matters being litigated. See Note 3 to the financial statements for information regarding material issues that could possibly affect future earnings.

Compliance costs related to current and future environmental laws and regulations could affect earnings if such costs are not fully recovered. The Clean Air Act and other important environmental items are discussed later under "Environmental Matters."

The staff of the SEC has questioned certain of the current accounting practices of the electric utility industry -- including Southern Company's -- regarding the recognition, measurement, and classification in the financial statements of decommissioning costs for nuclear generating facilities. In response to these questions, the Financial Accounting Standards Board (FASB) is reviewing the accounting for liabilities related

to the retirement of long-lived assets, including nuclear decommissioning. If the FASB issues new accounting rules, the estimated costs of retiring Southern Company's nuclear and other facilities may be required to be recorded as liabilities in the Consolidated Balance Sheets. Also, the annual provisions for such costs could change. Because of the company's current ability to recover asset retirement costs through rates, these changes would not have a significant adverse effect on results of operations. See Note 1 to the financial statements under "Depreciation and Nuclear Decommissioning" for additional information.

The integrated Southeast utilities are subject to the provisions of FASB Statement No. 71, Accounting for the Effects of Certain Types of Regulation. In the event that a portion of a company's operations is no longer subject to these provisions, the company would be required to write off related regulatory assets and liabilities that are not specifically recoverable, and determine if any other assets have been impaired. See Note 1 to the financial statements under "Regulatory Assets and Liabilities" for additional information.

New Accounting Standard

In June 2000, FASB issued Statement No. 138, an amendment of Statement No. 133, Accounting for Derivative Instruments and Hedging Activities. Statement No. 133, as amended, establishes accounting and reporting standards for derivative instruments and for hedging activities. Statement No. 133 requires that certain derivative instruments be recorded in the balance sheet as either an asset or liability measured at fair value, and that changes in the fair value be recognized currently in earnings unless specific hedge accounting criteria are met.

Southern Company utilizes financial instruments to reduce its exposure to changes in interest rates and foreign currency exchange rates. Southern Company also enters into commodity related forward contracts to limit exposure to changing prices on certain fuel purchases and electricity purchases and sales.

Substantially all of these bulk energy purchases and sales meet the definition of a derivative under Statement No. 133. In many cases, these transactions meet the normal purchase and sale exception and the related contracts will continue to be accounted for under the accrual method. Certain of these instruments qualify as cash flow hedges resulting in the deferral of related gains and losses in other comprehensive income until the hedged transactions occur. Any ineffectiveness will be recognized currently in net income. However, others will be required to be marked to market through current period income.

Southern Company adopted Statement No. 133 effective January 1, 2001. The cumulative effect of adoption was a reduction of approximately $300 million in comprehensive income, which was all related to discontinued operations. The impact on net income was immaterial. The application of the new rules is still evolving and further guidance from FASB is expected, which could additionally impact Southern Company's financial statements. Also, as wholesale energy markets mature, the accounting for future transactions could be significantly impacted by Statement No. 133, resulting in more volatility in net income and comprehensive income.

FINANCIAL CONDITION

Overview

Southern Company's financial condition continues to remain strong. In 2000, the integrated Southeast utilities' earnings were at the high end of their respective allowed range of return on equity. Also, earnings from discontinued operations made a solid contribution. These factors drove the reported consolidated net income to a record $1.31 billion in 2000. The quarterly dividend declared in January 2001 was 33 1/2 cents per share, or $1.34 annually. Southern Company is committed to a goal of maintaining its current annual dividend of $1.34 per share and to grow the dividend over time consistent with earnings expectations. After the Mirant spin off, Southern Company's target will be to grow earnings per share at an average annual rate of 3 to 5 percent.

Gross property additions to utility plant from continuing operations were $2.2 billion in 2000. The majority of funds needed for gross property additions since 1997 has been provided from operating activities. The Consolidated Statements of Cash Flows provide additional details.

Market Price Risk

Southern Company is exposed to market risks, including changes in interest rates, currency exchange rates, and certain commodity prices. To manage the volatility

attributable to these exposures, the company nets the exposures to take advantage of natural offsets and enters into various derivative transactions for the remaining exposures pursuant to the company's policies in areas such as counterparty exposure and hedging practices. Generally, company policy is that derivatives are to be used only for hedging purposes. Derivative positions are monitored using techniques that include market valuation and sensitivity analysis.

The company's market risk exposures relative to interest rate changes have not changed materially versus the previous reporting period. In addition, the company is not aware of any facts or circumstances that would significantly impact such exposures in the near-term.

If the company sustained a 100 basis point change in interest rates for all variable rate debt, the change would affect annualized interest expense by approximately $23 million at December 31, 2000. Based on the company's overall interest rate exposure at December 31, 2000, including derivative and other interest rate sensitive instruments, a near-term 100 basis point change in interest rates would not materially affect the consolidated financial statements.

Due to cost-based rate regulations, the integrated Southeast utilities have limited exposure to market volatility in interest rates, commodity fuel prices, and prices of electricity. To mitigate residual risks relative to movements in electricity prices, the companies enter into fixed price contracts for the purchase and sale of electricity through the wholesale electricity market. Realized gains and losses are recognized in the income statement as incurred. At December 31, 2000, exposure from these activities was not material to the consolidated financial statements.

For additional information, see Note 1 to the financial statements under "Financial Instruments for Non-Trading Activities."

Capital Structure

During 2000, the integrated Southeast utilities sold, through public authorities, $79 million of pollution control revenue bonds. In addition, senior notes of $650 million were issued in 2000. The companies continued to reduce financing costs by retiring higher-cost securities. Retirements of bonds and senior notes, including maturities, totaled $298 million during 2000, $1.2 billion during 1999, and $1.7 billion during 1998. Retirements of preferred stock totaled $86 million during 1999 and $239 million during 1998.

In December 2000, Southern Company issued 28 million treasury shares of common stock through a public offering. The offering raised $800 million and was priced at $28.50 per share. The proceeds were used to reduce debt.

In April 1999, Southern Company announced the repurchase of up to 50 million shares of its common stock over a two-year period through open market or privately negotiated transactions. Under this program, 50 million shares were repurchased by February 2000 at an average price of $25.53. Funding for the program was provided from Southern Company's commercial paper program. At the close of 2000, the company's common stock market value was 33 1/4 per share, compared with book value of $15.69 per share. The market-to-book value ratio was 212 percent at the end of 2000, compared with 170 percent at year-end 1999, and 207 percent at year-end 1998.

Capital Requirements for Construction

The construction program of Southern Company is budgeted at $2.9 billion for 2001, $2.6 billion for 2002, and $1.7 billion for 2003. Actual construction costs may vary from this estimate because of changes in such factors as: business conditions; environmental regulations; nuclear plant regulations; load projections; the cost and efficiency of construction labor, equipment, and materials; and the cost of capital. In addition, there can be no assurance that costs related to capital expenditures will be fully recovered.

Southern Company has approximately 6,600 megawatts of new generating capacity scheduled to be placed in service by 2003. Approximately 4,400 megawatts of additional new capacity will be dedicated to the wholesale market and owned by Southern Power. Significant construction of transmission and distribution facilities and upgrading of generating plants will be continuing for the traditional business in the Southeast.

Other Capital Requirements

In addition to the funds needed for the construction program, approximately $1.4 billion will be required by the end of 2003 for present improvement fund requirements and maturities of long-term debt. Also, the subsidiaries will continue to retire higher-cost debt and preferred stock and replace these obligations with lower-cost capital if market conditions permit.

Environmental Matters

On November 3, 1999, the Environmental Protection Agency (EPA) brought a civil action in the U.S. District Court against Alabama Power, Georgia Power, and the system service company. The complaint alleges violations of the prevention of significant deterioration and new source review provisions of the Clean Air Act with respect to five coal-fired generating facilities in Alabama and Georgia. The civil action requests penalties and injunctive relief, including an order requiring the installation of the best available control technology at the affected units. The EPA concurrently issued to the integrated Southeast utilities a notice of violation related to 10 generating facilities, which includes the five facilities mentioned previously. In early 2000, the EPA filed a motion to amend its complaint to add the violations alleged in its notice of violation, and to add Gulf Power, Mississippi Power, and Savannah Electric as defendants. The complaint and notice of violation are similar to those brought against and issued to several other electric utilities. These complaints and notices of violation allege that the utilities had failed to secure necessary permits or install additional pollution equipment when performing maintenance and construction at coal burning plants constructed or under construction prior to 1978. On August 1, 2000, the U.S. District Court granted Alabama Power's motion to dismiss for lack of jurisdiction in Georgia and granted the system service company's motion to dismiss on the grounds that it neither owned nor operated the generating units involved in the proceedings. On January 12, 2001, the EPA re-filed its claims against Alabama Power in federal district court in Birmingham, Alabama. The EPA did not include the system service company in the new complaint. Southern Company believes that its integrated utilities complied with applicable laws and the EPA's regulations and interpretations in effect at the time the work in question took place. The Clean Air Act authorizes civil penalties of up to $27,500 per day per violation at each generating unit. Prior to January 30, 1997, the penalty was $25,000 per day. An adverse outcome of this matter could require substantial capital expenditures that cannot be determined at this time and possibly require payment of substantial penalties. This could affect future results of operations, cash flows, and possibly financial condition if such costs are not recovered through regulated rates.

In November 1990, the Clean Air Act Amendments of 1990 (Clean Air Act) were signed into law. Title IV of the Clean Air Act -- the acid rain compliance provision of the law -- significantly affected Southern Company. Specific reductions in sulfur dioxide and nitrogen oxide emissions from fossil-fired generating plants were required in two phases. Phase I compliance began in 1995 and some 50 generating units were brought into compliance with Phase I requirements.

Southern Company achieved Phase I sulfur dioxide compliance at the affected plants by switching to low-sulfur coal, which required some equipment upgrades. Construction expenditures for Phase I nitrogen oxide and sulfur dioxide emissions compliance totaled approximately $300 million.

Phase II sulfur dioxide compliance was required in 2000. Southern Company used emission allowances and fuel switching to comply with Phase II requirements. Also, equipment to control nitrogen oxide emissions was installed on additional system fossil-fired units as necessary to meet Phase II limits and ozone non-attainment requirements for metropolitan Atlanta through 2000. Compliance for Phase II and initial ozone non-attainment requirements increased total construction expenditures through 2000 by approximately $100 million.

The one-hour ozone non-attainment standards for the Atlanta and Birmingham areas have been set and must be implemented in May 2003. Seven generating plants will be affected in the Atlanta area and two plants in the Birmingham area. Additional construction expenditures for compliance with these new rules are currently estimated at approximately $935 million.

A significant portion of costs related to the acid rain and ozone non-attainment provisions of the Clean Air Act is expected to be recovered through existing ratemaking provisions. However, there can be no assurance that all Clean Air Act costs will be recovered.

In July 1997, the EPA revised the national ambient air quality standards for ozone and particulate matter. This revision made the standards significantly more stringent. In the subsequent litigation of these standards, the U.S. Supreme Court recently dismissed certain challenges but found the EPA's implementation program for the new ozone standard unlawful and remanded it to the EPA. In addition, the Federal District of Columbia Circuit Court of Appeals will address other legal challenges to these standards in mid-2001. If the standards are eventually upheld, implementation could be required by 2007 to 2010.

In September 1998, the EPA issued the final regional nitrogen oxide reduction rules to the states for implementation. Compliance is required by May 31, 2004. The final rule affects 21 states, including Alabama and Georgia. Additional construction expenditures for compliance with these new rules are currently estimated at approximately $195 million.

In December 2000, the EPA completed its utility studies for mercury and other hazardous air pollutants (HAPS) and issued a determination that an emission control program for mercury and, perhaps, other HAPS is warranted. The program is to be developed over the next four years under the Maximum Achievable Control Technology (MACT) provisions of the Clean Air Act. This determination is being challenged in the courts. In January 2001, the EPA proposed guidance for the determination of Best Available Retrofit Technology (BART) emission controls under the Regional Haze Regulations. Installation of BART controls is expected to take place around 2010. Litigation of the BART rules is probable in the near future.

Implementation of the final state rules for these initiatives could require substantial further reductions in nitrogen oxide, sulfur dioxide, mercury, and other HAPS emissions from fossil-fired generating facilities and other industries in these states. Additional compliance costs and capital expenditures resulting from the implementation of these rules and standards cannot be determined until the results of legal challenges are known, and the states have adopted their final rules. Reviews by the new administration in Washington, D.C. add to the uncertainties associated with BART guidance and the MACT determination for mercury and other HAPS.

The EPA and state environmental regulatory agencies are reviewing and evaluating various other matters including: control strategies to reduce regional haze; limits on pollutant discharges to impaired waters; water intake restrictions; and hazardous waste disposal requirements. The impact of any new standards will depend on the development and implementation of applicable regulations.

Southern Company must comply with other environmental laws and regulations that cover the handling and disposal of hazardous waste. Under these various laws and regulations, the subsidiaries could incur substantial costs to clean up properties. The subsidiaries conduct studies to determine the extent of any required cleanup costs and have recognized in their respective financial statements costs to clean up known sites. These costs for Southern Company amounted to $4 million in 2000, $4 million in 1999, and $6 million in 1998. Additional sites may require environmental remediation for which the subsidiaries may be liable for a portion or all required cleanup costs. See Note 3 to the financial statements for information regarding Georgia Power's potentially responsible party status at a site in Brunswick, Georgia.

Several major pieces of environmental legislation are being considered for reauthorization or amendment by Congress. These include: the Clean Air Act; the Clean Water Act; the Comprehensive Environmental Response, Compensation, and Liability Act; the Resource Conservation and Recovery Act; the Toxic Substances Control Act; and the Endangered Species Act. Changes to these laws could affect many areas of Southern Company's operations. The full impact of any such changes cannot be determined at this time.

Compliance with possible additional legislation related to global climate change, electromagnetic fields, and other environmental and health concerns could significantly affect Southern Company. The impact of new legislation -- if any -- will depend on the subsequent development and implementation of

applicable regulations. In addition, the potential exists for liability as the result of lawsuits alleging damages caused by electromagnetic fields.

Sources of Capital

The amount and timing of additional equity capital to be raised in 2001 -- as well as in subsequent years -- will be contingent on Southern Company's investment opportunities. Equity capital can be provided from any combination of public offerings, private placements, or the company's stock plans.

The integrated Southeast utilities plan to obtain the funds required for construction and other purposes from sources similar to those used in the past, which were primarily from internal sources. However, the type and timing of any financings -- if needed -- will depend on market conditions and regulatory approval. In recent years, financings primarily have utilized unsecured debt and trust preferred securities.

Southern Power will use both external funds and equity capital from Southern Company to finance its construction program.

To meet short-term cash needs and contingencies, Southern Company had at the beginning of 2001 approximately $199 million of cash and cash equivalents and $5.1 billion of unused credit arrangements with banks.

Cautionary Statement Regarding Forward-Looking Information

Southern Company's 2000 Annual Report includes forward-looking statements in addition to historical information. Forward-looking information includes, among other things, statements concerning the strategic goals for Southern Company's new wholesale business and also Southern Company's earnings per share and earnings growth goals. In some cases, forward-looking statements can be identified by terminology such as "may," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of these terms or other comparable terminology. Southern Company cautions that there are various important factors that could cause actual results to differ materially from those indicated in the forward-looking statements; accordingly, there can be no assurance that such indicated results will be realized. These factors include the impact of recent and future federal and state regulatory change, including legislative and regulatory initiatives regarding deregulation and restructuring of the electric utility industry and also changes in environmental and other laws and regulations to which Southern Company and its subsidiaries are subject, as well as changes in application of existing laws and regulations; current and future litigation, including the pending EPA civil action against Georgia Power and potentially other of Southern Company's subsidiaries and the race discrimination litigation against certain of Southern Company's subsidiaries; the extent and timing of the entry of additional competition in the markets of Southern Company's subsidiaries; potential business strategies, including acquisitions or dispositions of assets or businesses, which cannot be assured to be completed or beneficial; internal restructuring or other restructuring options, that may be pursued by Southern Company; state and federal rate regulation in the United States and in foreign countries in which Southern Company's subsidiaries operate; political, legal and economic conditions and developments in the United States and in foreign countries in which Southern Company's subsidiaries operate; financial market conditions and the results of financing efforts; the impact of fluctuations in commodity prices, interest rates and customer demand; weather and other natural phenomena; the performance of projects undertaken by the non-traditional business and the success of efforts to invest in and develop new opportunities; the timing and acceptance of Southern Company's new product and service offerings; the ability of Southern Company to obtain additional generating capacity at competitive prices; developments in the California power markets, including, but not limited to, governmental intervention, deterioration in the financial condition of counterparties, default on receivables due, adverse results in current or future litigation and adverse changes in the tariffs of the California Power Exchange Corporation or the California Independent System Operator Corporation; and other factors discussed elsewhere herein and in other reports (including Form 10-K) filed from time to time by Southern Company with the SEC.

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CONSOLIDATED STATEMENTS OF INCOME

For the Years Ended December 31, 2000, 1999, and 1998
Southern Company and Subsidiary Companies 2000 Annual Report

	2000	1999	1998
		(in millions)	
Operating Revenues:			
Retail sales	**$ 8,613**	$8,086	$8,272
Sales for resale	**977**	823	896
Other revenues	**476**	408	331
Total operating revenues	**10,066**	9,317	9,499
Operating Expenses:			
Fuel	**2,564**	2,328	2,321
Purchased power	**677**	409	396
Other operations	**1,862**	1,839	1,852
Maintenance	**852**	829	800
Depreciation and amortization	**1,171**	1,139	1,340
Taxes other than income taxes	**536**	523	511
Total operating expenses	**7,662**	7,067	7,220
Operating Income	**2,404**	2,250	2,279
Other Income:			
Interest income	**51**	70	154
Other, net	**(26)**	(55)	(53)
Earnings From Continuing Operations Before Interest and Income Taxes	**2,429**	2,265	2,380
Interest and Other:			
Interest expense, net	**659**	556	558
Distributions on capital and preferred securities of subsidiaries	**169**	175	141
Preferred dividends of subsidiaries	**19**	20	25
Total interest and other	**847**	751	724
Earnings From Continuing Operations Before Income Taxes	**1,582**	1,514	1,656
Income taxes	**588**	599	670
Earnings From Continuing Operations	**994**	915	986
Earnings from discontinued operations, net of income taxes of $86, $127, and $(121) for 2000, 1999, and 1998, respectively	**319**	361	(9)
Consolidated Net Income	**$ 1,313**	$1,276	$ 977
Common Stock Data:			
Basic and diluted earnings per share of common stock –			
Earnings per share from continuing operations	**$1.52**	$1.33	$ 1.41
Earnings per share from discontinued operations (Note 11)	**0.49**	0.53	(0.01)
Consolidated Basic and Diluted Earnings Per Share	**$2.01**	$1.86	$1.40
Average number of shares of common stock outstanding (in millions)	**653**	685	697
Cash dividends paid per share of common stock	**$1.34**	$1.34	$1.34

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2000, 1999, and 1998
Southern Company and Subsidiary Companies 2000 Annual Report

	2000	1999	1998
		(in millions)	
Operating Activities:			
Consolidated net income	**$ 1,313**	$ 1,276	$ 977
Adjustments to reconcile consolidated net income to net cash provided from operating activities --			
Less income from discontinued operations (Note 11)	**319**	361	(9)
Depreciation and amortization	**1,337**	1,216	1,530
Deferred income taxes and investment tax credits	**97**	10	21
Gain on asset sales	**5**	(2)	(20)
Other, net	**455**	888	(40)
Changes in certain current assets and liabilities --			
Receivables, net	**(379)**	(141)	(49)
Fossil fuel stock	**78**	(41)	(24)
Materials and supplies	**(15)**	(37)	10
Accounts payable	**180**	(65)	103
Other	**66**	244	(200)
Net cash provided from operating activities of continuing operations	**2,818**	2,987	2,317
Investing Activities:			
Gross property additions	**(2,225)**	(1,881)	(1,356)
Sales of property	**–**	–	83
Other	**(81)**	(400)	(166)
Net cash used for investing activities of continuing operations	**(2,306)**	(2,281)	(1,439)
Financing Activities:			
Increase (decrease) in notes payable, net	**(275)**	831	(365)
Proceeds --			
Other long-term debt	**743**	1,469	2,496
Capital and preferred securities	**–**	250	435
Preferred stock	**–**	–	200
Common stock	**910**	24	234
Redemptions --			
First mortgage bonds	**(211)**	(890)	(1,479)
Other long-term debt	**(204)**	(483)	(278)
Capital and preferred securities	**–**	(100)	–
Preferred stock	**–**	(86)	(239)
Common stock repurchased	**(415)**	(862)	(125)
Payment of common stock dividends	**(873)**	(921)	(933)
Other	**(54)**	(76)	(155)
Net cash provided from (used for) financing activities of continuing operations	**(379)**	(844)	(209)
Cash used for discontinued operations	**(88)**	(20)	(534)
Net Increase (Decrease) in Cash and Cash Equivalents	**45**	(158)	135
Cash and Cash Equivalents at Beginning of Year	**154**	312	177
Cash and Cash Equivalents at End of Year	**$ 199**	$ 154	$ 312
Supplemental Cash Flow Information From Continuing Operations:			
Cash paid during the year for --			
Interest (net of amount capitalized)	**$802**	$684	$680
Income taxes	**$661**	$656	$757

The accompanying notes are an integral part of these statements.

CONSOLIDATED BALANCE SHEETS
At December 31, 2000 and 1999
Southern Company and Subsidiary Companies 2000 Annual Report

Assets	2000	1999
		(in millions)
Current Assets:		
Cash and cash equivalents	**$ 199**	$ 154
Special deposits	**6**	22
Receivables, less accumulated provisions for uncollectible accounts of $22 in 2000 and $22 in 1999	**1,312**	1,043
Unrecovered retail fuel clause revenue	**418**	244
Fossil fuel stock, at average cost	**195**	274
Materials and supplies, at average cost	**508**	493
Other	**187**	132
Total current assets	**2,825**	2,362
Property, Plant, and Equipment:		
In service	**34,188**	32,702
Less accumulated depreciation	**14,350**	13,655
	19,838	19,047
Nuclear fuel, at amortized cost	**215**	227
Construction work in progress	**1,569**	1,265
Total property, plant, and equipment	**21,622**	20,539
Other Property and Investments:		
Nuclear decommissioning trusts, at fair value	**690**	658
Net assets of discontinued operations (Note 11)	**3,320**	2,913
Leveraged leases	**596**	556
Other	**165**	156
Total other property and investments	**4,771**	4,283
Deferred Charges and Other Assets:		
Deferred charges related to income taxes	**957**	987
Prepaid pension costs	**498**	368
Debt expense, being amortized	**99**	104
Premium on reacquired debt, being amortized	**280**	302
Other	**310**	346
Total deferred charges and other assets	**2,144**	2,107
Total Assets	**$31,362**	$29,291

The accompanying notes are an integral part of these balance sheets.

CONSOLIDATED BALANCE SHEETS (continued)
At December 31, 2000 and 1999
Southern Company and Subsidiary Companies 2000 Annual Report

Liabilities and Stockholders' Equity	2000	1999
		(in millions)
Current Liabilities:		
Securities due within one year	**$ 67**	$ 329
Notes payable	**1,680**	1,955
Accounts payable	**869**	669
Customer deposits	**140**	128
Taxes accrued --		
Income taxes	**88**	107
Other	**208**	198
Interest accrued	**121**	139
Vacation pay accrued	**119**	113
Other	**445**	391
Total current liabilities	**3,737**	4,029
Long-term debt (See accompanying statements)	**7,843**	7,251
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	**4,074**	3,884
Deferred credits related to income taxes	**551**	640
Accumulated deferred investment tax credits	**664**	693
Employee benefits provisions	**478**	465
Prepaid capacity revenues	**58**	80
Other	**653**	430
Total deferred credits and other liabilities	**6,478**	6,192
Company or subsidiary obligated mandatorily redeemable capital and preferred securities (See accompanying statements)	**2,246**	2,246
Cumulative preferred stock of subsidiaries (See accompanying statements)	**368**	369
Common stockholders' equity (See accompanying statements)	**10,690**	9,204
Total Liabilities and Stockholders' Equity	**$31,362**	$29,291
Commitments and Contingent Matters (Notes 1, 2, 3, 5, 8, 9, and 10)		

The accompanying notes are an integral part of these balance sheets.

CONSOLIDATED STATEMENTS OF CAPITALIZATION

At December 31, 2000 and 1999

Southern Company and Subsidiary Companies 2000 Annual Report

		2000	1999	2000	1999
		(in millions)		(percent of total)	
Long-Term Debt of Subsidiaries:					
First mortgage bonds --					
Maturity	Interest Rates				
2000	6.00%	$ -	$ 200		
2003	6.13% to 6.63%	325	325		
2004	6.60%	35	35		
2005	6.07%	10	10		
2006 through 2010	6.50% to 6.90%	95	95		
2021 through 2025	6.88% to 9.00%	635	646		
2026 through 2030	6.88%	30	30		
Total first mortgage bonds		1,130	1,341		
Long-term notes payable --					
5.35% to 9.75% due 2001-2004		766	584		
5.38% to 8.58% due 2005-2008		744	964		
6.25% to 7.63% due 2009-2017		170	170		
6.38% to 8.12% due 2018-2038		793	801		
6.63% to 7.13% due 2039-2048		1,029	1,029		
Adjustable rates (5.79% to 7.75% at 1/1/01) due 2000-2005		734	148		
Total long-term notes payable		4,236	3,696		
Other long-term debt --					
Pollution control revenue bonds --					
Collateralized:					
4.38% to 6.75% due 2000-2026		539	617		
Variable rates (4.73% to 5.05% at 1/1/01) due 2015-2025		90	120		
Non-collateralized:					
4.53% to 6.75% due 2015-2034		406	263		
Variable rates (3.50% to 5.35% at 1/1/01) due 2011-2037		1,475	1,510		
Total other long-term debt		2,510	2,510		
Capitalized lease obligations		95	97		
Unamortized debt (discount), net		(61)	(64)		
Total long-term debt (annual interest requirement -- $509 million)		7,910	7,580		
Less amount due within one year		67	329		
Long-term debt excluding amount due within one year		7,843	7,251	37.1%	38.0%

CONSOLIDATED STATEMENTS OF CAPITALIZATION (continued)

At December 31, 2000 and 1999

Southern Company and Subsidiary Companies 2000 Annual Report

	2000	1999	2000	1999
	(in millions)		(percent of total)	
Company or Subsidiary Obligated Mandatorily Redeemable Capital and Preferred Securities:				
$25 liquidation value --				
6.85% to 7.00%	**435**	435		
7.13% to 7.38%	**297**	297		
7.60% to 7.63%	**415**	415		
7.75%	**649**	649		
8.14% to 8.19%	**400**	400		
Auction rate (6.52% at 1/1/01)	**50**	50		
Total company or subsidiary obligated mandatorily redeemable capital and preferred securities (annual distribution requirement -- $169 million)	**2,246**	2,246	**10.6**	11.8
Cumulative Preferred Stock of Subsidiaries:				
$100 par or stated value --				
4.20% to 7.00%	**98**	99		
$25 par or stated value --				
5.20% to 5.83%	**200**	200		
Adjustable and auction rates -- at 1/1/01:				
5.14% to 5.25%	**70**	70		
Total cumulative preferred stock of subsidiaries (annual dividend requirement -- $19 million)	**368**	369	**1.7**	1.9
Common Stockholders' Equity:				
Common stock, par value $5 per share --				
Authorized -- 1 billion shares				
Issued -- 2000: 701 million shares				
-- 1999: 701 million shares				
Treasury -- 2000: 19 million shares				
-- 1999: 35 million shares				
Par value	**3,503**	3,503		
Paid-in capital	**3,153**	2,480		
Treasury, at cost	**(545)**	(919)		
Retained earnings	**4,672**	4,232		
Accumulated other comprehensive income from discontinued operations	**(93)**	(92)		
Total common stockholders' equity	**10,690**	9,204	**50.6**	48.3
Total Capitalization	**$21,147**	$19,070	**100.0%**	100.0%

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF COMMON STOCKHOLDERS' EQUITY
For the Years Ended December 31, 2000, 1999, and 1998
Southern Company and Subsidiary Companies 2000 Annual Report

	Common Stock				Accumulated Other Comprehensive Income From	
	Par Value	Paid In Capital	Treasury	Retained Earnings	Discontinued Operations	Total
			(in millions)			
Balance at January 1, 1998	$3,467	$2,331	$ -	$3,842	$ 7	$ 9,647
Net income	-	-	-	977	-	977
Other comprehensive income	-	-	-	-	8	8
Stock issued	32	132	70	-	-	234
Stock repurchased, at cost	-	-	(125)	-	-	(125)
Cash dividends	-	-	-	(933)	-	(933)
Other	-	-	(3)	(8)	-	(11)
Balance at December 31, 1998	3,499	2,463	(58)	3,878	15	9,797
Net income	-	-	-	1,276	-	1,276
Other comprehensive income	-	-	-	-	(107)	(107)
Stock issued	4	17	1	-	-	22
Stock repurchased, at cost	-	-	(861)	-	-	(861)
Cash dividends	-	-	-	(921)	-	(921)
Other	-	-	(1)	(1)	-	(2)
Balance at December 31, 1999	**3,503**	**2,480**	**(919)**	**4,232**	**(92)**	**9,204**
Net income	-	-	-	**1,313**	-	**1,313**
Other comprehensive income	-	-	-	-	**(1)**	**(1)**
Stock issued	-	-	**910**	-	-	**910**
Stock repurchased, at cost	-	-	**(414)**	-	-	**(414)**
Cash dividends	-	-	-	**(873)**	-	**(873)**
Other	-	**673**	**(122)**	-	-	**551**
Balance at December 31, 2000	**$3,503**	**$3,153**	**$(545)**	**$4,672**	**$ (93)**	**$10,690**

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2000, 1999, and 1998
Southern Company and Subsidiary Companies 2000 Annual Report

	2000	1999	1998
		(in millions)	
Consolidated Net Income	**$1,313**	$1,276	$977
Other comprehensive income from discontinued operations, net of minority interest:			
Foreign currency translation adjustments	**(2)**	(165)	12
Less applicable income taxes (benefits)	**(1)**	(58)	4
Consolidated Comprehensive Income	**$1,312**	$1,169	$985

The accompanying notes are an integral part of these statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Southern Company is the parent company of five integrated Southeast utilities, a system service company, Southern Communications Services (Southern LINC), Southern Company Energy Solutions, Southern Nuclear Operating Company (Southern Nuclear), Mirant Corporation -- formerly Southern Energy, Inc. -- and other direct and indirect subsidiaries. The integrated Southeast utilities -- Alabama Power, Georgia Power, Gulf Power, Mississippi Power, and Savannah Electric -- provide electric service in four states. Contracts among the integrated Southeast utilities -- related to jointly owned generating facilities, interconnecting transmission lines, and the exchange of electric power -- are regulated by the Federal Energy Regulatory Commission (FERC) and/or the Securities and Exchange Commission (SEC). The system service company provides, at cost, specialized services to Southern Company and subsidiary companies. Southern LINC provides digital wireless communications services to the integrated Southeast utilities and also markets these services to the public within the Southeast. Southern Company Energy Solutions develops new business opportunities related to energy products and services. Southern Nuclear provides services to Southern Company's nuclear power plants. Mirant acquires, develops, builds, owns, and operates power production and delivery facilities and provides a broad range of energy-related services to utilities and industrial companies in selected countries around the world. Mirant businesses include independent power projects, integrated utilities, a distribution company, and energy trading and marketing businesses outside the southeastern United States. As a result of the approved spin off of Mirant, Southern Company's financial statements and related information, both current and historical, reflect Mirant as discontinued operations. For additional information, see Note 11.

The financial statements reflect Southern Company's investments in the subsidiaries on a consolidated basis. All material intercompany items have been eliminated in consolidation. Certain prior years' data presented in the consolidated financial statements have been reclassified to conform with the current year presentation.

Southern Company is registered as a holding company under the Public Utility Holding Company Act of 1935 (PUHCA). Both the company and its subsidiaries are subject to the regulatory provisions of the PUHCA. The integrated Southeast utilities also are subject to regulation by the FERC and their respective state public service commissions. The companies follow accounting principles generally accepted in the United States and comply with the accounting policies and practices prescribed by their respective commissions. The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires the use of estimates, and the actual results may differ from those estimates.

Regulatory Assets and Liabilities

The integrated Southeast utilities are subject to the provisions of Financial Accounting Standards Board (FASB) Statement No. 71, Accounting for the Effects of Certain Types of Regulation. Regulatory assets represent probable future revenues associated with certain costs that are expected to be recovered from customers through the ratemaking process. Regulatory liabilities represent probable future reductions in revenues associated with amounts that are expected to be credited to customers through the ratemaking process. Regulatory assets and (liabilities) reflected in the Consolidated Balance Sheets at December 31 relate to the following:

	2000	1999
	(in millions)	
Deferred income tax charges	$ 957	$ 987
Premium on reacquired debt	280	302
Department of Energy assessments	46	52
Vacation pay	92	87
Postretirement benefits	30	33
Deferred income tax credits	(551)	(640)
Accelerated amortization	(220)	(85)
Storm damage reserves	(34)	(29)
Other, net	116	144
Total	$ 716	$ 851

In the event that a portion of a company's operations is no longer subject to the provisions of FASB Statement No. 71, the company would be required to write off related regulatory assets and liabilities that are not specifically recoverable through regulated rates. In addition, the company would be required to determine if any impairment to other assets exists, including plant, and write down the assets, if impaired, to their fair value.

Revenues and Fuel Costs

Revenues are recognized as services are rendered. Unbilled revenues are accrued at the end of each fiscal period. Fuel costs are expensed as the fuel is used. Electric rates for the integrated Southeast utilities include provisions to adjust billings for fluctuations in fuel costs, the energy component of purchased power costs, and certain other costs. Revenues are adjusted for differences between recoverable fuel costs and amounts actually recovered in current regulated rates.

Southern Company has a diversified base of customers. No single customer or industry comprises 10 percent or more of revenues. For all periods presented, uncollectible accounts continued to average less than 1 percent of revenues.

Fuel expense includes the amortization of the cost of nuclear fuel and a charge, based on nuclear generation, for the permanent disposal of spent nuclear fuel. Total charges for nuclear fuel included in fuel expense amounted to $136 million in 2000, $137 million in 1999, and $133 million in 1998. Alabama Power and Georgia Power have contracts with the U.S. Department of Energy (DOE) that provide for the permanent disposal of spent nuclear fuel. The DOE failed to begin disposing of spent fuel in January 1998 as required by the contracts, and the companies are pursuing legal remedies against the government for breach of contract. Effective June 2000, an on-site dry storage facility for Plant Hatch became operational. Sufficient capacity is believed to be available to continue dry storage operations at Plant Hatch through the life of the plant. Sufficient fuel storage capacity currently is available at Plant Vogtle to maintain full-core discharge capability for both units into the year 2014. Sufficient fuel storage capacity is available at Plant Farley to maintain full-core discharge capability until the refueling outage scheduled in 2006 for Farley Unit 1 and the refueling outage scheduled in 2008 for Farley Unit 2. Procurement of on-site dry spent fuel storage capacity at Plant Farley is in progress, with the intent to place the capacity in operation as early as 2005.

Also, the Energy Policy Act of 1992 required the establishment of a Uranium Enrichment Decontamination and Decommissioning Fund, which is funded in part by a special assessment on utilities with nuclear plants. This assessment is being paid over a 15-year period, which began in 1993. This fund will be used by the DOE for the decontamination and decommissioning of its nuclear fuel enrichment facilities. The law provides that utilities will recover these payments in the same manner as any other fuel expense. Alabama Power and Georgia Power -- based on its ownership interests -- estimate their respective remaining liability at December 31, 2000, under this law to be approximately $25 million and $19 million. These obligations are recorded in the Consolidated Balance Sheets.

Depreciation and Nuclear Decommissioning

Depreciation of the original cost of plant in service is provided primarily by using composite straight-line rates, which approximated 3.4 percent in both 2000 and 1999 and 3.3 percent in 1998. When property subject to depreciation is retired or otherwise disposed of in the normal course of business, its original cost -- together with the cost of removal, less salvage -- is charged to accumulated depreciation. Minor items of property included in the original cost of the plant are retired when the related property unit is retired. Depreciation expense includes an amount for the expected costs of decommissioning nuclear facilities and removal of other facilities.

Georgia Power recorded accelerated amortization and depreciation amounting to $135 million in 2000, $85 million in 1999, and $314 million in 1998. See Note 3 under "Georgia Power 1998 Retail Rate Order" for additional information.

The Nuclear Regulatory Commission (NRC) requires all licensees operating commercial power reactors to establish a plan for providing, with reasonable assurance, funds for decommissioning. Alabama Power and Georgia Power have external trust funds to comply with the NRC's regulations. Amounts previously recorded in internal reserves are being transferred into the external trust funds over periods approved by the respective state public service commissions. The NRC's minimum external funding requirements are based on a generic estimate of the cost to decommission the radioactive portions of a nuclear unit based on the size and type of reactor. Alabama Power and Georgia Power have filed plans with the NRC to ensure that -- over time -- the deposits and earnings of the external trust funds will provide the minimum funding amounts prescribed by the NRC.

Site study cost is the estimate to decommission a specific facility as of the site study year, and ultimate cost is the estimate to decommission a specific facility as of its retirement date. The estimated costs of decommissioning -- both site study costs and ultimate costs -- based on the most current study as of

December 31, 2000, for Alabama Power's Plant Farley and Georgia Power's ownership interests in plants Hatch and Vogtle were as follows:

	Plant Farley	Plant Hatch	Plant Vogtle
Site study basis (year)	1998	2000	2000
Decommissioning periods:			
Beginning year	2017	2014	2027
Completion year	2031	2042	2045
		(in millions)	
Site study costs:			
Radiated structures	$629	$486	$420
Non-radiated structures	60	37	48
Total	$689	$523	$468
		(in millions)	
Ultimate costs:			
Radiated structures	$1,868	$1,004	$1,468
Non-radiated structures	178	79	166
Total	$2,046	$1,083	$1,634
Significant assumptions:			
Inflation rate	4.5%	4.7%	4.7%
Trust earning rate	7.0	6.5	6.5

The decommissioning cost estimates are based on prompt dismantlement and removal of the plant from service. The actual decommissioning costs may vary from the above estimates because of changes in the assumed date of decommissioning, changes in NRC requirements, or changes in the assumptions used in making these estimates.

Georgia Power has filed with the NRC an application requesting a 20-year renewal of the licenses for both units at Plant Hatch, which would permit the operation of both units until 2034.

Annual provisions for nuclear decommissioning are based on an annuity method as approved by the respective state public service commissions. The amount expensed in 2000 and fund balances were as follows:

	Plant Farley	Plant Hatch	Plant Vogtle
		(in millions)	
Amount expensed in 2000	**$ 18**	**$ 19**	**$ 9**
Accumulated provisions:			
External trust funds, at fair value	$314	$230	$146
Internal reserves	38	20	12
Total	$352	$250	$158

Alabama Power's decommissioning costs for ratemaking are based on the site study. Effective January 1, 1999, the Georgia Public Service Commission (GPSC) increased Georgia Power's annual provision for decommissioning expenses to $28 million. This amount is based on the NRC generic estimate to decommission the radioactive portion of the facilities as of 1997. The estimates are $526 million and $438 million for plants Hatch and Vogtle, respectively. The ultimate costs associated with the 1997 NRC minimum funding requirements are $1.1 billion and $1.3 billion for plants Hatch and Vogtle, respectively. Alabama Power and Georgia Power expect their respective state public service commissions to periodically review and adjust, if necessary, the amounts collected in rates for the anticipated cost of decommissioning.

Income Taxes

Southern Company uses the liability method of accounting for deferred income taxes and provides deferred income taxes for all significant income tax temporary differences. Investment tax credits utilized are deferred and amortized to income over the average lives of the related property.

Property, Plant, and Equipment

Property, plant, and equipment is stated at original cost less regulatory disallowances and impairments. Original cost includes: materials; labor; minor items of property; appropriate administrative and general costs; payroll-related costs such as taxes, pensions, and other benefits; and the estimated cost of funds used during construction. The cost of funds used during construction was $71 million in 2000, $36 million in 1999, and $19 million in 1998. The cost of maintenance, repairs, and replacement of minor items of property is charged to maintenance expense. The cost of replacements of property -- exclusive of minor items of property -- is capitalized.

Leveraged Leases

Southern Company has several leveraged lease agreements -- ranging up to 30 years -- that primarily relate to energy generation, distribution, and transportation assets. The investment income earned from these leveraged leases is immaterial for all periods presented.

Impairment of Long-Lived Assets and Intangibles

Southern Company evaluates long-lived assets for impairment when events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. The determination of whether an impairment has occurred is based on an estimate of undiscounted future cash flows attributable to the assets, as compared to the carrying value of the assets. If an impairment has occurred, the amount of the impairment recognized is determined by estimating the fair value of the assets and recording a provision for loss if the carrying value is greater than the fair value. For assets identified as held for sale, the carrying value is compared to the estimated fair value less the cost to sell in order to determine if an impairment provision is required. Until the assets are disposed of, their estimated fair value is reevaluated when circumstances or events change.

Cash and Cash Equivalents

For purposes of the consolidated financial statements, temporary cash investments are considered cash equivalents. Temporary cash investments are securities with original maturities of 90 days or less.

Materials and Supplies

Generally, materials and supplies include the costs of transmission, distribution, and generating plant materials. Materials are charged to inventory when purchased and then expensed or capitalized to plant, as appropriate, when installed.

Comprehensive Income

Comprehensive income -- consisting of net income and foreign currency translation adjustments, net of taxes -- is presented in the consolidated financial statements. The objective of the statement is to report a measure of all changes in common stock equity of an enterprise that result from transactions and other economic events of the period other than transactions with owners.

Financial Instruments for Non-Trading Activities

Southern Company uses derivative financial instruments to hedge exposures to fluctuations in interest rates, foreign currency exchange rates, and certain commodity prices. Gains and losses on qualifying hedges are deferred and recognized either in income or as an adjustment to the carrying amount of the hedged item when the transaction occurs.

Southern Company is exposed to losses related to financial instruments in the event of counterparties' nonperformance. The company has established controls to determine and monitor the creditworthiness of counterparties in order to mitigate the company's exposure to counterparty credit risk. The company is unaware of any counterparties that will fail to meet their obligations.

Southern Company has firm purchase commitments for equipment that require payment in euros. As a hedge against fluctuations in the exchange rate for euros, the company entered into forward currency swaps. The notional amount is 32 million euros maturing in 2001 through 2002. At December 31, 2000, the unrecognized gain on these swaps was approximately $3 million.

Other Southern Company financial instruments for which the carrying amount did not equal fair value at December 31 were as follows:

	Carrying Amount	Fair Value
	(in millions)	
Long-term debt:		
At December 31, 2000	**$7,815**	**$7,702**
At December 31, 1999	7,483	7,046
Capital and preferred securities:		
At December 31, 2000	**2,246**	**2,190**
At December 31, 1999	2,246	1,942

The fair values for long-term debt and capital and preferred securities were based on either closing market price or closing price of comparable instruments.

2. RETIREMENT BENEFITS

Southern Company has defined benefit, trusteed, pension plans that cover substantially all employees. Southern Company provides certain medical care and life insurance benefits for retired employees. Substantially all these employees may become eligible for such benefits when they retire. The integrated Southeast utilities fund trusts to the extent required by their respective regulatory commissions. In late 2000, Southern Company adopted several pension and postretirement benefits plan changes that had the effect of increasing benefits to both current and future retirees. The effects of these changes will be to increase annual pension and postretirement benefits costs by approximately $28 million and $26 million, respectively.

The measurement date for plan assets and obligations is September 30 for each year. The following disclosures exclude discontinued operations.

Pension Plans

Changes during the year in the projected benefit obligations and in the fair value of plan assets were as follows:

	Projected Benefit Obligations	
	2000	1999
	(in millions)	
Balance at beginning of year	**$3,098**	$3,084
Service cost	**94**	95
Interest cost	**227**	204
Benefits paid	**(145)**	(143)
Actuarial (gain) loss	**(28)**	(142)
Balance at end of year	**$3,246**	$3,098

	Plan Assets	
	2000	1999
	(in millions)	
Balance at beginning of year	**$5,266**	$4,646
Actual return on plan assets	**1,030**	771
Benefits paid	**(139)**	(151)
Balance at end of year	**$6,157**	$5,266

The accrued pension costs recognized in the Consolidated Balance Sheets were as follows:

	2000	1999
	(in millions)	
Funded status	**$ 2,911**	$ 2,168
Unrecognized transition obligation	**(64)**	(77)
Unrecognized prior service cost	**97**	106
Unrecognized net gain	**(2,446)**	(1,829)
Prepaid asset recognized in the Consolidated Balance Sheets	**$ 498**	$ 368

Components of the pension plans' net periodic cost were as follows:

	2000	1999	1998
		(in millions)	
Service cost	**$ 94**	$ 95	$ 86
Interest cost	**227**	204	204
Expected return on plan assets	**(384)**	(348)	(320)
Recognized net gain	**(64)**	(41)	(47)
Net amortization	**(3)**	(4)	(3)
Net pension cost (income)	**$(130)**	$ (94)	$ (80)

Postretirement Benefits

Changes during the year in the accumulated benefit obligations and in the fair value of plan assets were as follows:

	Accumulated Benefit Obligations	
	2000	1999
	(in millions)	
Balance at beginning of year	**$ 980**	$1,029
Service cost	**18**	21
Interest cost	**76**	68
Benefits paid	**(43)**	(36)
Actuarial (gain) loss	**21**	(102)
Balance at end of year	**$1,052**	$ 980

	Plan Assets	
	2000	1999
	(in millions)	
Balance at beginning of year	**$395**	$336
Actual return on plan assets	**47**	36
Employer contributions	**59**	60
Benefits paid	**(42)**	(37)
Balance at end of year	**$459**	$395

The accrued postretirement costs recognized in the Consolidated Balance Sheets were as follows:

	2000	1999
	(in millions)	
Funded status	**$(593)**	$(585)
Unrecognized transition obligation	**189**	203
Unrecognized prior service cost	**66**	–
Unrecognized net loss (gain)	**(53)**	10
Fourth quarter contributions	**35**	26
Accrued liability recognized in the Consolidated Balance Sheets	**$(356)**	$(346)

Components of the postretirement plans' net periodic cost were as follows:

	2000	1999	1998
		(in millions)	
Service cost	**$ 18**	$ 21	$ 18
Interest cost	**76**	68	68
Expected return on plan assets	**(34)**	(26)	(21)
Recognized net gain	**–**	2	2
Net amortization	**18**	15	15
Net postretirement cost	**$ 78**	$ 80	$ 82

The weighted average rates assumed in the actuarial calculations for both the pension plans and postretirement benefits were:

	2000	1999
Discount	7.50%	7.50%
Annual salary increase	5.00	5.00
Long-term return on plan assets	8.50	8.50

An additional assumption used in measuring the accumulated postretirement benefit obligation was a weighted average medical care cost trend rate of 7.29 percent for 2000, decreasing gradually to 5.50 percent through the year 2005, and remaining at that level thereafter. An annual increase or decrease in the assumed medical care cost trend rate of 1 percent would affect the accumulated benefit obligation and the service and interest cost components at December 31, 2000 as follows:

	1 Percent Increase	1 Percent Decrease
	(in millions)	
Benefit obligation	$71	$63
Service and interest costs	6	6

Employee Savings Plan

Southern Company also sponsors a 401(k) defined contribution plan covering substantially all employees. The company provides a 75 percent matching contribution up to 6 percent of an employee's base salary. Total matching contributions made to the plan for the years 2000, 1999, and 1998 were $49 million, $46 million, and $43 million, respectively.

3. CONTINGENCIES AND REGULATORY MATTERS

Georgia Power Potentially Responsible Party Status

In January 1995, Georgia Power and four other unrelated entities were notified by the Environmental Protection Agency (EPA) that they have been designated as potentially responsible parties under the Comprehensive Environmental Response, Compensation, and Liability Act with respect to a site in Brunswick, Georgia. As of December 31, 2000, Georgia Power had recorded approximately $5 million in cumulative expenses associated with Georgia Power's agreed-upon share of the removal and remedial investigation and feasibility study costs for this site.

The final outcome of this matter cannot now be determined. However, based on the nature and extent of Georgia Power's activities relating to the site, management believes that the company's portion of any remaining remediation costs should not be material to the financial statements.

Environmental Litigation

On November 3, 1999, the EPA brought a civil action in the U.S. District Court against Alabama Power, Georgia Power, and the system service company. The complaint alleges violations of the prevention of significant deterioration and new source review provisions of the Clean Air Act with respect to five coal-fired generating facilities in Alabama and Georgia. The civil action requests penalties and injunctive relief, including an order requiring the installation of the best available control technology at the affected units. The Clean Air Act authorizes civil penalties of up to $27,500 per day, per violation at each generating unit. Prior to January 30, 1997, the penalty was $25,000 per day.

The EPA concurrently issued to the integrated Southeast utilities a notice of violation related to 10 generating facilities, which includes the five facilities mentioned previously. In early 2000, the EPA filed a motion to amend its complaint to add the violations alleged in its notice of violation, and to add Gulf Power, Mississippi Power, and Savannah Electric as defendants. The complaint and notice of violation are similar to those brought against and issued to several other electric utilities. These complaints and notices of violation allege that the utilities had failed to secure necessary permits or install additional pollution equipment when performing maintenance and construction at coal burning plants constructed or under construction prior to 1978. On August 1, 2000, the U.S. District Court granted Alabama Power's motion to dismiss for lack of jurisdiction in Georgia and granted the system service company's motion to dismiss on the grounds that it neither owned nor operated the generating units involved in the proceedings. On January 12, 2001, the EPA re-filed its claims against Alabama Power in federal district court in Birmingham, Alabama. The EPA did not include the system service company in the new complaint. Southern Company believes that its integrated utilities complied with applicable laws and the EPA's regulations and interpretations in effect at the time the work in question took place.

An adverse outcome of this matter could require substantial capital expenditures that cannot be determined at this time and possibly require payment of substantial penalties. This could affect future results of operations, cash flows, and possibly financial condition if such costs are not recovered through regulated rates.

Mobile Energy Services' Petition for Bankruptcy

Mobile Energy Services Holdings (MESH), a subsidiary of Southern Company, is the owner and operator of a facility that generates electricity, produces steam, and processes black liquor as part of a pulp and paper complex in Mobile, Alabama. On January 14, 1999, MESH filed a petition for Chapter 11 bankruptcy relief in the U.S. Bankruptcy Court. This action was in response to Kimberly-Clark Tissue Company's (Kimberly-Clark) announcement in May 1998 of plans to close its pulp mill; effective September 1, 1999. The pulp mill had historically provided 50 percent of MESH's revenues.

As a result of settlement discussions with Kimberly-Clark and MESH's bondholders, Southern Company recorded in 1999 a $69 million after-tax write down of its investment in MESH. Southern Company recorded an additional $10 million after-tax write down in 2000. At December 31, 2000, MESH had total assets of $373 million and senior debt outstanding of $190 million of first mortgage bonds and $72 million related to tax-exempt bonds. In connection with the bond financings, Southern Company provided certain limited guarantees, in lieu of funding debt service and maintenance reserve accounts with cash. As of December 31, 2000, Southern Company had paid the full $41 million pursuant to the guarantees. Southern Company continues to have guarantees outstanding of certain potential environmental and other obligations of MESH that represent a maximum contingent liability of $19 million at December 31, 2000. Mirant has agreed to indemnify Southern Company for any future obligations incurred under such guarantees.

On August 4, 2000, MESH filed a proposed plan of reorganization with the bankruptcy court. The proposed plan of reorganization was again amended on February 21, 2001. Changes in circumstances since the filing of the amended plan may require further modifications of the plan. Southern Company expects that approval of a plan of reorganization would result in a termination of Southern Company's ownership interest in MESH, but would not affect Southern Company's continuing guarantee obligations described earlier. The final outcome of this matter cannot now be determined.

California Electricity Markets Litigation

Five lawsuits have been filed in the superior courts of California alleging that certain owners of electric generation facilities in California, including Southern Company, engaged in various unlawful and anticompetitive acts that served to manipulate wholesale power markets and inflate wholesale electricity prices in California. Four of the suits seek class action status. One lawsuit naming Southern Company, Mirant, and other generators as defendants alleges that, as a result of the defendants' conduct, customers paid approximately $4 billion more for electricity than they otherwise would have and seeks an award of treble damages, as well as other injunctive and equitable relief. The other suits likewise seek treble damages and equitable relief. While two of the suits name Southern Company as a defendant, it appears that the allegations, as they may relate to Southern Company, are directed to activities of subsidiaries of Mirant. One such suit names Mirant itself as a defendant. Southern Company has notified Mirant of its claim for indemnification for costs associated with these actions under the terms of the master separation agreement that governs the spin off of Mirant. Mirant has undertaken the defense of all of the claims. The final outcome of these lawsuits cannot now be determined.

Race Discrimination Litigation

On July 28, 2000, a lawsuit alleging race discrimination was filed by three Georgia Power employees against Georgia Power, Southern Company, and the system service company in the United States District Court for the Northern District of Georgia. The lawsuit also raised claims on behalf of a purported class. The plaintiffs seek compensatory and punitive damages in an unspecified amount, as well as injunctive relief. On August 14, 2000, the lawsuit was amended to add four more plaintiffs and a new defendant, Southern Company Energy Solutions, Inc. The lawsuit is in the discovery phase. The final outcome of this matter cannot now be determined.

Alabama Power Rate Adjustment Procedures

In November 1982, the Alabama Public Service Commission (APSC) adopted rates that provide for periodic adjustments based upon Alabama Power's

earned return on end-of-period retail common equity. The rates also provide for adjustments to recognize the placing of new generating facilities in retail service. Both increases and decreases have been placed into effect since the adoption of these rates. The rate adjustment procedures allow a return on common equity range of 13 percent to 14.5 percent and limit increases or decreases in rates to 4 percent in any calendar year. There is a moratorium on any periodic retail rate increases (but not decreases) until July 2001.

In December 1995, the APSC issued an order authorizing Alabama Power to reduce balance sheet items -- such as plant and deferred charges -- at any time the company's actual base rate revenues exceed the budgeted revenues. In April 1997, the APSC issued an additional order authorizing Alabama Power to reduce balance sheet asset items. This order authorizes the reduction of such items up to an amount equal to five times the total estimated annual revenue reduction resulting from future rate reductions initiated by Alabama Power. In 1998, Alabama Power -- in accordance with the 1995 rate order -- recorded $33 million of additional amortization of premium on reacquired debt. Alabama Power did not record any additional amounts in 2000 or 1999.

The ratemaking procedures will remain in effect until the APSC votes to modify or discontinue them.

Georgia Power 1998 Retail Rate Order

As required by the GPSC, Georgia Power filed a general rate case in 1998. On December 18, 1998, the GPSC approved a three-year rate order for Georgia Power ending December 31, 2001. Under the terms of the order, Georgia Power's earnings will continue to be evaluated against a retail return on common equity range of 10 percent to 12.5 percent. Georgia Power's annual retail rates were decreased by $262 million effective January 1, 1999, and by an additional $24 million effective January 1, 2000. In addition, the order provided for $85 million annually to be applied to accelerated amortization or depreciation of assets, and up to an additional $50 million annually in 2000 and 2001 of any earnings above the 12.5 percent return. In accordance with the rate order, Georgia Power recorded accelerated amortization of $135 million and $85 million in 2000 and 1999, respectively. In May 2000, the GPSC ordered that these funds be maintained in a regulatory liability account and ordered that interest be accrued on this account at the prime rate. In 2000, interest of $10 million was recorded. These amounts are reflected on the balance sheets in deferred credits and other liabilities, other.

Two-thirds of any additional earnings above the 12.5 percent return in any year will be applied to rate reductions and the remaining one-third retained by Georgia Power. In both 2000 and 1999, Georgia Power's return was above 12.5 percent, and accordingly, it recorded in 1999 $79 million of revenues to be refunded to customers in 2000. In 2000, Georgia Power recorded $44 million as an estimate of revenues to be refunded in 2001. Georgia Power is required to file a general rate case on July 1, 2001. At that time, the GPSC is expected to determine whether the rate order should be continued, modified, or discontinued.

4. JOINT OWNERSHIP AGREEMENTS

Alabama Power owns an undivided interest in units 1 and 2 of Plant Miller and related facilities jointly with Alabama Electric Cooperative, Inc.

Georgia Power owns undivided interests in plants Vogtle, Hatch, Scherer, and Wansley in varying amounts jointly with Oglethorpe Power Corporation (OPC), the Municipal Electric Authority of Georgia, the city of Dalton, Georgia, Florida Power & Light Company (FP&L), and Jacksonville Electric Authority (JEA). In addition, Georgia Power has joint ownership agreements with OPC for the Rocky Mountain facilities and with Florida Power Corporation (FPC) for a combustion turbine unit at Intercession City, Florida.

At December 31, 2000, Alabama Power's and Georgia Power's ownership and investment (exclusive of nuclear fuel) in jointly owned facilities with the above entities were as follows:

	Jointly Owned Facilities		
	Percent Ownership	Amount of Investment	Accumulated Depreciation
		(in millions)	
Plant Vogtle (nuclear)	45.7%	$3,301	$1,724
Plant Hatch (nuclear)	50.1	873	650
Plant Miller (coal) Units 1 and 2	91.8	743	312
Plant Scherer (coal) Units 1 and 2	8.4	112	53
Plant Wansley (coal)	53.5	300	150
Rocky Mountain (pumped storage)	25.4	169	72
Intercession City (combustion turbine)	33.3	11	1

Alabama Power and Georgia Power have contracted to operate and maintain the jointly owned facilities -- except for the Rocky Mountain project and Intercession City -- as agents for their respective co-owners. The companies' proportionate share of their plant operating expenses is included in the corresponding operating expenses in the Consolidated Statements of Income.

5. LONG-TERM POWER SALES AND LEASE AGREEMENTS

The integrated Southeast utilities have long-term contractual agreements for the sale and lease of capacity to certain non-affiliated utilities located outside the system's service area. These agreements are firm and are related to specific generating units. Because the energy is generally provided at cost under these agreements, profitability is primarily affected by capacity revenues.

Unit power from specific generating plants is currently being sold to FP&L, FPC, and JEA. Under these agreements, approximately 1,500 megawatts of capacity is scheduled to be sold annually unless reduced by FP&L, FPC, and JEA for the periods after 2000 with a minimum of three years notice -- until the expiration of the contracts in 2010. Capacity revenues from unit power sales amounted to $177 million in 2000, $174 million in 1999, and $196 million in 1998.

During 2000, Georgia Power and Mississippi Power entered into certain operating leases for portions of their generating unit capacity. Capacity revenues from these operating leases amounted to $20 million in 2000 and are included in the financial statements as sales for resale. Minimum future capacity revenues from noncancelable operating leases as of December 31, 2000 are as follows:

Year	Amounts (in millions)
2001	$ 53
2002	66
2003	66
2004	66
2005	27
2006 and thereafter	114
Total	$392

6. INCOME TAXES

At December 31, 2000, the tax-related regulatory assets and liabilities were $957 million and $551 million, respectively. These assets are attributable to tax benefits flowed through to customers in prior years and to taxes applicable to capitalized interest. These liabilities are attributable to deferred taxes previously recognized at rates higher than current enacted tax law and to unamortized investment tax credits. The following tables and disclosures exclude discontinued operations.

Details of income tax provisions are as follows:

	2000	1999	1998
		(in millions)	
Total provision for income taxes:			
Federal --			
Current	**$ 421**	$ 504	$ 548
Deferred	**95**	11	23
	516	515	571
State --			
Current	**71**	85	102
Deferred	**1**	(1)	(3)
	72	84	99
Total	**$ 588**	$ 599	$ 670

The tax effects of temporary differences between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases, which give rise to deferred tax assets and liabilities, are as follows:

	2000	1999
		(in millions)
Deferred tax liabilities:		
Accelerated depreciation	**$3,199**	$3,088
Property basis differences	**1,105**	1,175
Other	**650**	444
Total	**4,954**	4,707
Deferred tax assets:		
Federal effect of state deferred taxes	**111**	113
Other property basis differences	**206**	221
Deferred costs	**190**	102
Pension and other benefits	**125**	121
Other	**231**	198
Total	**863**	755
Net deferred tax liabilities	**4,091**	3,952
Portion included in current assets, net	**(17)**	(68)
Accumulated deferred income taxes in the Consolidated Balance Sheets	**$4,074**	$3,884

In accordance with regulatory requirements, deferred investment tax credits are amortized over the lives of the related property with such amortization normally applied as a credit to reduce depreciation in the Consolidated Statements of Income. Credits amortized in this manner amounted to $30 million in 2000, $30 million in 1999, and $38 million in 1998. At December 31, 2000, all

investment tax credits available to reduce federal income taxes payable had been utilized.

The provision for income taxes differs from the amount of income taxes determined by applying the applicable U.S. Federal statutory rate to earnings before income taxes and preferred dividends of subsidiaries, as a result of the following:

	2000	1999	1998
Federal statutory rate	**35.0%**	35.0%	35.0%
State income tax, net of federal deduction	**3.4**	3.8	3.8
Non-deductible book depreciation	**1.7**	1.9	4.0
Difference in prior years' deferred and current tax rate	**(1.3)**	(1.3)	(1.3)
Other	**(2.1)**	(0.3)	(1.6)
Effective income tax rate	**36.7%**	39.1%	39.9%

Southern Company files a consolidated federal income tax return. Under a joint consolidated income tax agreement, each subsidiary's current and deferred tax expense is computed on a stand-alone basis.

7. COMMON STOCK

Stock Issued and Repurchased

The amount and timing of additional equity capital to be raised in 2001 -- as well as in subsequent years -- will be contingent on Southern Company's investment opportunities. Equity capital may be provided from any combination of public offerings, private placements, or the company's stock plans.

In December 2000, Southern Company issued 28 million treasury shares of common stock through a public offering. The offering, which included an overallotment of 3 million shares, raised some $800 million and was priced at $28.50 per share. The proceeds were used to repay short-term commercial paper.

In April 1999, Southern Company's Board of Directors approved the repurchase of up to 50 million shares of Southern Company's common stock over a two-year period through open market or privately negotiated transactions. Under this program, 50 million shares were repurchased by February 2000 at an average price of $25.53. Funding for the program was provided from Southern Company's commercial paper program.

Shares Reserved

At December 31, 2000, a total of 59 million shares was reserved for issuance pursuant to the Southern Investment Plan, the Employee Savings Plan, the Outside Directors Stock Plan, and the Performance Stock Plan.

Performance Stock Plan

The performance stock plan provides non-qualified stock options to a large segment of Southern Company's employees ranging from line management to executives. As of December 31, 2000, 5,744 current and former employees participated in the plan. The maximum number of shares of common stock that may be issued under the plan may not exceed 40 million. The prices of options granted to date have been at the fair market value of the shares on the dates of grant. Options granted to date become exercisable pro rata over a maximum period of three years from the date of grant. Options outstanding will expire no later than 10 years after the date of grant, unless terminated earlier by the Southern Company Board of Directors in accordance with the plan. Stock option activity in 1999 and 2000 for the plan is summarized below:

	Shares Subject To Option	Average Option Price Per Share
Balance at December 31, 1998	6,445,398	$22.77
Options granted	2,108,818	26.56
Options canceled	(28,630)	25.48
Options exercised	(56,708)	19.51
Balance at December 31, 1999	8,468,878	23.73
Options granted	6,977,038	23.25
Options canceled	(226,597)	23.66
Options exercised	(984,897)	21.63
Balance at December 31, 2000	**14,234,422**	**$23.63**
Shares reserved for future grants:		
At December 31, 1998	36,598,001	
At December 31, 1999	34,515,156	
At December 31, 2000	**27,750,261**	
Options exercisable:		
At December 31, 1999	4,525,349	
At December 31, 2000	**5,898,698**	

Southern Company accounts for its stock-based compensation plans in accordance with Accounting Principles Board Opinion No. 25. Accordingly, no compensation expense has been recognized.

The following table summarizes information about options outstanding at December 31, 2000:

	Price Range of Options		
	14-20	21-24	25-28
Outstanding:			
Shares (in thousands)	**430**	**10,217**	**3,587**
Average remaining life (in years)	**2.5**	**8.2**	**8.1**
Average exercise price	**$17.36**	**$22.79**	**$26.77**
Exerciseable:			
Shares (in thousands)	**424**	**3,653**	**1,822**
Average exercise price	**$17.64**	**$21.96**	**$26.84**

The estimated fair values of stock options granted in 2000, 1999 and 1998 were derived using the Black-Scholes stock option pricing model. The following table shows the assumptions and the weighted average fair values of stock options:

	2000	1999	1998
Interest rate	**6.7%**	5.8%	5.5%
Average expected life of stock options (in years)	**4.0**	3.7	3.7
Expected volatility of common stock	**20.9%**	20.7%	19.2%
Expected annual dividends on common stock	**$1.34**	$1.34	$1.34
Weighted average fair value of stock options granted	**3.36**	4.61	4.27

The pro forma impact on earnings of fair-value accounting for options granted -- as required by FASB Statement No. 123, Accounting for Stock-Based Compensation -- is 1.2 cents per share in 2000 and less than 1 cent in both 1999 and 1998.

Diluted Earnings Per Share

For Southern Company, the only difference in computing basic and diluted earnings per share is attributable to outstanding options under the Performance Stock Plan. The effect of the stock options was determined using the treasury stock method. Shares used to compute diluted earnings per share are as follows:

	Average Common Stock Shares		
	2000	1999	1998
		(in thousands)	
As reported shares	**653,086**	685,163	696,944
Effect of options	**1,108**	580	739
Diluted shares	**654,194**	685,743	697,683

Common Stock Dividend Restrictions

The income of Southern Company is derived primarily from equity in earnings of its subsidiaries. At December 31, 2000, consolidated retained earnings included $3.5 billion of undistributed retained earnings of the subsidiaries. Of this amount, $2.0 billion was restricted against the payment by the subsidiary companies of cash dividends on common stock under terms of bond indentures.

8. FINANCING

Capital and Preferred Securities

Company or subsidiary obligated mandatorily redeemable capital and preferred securities have been issued by special purpose financing entities of Southern Company and its subsidiaries. Substantially all the assets of these special financing entities are junior subordinated notes issued by the related company seeking financing. Each of these companies considers that the mechanisms and obligations relating to the capital or preferred securities issued for its benefit, taken together, constitute a full and unconditional guarantee by it of the respective special financing entities' payment obligations with respect to the capital or preferred securities. At December 31, 2000, capital securities of $950 million and preferred securities of $1.3 billion were outstanding. Southern Company guarantees the notes related to $950 million of capital or preferred securities issued on its behalf.

Long-Term Debt Due Within One Year

A summary of the improvement fund requirements and scheduled maturities and redemptions of long-term debt due within one year at December 31 is as follows:

	2000	1999
	(in millions)	
Bond improvement fund requirements	**$11**	$ 14
Less:		
Portion to be satisfied by certifying property additions	**11**	9
Cash requirements	**–**	5
First mortgage bond maturities and redemptions	**–**	200
Other long-term debt maturities	**67**	124
Total	**$67**	$329

The first mortgage bond improvement fund requirements amount to 1 percent of each outstanding series of bonds authenticated under the indentures prior

to January 1 of each year, other than those issued to collateralize pollution control revenue bonds and other obligations. The requirements may be satisfied by depositing cash or reacquiring bonds, or by pledging additional property equal to 1662/3 percent of such requirements.

With respect to the collateralized pollution control revenue bonds, the integrated Southeast utilities have authenticated and delivered to trustees a like principal amount of first mortgage bonds as security for obligations under installment sale or loan agreements. The principal and interest on the first mortgage bonds will be payable only in the event of default under the agreements.

Improvement fund requirements and/or serial maturities through 2005 applicable to other long-term debt are as follows: $67 million in 2001; $489 million in 2002; $479 million in 2003; $323 million in 2004; and $600 million in 2005.

Assets Subject to Lien

Each of Southern Company's subsidiaries is organized as a legal entity, separate and apart from Southern Company and its other subsidiaries. The subsidiary companies' mortgages, which secure the first mortgage bonds issued by the companies, constitute a direct first lien on substantially all of the companies' respective fixed property and franchises. There are no agreements or other arrangements among the subsidiary companies under which the assets of one company have been pledged or otherwise made available to satisfy obligations of Southern Company or any of its other subsidiaries.

Bank Credit Arrangements

At the beginning of 2001, unused credit arrangements with banks totaled $5.1 billion, of which $3.2 billion expires during 2001, $1.0 billion during 2002, and $900 million during 2003 and 2004. The following table outlines the credit arrangements by company:

	Amount of Credit			
			Expires	
Company	Total	Unused	2001	2002 & beyond
	(in millions)			
Alabama Power	$ 925	$ 925	$ 535	$ 390
Georgia Power	1,765	1,765	1,265	500
Gulf Power	123	115	115	-
Mississippi Power	117	117	117	-
Savannah Electric	65	50	40	10
Southern Company	2,100	2,100	1,100	1,000
Other	60	51	51	-
Total	$5,155	$5,123	$3,223	$1,900

Approximately $2.9 billion of the credit facilities allows for term loans ranging from one to three years. Most of the agreements include stated borrowing rates but also allow for competitive bid loans.

All of the credit arrangements require payment of commitment fees based on the unused portion of the commitments or the maintenance of compensating balances with the banks. These balances are not legally restricted from withdrawal. Of the total $5.1 billion in unused credit, $2.1 billion, $1.65 billion, and $780 million are syndicated credit arrangements of Southern Company, Georgia Power, and Alabama Power, respectively. These facilities also require the payment of agent fees.

A portion of the $5.1 billion unused credit with banks is allocated to provide liquidity support to the companies' variable rate pollution control bonds. The amount of variable rate pollution control bonds requiring liquidity support as of December 31, 2000, was $1.6 billion.

Southern Company, Alabama Power, and Georgia Power borrow through commercial paper programs that have the liquidity support of committed bank credit arrangements. In addition, the companies from time to time borrow under uncommitted lines of credit with banks.

9. COMMITMENTS

Construction Program

Southern Company is engaged in continuous construction programs, currently estimated to total $2.9 billion in 2001, $2.6 billion in 2002, and $1.7 billion in 2003. The construction programs are subject to periodic review and revision, and actual construction costs may vary from the above estimates because of numerous factors. These factors include: changes in business conditions; acquisition of additional generating assets; revised load growth estimates; changes in environmental regulations; changes in existing nuclear plants to meet new regulatory requirements; increasing costs of labor, equipment, and materials; and cost of capital. At December 31, 2000, significant purchase commitments were outstanding in connection with the construction program. Southern Company has approximately 6,600 megawatts of additional generating capacity scheduled to be placed in service by 2003.

See Management's Discussion and Analysis under "Environmental Matters" for information on the impact

of the Clean Air Act Amendments of 1990 and other environmental matters.

Fuel and Purchased Power Commitments

To supply a portion of the fuel requirements of the generating plants, Southern Company has entered into various long-term commitments for the procurement of fossil and nuclear fuel. In most cases, these contracts contain provisions for price escalations, minimum purchase levels, and other financial commitments. Also, Southern Company has entered into various long-term commitments for the purchase of electricity. Total estimated long-term obligations at December 31, 2000, were as follows:

Year	Fuel	Purchased Power
	(in millions)	
2001	$ 2,481	$ 81
2002	1,897	97
2003	1,711	99
2004	1,328	95
2005	1,055	95
2006 and thereafter	3,764	693
Total commitments	$12,236	$1,160

Operating Leases

Southern Company has operating lease agreements with various terms and expiration dates. These expenses totaled $42 million, $35 million, and $26 million for 2000, 1999, and 1998, respectively. At December 31, 2000, estimated minimum rental commitments for noncancelable operating leases were as follows:

Year	Amounts
	(in millions)
2001	$ 57
2002	71
2003	71
2004	68
2005	64
2006 and thereafter	388
Total minimum payments	$719

Guarantees

Southern Company has made separate guarantees to certain counterparties regarding performance of contractual commitments by Mirant's trading and marketing subsidiaries. At December 31, 2000, the total notional amount of guarantees was $419 million and the estimated fair value of net contractual commitments outstanding was approximately $259 million. Based upon a statistical analysis of credit risk, Southern Company's potential exposure under these contractual commitments would not materially differ from the estimated fair value.

At December 31, 2000, Southern Company had guaranteed $11 million related to a Mirant purchase power agreement. The guarantee expires March 2001. Southern Company also has guaranteed certain of Mirant's foreign currency swap transactions. At December 31, 2000, notional amounts under these swaps were the differences between £44 million and $68 million and between DM370 million and $206 million; however, due to favorable exchange rates Southern Company had no exposure under these guarantees. The sterling and deutsche mark swaps expire in 2002 and 2003, respectively.

After the spin off, Mirant will pay Southern Company a monthly fee of 1 percent on the average aggregate maximum principal amount of all guarantees outstanding until they are replaced or expire. Southern Company's guarantees related to Mirant trading and marketing activities are limited to a maximum of $425 million, with any guarantees since October 2, 2000 expiring no later than October 2, 2001. Mirant must use reasonable efforts to release Southern Company from all such support arrangements and will indemnify Southern Company for any obligations incurred.

10. NUCLEAR INSURANCE

Under the Price-Anderson Amendments Act of 1988, Alabama Power and Georgia Power maintain agreements of indemnity with the NRC that, together with private insurance, cover third-party liability arising from any nuclear incident occurring at the companies' nuclear power plants. The act provides funds up to $9.5 billion for public liability claims that could arise from a single nuclear incident. Each nuclear plant is insured against this liability to a maximum of $200 million by private insurance, with the remaining coverage provided by a mandatory program of deferred premiums that could be assessed, after a nuclear incident, against all owners of nuclear reactors. A company could be assessed up to $88 million per incident for each licensed reactor it operates, but not more than an aggregate of $10 million per incident to be paid in a calendar year for each reactor. Such maximum assessment, excluding any applicable state premium taxes, for Alabama Power and Georgia Power -- based on its ownership and buyback interests -- is $176 million and $178 million, respectively, per incident, but not more than an aggregate of $20 million per company to be paid for each incident in any one year.

Alabama Power and Georgia Power are members of Nuclear Electric Insurance Limited (NEIL), a mutual insurer established to provide property damage insurance in an amount up to $500 million for members' nuclear generating facilities.

Additionally, both companies have policies that currently provide decontamination, excess property insurance, and premature decommissioning coverage up to $2.25 billion for losses in excess of the $500 million primary coverage. This excess insurance is also provided by NEIL.

NEIL also covers the additional costs that would be incurred in obtaining replacement power during a prolonged accidental outage at a member's nuclear plant. Members can be insured against increased costs of replacement power in an amount up to $3.5 million per week -- starting 12 weeks after the outage -- for one year and up to $2.8 million per week for the second and third years.

Under each of the NEIL policies, members are subject to assessments if losses each year exceed the accumulated funds available to the insurer under that policy. The current maximum annual assessments for Alabama Power and Georgia Power under the three NEIL policies would be $17 million and $19 million, respectively.

For all on-site property damage insurance policies for commercial nuclear power plants, the NRC requires that the proceeds of such policies shall be dedicated first for the sole purpose of placing the reactor in a safe and stable condition after an accident. Any remaining proceeds are to be applied next toward the costs of decontamination and debris removal operations ordered by the NRC, and any further remaining proceeds are to be paid either to the company or to its bond trustees as may be appropriate under the policies and applicable trust indentures.

All retrospective assessments -- whether generated for liability, property, or replacement power -- may be subject to applicable state premium taxes.

11. DISCONTINUED OPERATIONS

In April 2000, Southern Company announced an initial public offering of up to 19.9 percent of Mirant and its intentions to spin off the remaining ownership of Mirant to Southern Company stockholders within 12 months of the initial stock offering. On October 2, 2000, Mirant completed an initial public offering of 66.7 million shares of common stock priced at $22 per share. This represented 19.7 percent of the 338.7 million shares outstanding. As a result of the stock offering, Southern Company recorded a $560 million increase in paid-in capital with no gain or loss being recognized.

On February 19, 2001, Southern Company's board of directors approved the spin off of its remaining ownership of 272 million Mirant shares to be completed in a tax free distribution on April 2, 2001. Shares from the spin off will be distributed at a ratio of approximately 0.4 for every share of Southern Company common stock held at record date.

As a result of the spin off, Southern Company's December 31, 2000, financial statements have been prepared with Mirant's results of operations and cash flows shown as discontinued operations. All historical financial statements presented and footnotes have been reclassified to conform to this presentation, with the historical assets and liabilities of Mirant presented on the balance sheet as net assets of discontinued operations.

Summarized financial information for the discontinued operations is as follows at December 31:

	2000	1999	1998
		(in millions)	
Revenues	**$13,315**	$2,265	$1,819
Income taxes	**86**	127	(121)
Net income	**319**	361	(9)

	2000	1999
		(in millions)
Current assets	**$ 9,057**	$ 1,254
Total assets	**22,377**	12,191
Current liabilities	**9,726**	3,169
Total liabilities	**17,585**	8,473
Minority and other interests	**1,472**	805
Net assets of discontinued operations	**3,320**	2,913

12. SEGMENT AND RELATED INFORMATION

Southern Company's reportable business segment is the five integrated Southeast utilities that provide electric service in four states. Net income and total assets for discontinued operations are included in the reconciling eliminations column. The all other category includes

Year	Integrated Southeast Utilities	All Other	Reconciling Eliminations	Consolidated
		(in millions)		
1998				
Operating revenues	$ 9,363	$ 167	$ (31)	$ 9,499
Depreciation and amortization	1,323	17	–	1,340
Interest income	150	58	(54)	154
Interest expense	654	99	(54)	699
Income taxes	703	(33)	–	670
Segment net income (loss)	1,083	(97)	(9)	977
Total assets	24,420	2,817	1,486	28,723
Gross property additions	1,298	58	–	1,356

Products and Services

Year	Integrated Southeast Utilities Revenues			
	Retail	Wholesale	Other	Total
		(in millions)		
2000	**$8,613**	**$977**	**$270**	**$9,860**
1999	8,086	823	216	9,125
1998	8,272	896	195	9,363

13. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

Summarized quarterly financial data for 2000 and 1999 -- including discontinued operations for net income and earnings per share -- are as follows:

Quarter Ended	Operating Revenues	Operating Income	Consolidated Net Income	Per Common Share			
				Earnings	Dividends	Price Range High	Price Range Low
		(in millions)					
March 2000	**$2,052**	**$ 428**	**$245**	**$0.38**	**$0.335**	**25 7/8**	**20 3/8**
June 2000	**2,522**	**598**	**342**	**0.52**	**0.335**	**27 7/8**	**21 11/16**
September 2000	**3,198**	**1,041**	**614**	**0.95**	**0.335**	**35**	**23 13/32**
December 2000	**2,294**	**337**	**112**	**0.16**	**0.335**	**33 22/25**	**27 1/2**
March 1999	$1,920	$ 408	$224	$0.32	$0.335	29 5/8	23 1/4
June 1999	2,288	569	314	0.45	0.335	29 3/16	22 3/4
September 1999	3,050	981	615	0.90	0.335	28	25
December 1999	2,059	292	123	0.19	0.335	27 1/8	22 1/16

Southern Company's business is influenced by seasonal weather conditions.

parent Southern Company, which does not allocate operating expenses to business segments. Also, this category includes segments below the quantitative threshold for separate disclosure. These segments include telecommunications, energy products and services, and leasing and financing services. Intersegment revenues are not material. Financial data for business segments and products and services are as follows:

Business Segments

Year	Integrated Southeast Utilities	All Other	Reconciling Eliminations	Consolidated
		(in millions)		
2000				
Operating revenues	**$ 9,860**	**$ 246**	**$ (40)**	**$10,066**
Depreciation and amortization	**1,135**	**36**	**–**	**1,171**
Interest income	**43**	**9**	**(1)**	**51**
Interest expense	**631**	**197**	**–**	**828**
Income taxes	**703**	**(115)**	**–**	**588**
Segment net income (loss)	**1,109**	**(115)**	**319**	**1,313**
Total assets	**26,917**	**2,200**	**2,245**	**31,362**
Gross property additions	**2,199**	**26**	**–**	**2,225**

Year	Integrated Southeast Utilities	All Other	Reconciling Eliminations	Consolidated
		(in millions)		
1999				
Operating revenues	$ 9,125	$ 221	$ (29)	$ 9,317
Depreciation and amortization	1,046	93	–	1,139
Interest income	64	50	(44)	70
Interest expense	613	155	(37)	731
Income taxes	675	(76)	–	599
Segment net income (loss)	1,073	(154)	357	1,276
Total assets	25,336	2,127	1,828	29,291
Gross property additions	1,854	27	–	1,881

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SELECTED CONSOLIDATED FINANCIAL AND OPERATING DATA 1996-2000

Southern Company and Subsidiary Companies 2000 Annual Report

	2000	1999	1998	1997	1996
Operating Revenues (in millions)	**$10,066**	$9,317	$9,499	$8,774	$8,675
Total Assets (in millions)	**$31,362**	$29,291	$28,723	$27,898	$26,352
Gross Property Additions (in millions)	**$2,225**	$1,881	$1,356	$1,138	$1,064
Return on Average Common Equity (percent)	**13.20**	13.43	10.04	10.30	12.53
Cash Dividends Paid Per Share of Common Stock	**$1.34**	$1.34	$1.34	$1.30	$1.26
Consolidated Net Income (in millions):					
Continuing operations	**$ 994**	$ 915	$986	$990	$1,046
Discontinued operations	**319**	361	(9)	(18)	81
Total	**$1,313**	$1,276	$977	$972	$1,127
Basic and Diluted Earnings Per Share of Common Stock:					
Continuing operations	**$1.52**	$1.33	$ 1.41	$ 1.45	$1.56
Discontinued operations	**0.49**	0.53	(0.01)	(0.03)	0.12
Total	**$2.01**	$1.86	$ 1.40	$1.42	$1.68
Capitalization (in millions):					
Common stock equity	**$10,690**	$ 9,204	$ 9,797	$ 9,647	$ 9,216
Preferred stock and securities	**2,614**	2,615	2,465	2,155	1,402
Long-term debt	**7,843**	7,251	6,505	6,347	6,556
Total excluding amounts due within one year	**$21,147**	$19,070	$18,767	$18,149	$17,174
Capitalization Ratios (percent):					
Common stock equity	**50.6**	48.3	52.2	53.2	53.7
Preferred stock and securities	**12.3**	13.7	13.1	11.9	8.2
Long-term debt	**37.1**	38.0	34.7	34.9	38.1
Total excluding amounts due within one year	**100.0**	100.0	100.0	100.0	100.0
Other Common Stock Data:					
Book value per share (year-end)	**$15.69**	$13.82	$14.04	$13.91	$13.61
Market price per share:					
High	**35**	29 5/8	31 9/16	26 1/4	25 7/8
Low	**20 3/8**	22 1/16	23 15/16	19 7/8	21 1/8
Close	**33 1/4**	23 1/2	29 1/16	25 7/8	22 5/8
Market-to-book ratio (year-end) (percent)	**211.9**	170.0	207.0	186.0	166.2
Price-earnings ratio (year-end) (times)	**16.5**	12.6	20.8	18.2	13.5
Dividends paid (in millions)	**$873**	$921	$933	$889	$846
Dividend yield (year-end) (percent)	**4.0**	5.7	4.6	5.0	5.6
Dividend payout ratio (percent)	**66.5**	72.2	95.6	91.5	75.1
Shares outstanding (in thousands):					
Average	**653,087**	685,163	696,944	685,033	672,590
Year-end	**681,158**	665,796	697,747	693,423	677,036
Stockholders of record (year-end)	**160,116**	174,179	187,053	200,508	215,246
Customers (year-end) (in thousands):					
Residential	**3,398**	3,339	3,277	3,220	3,157
Commercial	**527**	513	497	479	464
Industrial	**14**	15	15	16	17
Other	**5**	4	5	5	5
Total	**3,944**	3,871	3,794	3,720	3,643
Employees (year-end)	**26,021**	26,269	25,206	24,682	25,034

SELECTED CONSOLIDATED FINANCIAL AND OPERATING DATA 1996-2000 (continued)

Southern Company and Subsidiary Companies 2000 Annual Report

	2000	1999	1998	1997	1996
Operating Revenues (in millions):					
Residential	**$ 3,367**	$3,105	$3,163	$2,837	$2,894
Commercial	**2,922**	2,743	2,763	2,595	2,559
Industrial	**2,292**	2,237	2,267	2,139	2,136
Other	**32**	1	79	76	76
Total retail	**8,613**	8,086	8,272	7,647	7,665
Sales for resale within service area	**377**	350	374	376	409
Sales for resale outside service area	**600**	473	522	510	429
Total revenues from sales of electricity	**9,590**	8,909	9,168	8,533	8,503
Other revenues	**476**	408	331	241	172
Total	**$10,066**	$9,317	$9,499	$8,774	$8,675
Kilowatt-Hour Sales (in millions):					
Residential	**46,213**	43,402	43,503	39,217	40,117
Commercial	**46,249**	43,387	41,737	38,926	37,993
Industrial	**56,746**	56,210	55,331	54,196	52,798
Other	**970**	945	929	903	911
Total retail	**150,178**	143,944	141,500	133,242	131,819
Sales for resale within service area	**9,579**	9,440	9,847	9,884	10,935
Sales for resale outside service area	**17,190**	12,929	12,988	13,761	10,777
Total	**176,947**	166,313	164,335	156,887	153,531
Average Revenue Per Kilowatt-Hour (cents):					
Residential	**7.29**	7.15	7.27	7.23	7.21
Commercial	**6.32**	6.32	6.62	6.67	6.74
Industrial	**4.04**	3.98	4.10	3.95	4.04
Total retail	**5.74**	5.62	5.85	5.74	5.81
Sales for resale	**3.65**	3.68	3.92	3.75	3.86
Total sales	**5.42**	5.36	5.58	5.44	5.54
Average Annual Kilowatt-Hour Use Per Residential Customer	**13,702**	13,107	13,379	12,296	12,824
Average Annual Revenue Per Residential Customer	**$998.38**	$937.81	$972.89	$889.50	$925.12
Plant Nameplate Capacity Owned (year-end) (megawatts)	**32,807**	31,425	31,161	31,146	31,076
Maximum Peak-Hour Demand (megawatts):					
Winter	**26,370**	25,203	21,108	22,969	22,631
Summer	**31,359**	30,578	28,934	27,334	27,190
System Reserve Margin (at peak) (percent)	**8.1**	8.5	12.8	15.0	14.0
Annual Load Factor (percent)	**60.2**	59.2	60.0	59.4	62.3
Plant Availability (percent):					
Fossil-steam	**86.8**	83.3	85.2	88.2	86.4
Nuclear	**90.5**	89.9	87.8	88.8	89.7
Source of Energy Supply (percent):					
Coal	**72.3**	73.1	72.8	74.7	73.3
Nuclear	**15.1**	15.7	15.4	16.5	16.7
Hydro	**1.5**	2.3	3.9	4.3	4.1
Oil and gas	**4.0**	2.8	3.3	1.7	1.5
Purchased power	**7.1**	6.1	4.6	2.8	4.4
Total	**100.0**	100.0	100.0	100.0	100.0

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ALABAMA POWER COMPANY

FINANCIAL SECTION

MANAGEMENT'S REPORT

Alabama Power Company 2000 Annual Report

The management of Alabama Power Company has prepared -- and is responsible for -- the financial statements and related information included in this report. These statements were prepared in accordance with accounting principles generally accepted in the United States and necessarily include amounts that are based on the best estimates and judgments of management. Financial information throughout this annual report is consistent with the financial statements.

The Company maintains a system of internal accounting controls to provide reasonable assurance that assets are safeguarded and that the accounting records reflect only authorized transactions of the Company. Limitations exist in any system of internal controls, however, based on a recognition that the cost of the system should not exceed its benefits. The Company believes its system of internal accounting controls maintains an appropriate cost/benefit relationship.

The Company's system of internal accounting controls is evaluated on an ongoing basis by the Company's internal audit staff. The Company's independent public accountants also consider certain elements of the internal control system in order to determine their auditing procedures for the purpose of expressing an opinion on the financial statements.

The audit committee of the board of directors, composed of independent directors, provides a broad overview of management's financial reporting and control functions. Periodically, this committee meets with management, the internal auditors and the independent public accountants to ensure that these groups are fulfilling their obligations and to discuss auditing, internal controls, and financial reporting matters. The internal auditors and independent public accountants have access to the members of the audit committee at any time.

Management believes that its policies and procedures provide reasonable assurance that the Company's operations are conducted according to a high standard of business ethics.

In management's opinion, the financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of Alabama Power Company in conformity with accounting principles generally accepted in the United States.

Elmer B. Harris
President
and Chief Executive Officer

William B. Hutchins, III
Executive Vice President,
Chief Financial Officer, and Treasurer

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Alabama Power Company:

We have audited the accompanying balance sheets and statements of capitalization of Alabama Power Company (an Alabama corporation and a wholly owned subsidiary of Southern Company) as of December 31, 2000 and 1999, and the related statements of income, common stockholder's equity, and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements (pages II-55 through II-73) referred to above present fairly, in all material respects, the financial position of Alabama Power Company as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Arthur Andersen LLP

Birmingham, Alabama
February 28, 2001

RESULTS OF OPERATIONS

Earnings

Alabama Power Company's 2000 net income after dividends on preferred stock was $420 million, representing a $20 million (5 percent) increase from the prior year. This improvement is primarily attributable to an increase in territorial sales partially offset by increased non-fuel operating expenses.

In 1999, earnings were $400 million, representing a 6 percent increase from the prior year. This increase was due to a decrease in amortization related to premiums paid to reacquire debt pursuant to an Alabama Public Service Commission (APSC) order. See Note 3 to the financial statements under "Retail Rate Adjustment Procedures" for additional details.

The return on average common equity for 2000 was 13.58 percent compared to 13.85 percent in 1999, and 13.63 percent in 1998.

Revenues

Operating revenues for 2000 were $3.7 billion, reflecting an increase from 1999. The following table summarizes the principal factors that have affected operating revenues for the past two years:

	Amount	Increase (Decrease) From Prior Year	
	2000	**2000**	1999
		(in thousands)	
Retail --			
Base revenues	**$2,108,939**	$ 80,264	$ 10,022
Fuel cost recovery and other	**843,768**	61,326	20,418
Total retail	**2,952,707**	141,590	30,440
Sales for resale --			
Non affiliates	**461,730**	46,353	(33,596)
Affiliates	**166,219**	73,780	(11,123)
Total sales for resale	**627,949**	120,133	(44,719)
Other operating revenues	**86,805**	20,264	13,380
Total operating revenues	**$3,667,461**	$281,987	$ (899)
Percent change		8.33%	(0.03)%

Retail revenues of $3.0 billion in 2000 increased $142 million (5 percent) from the prior year, compared with an increase of $30 million (1.1 percent) in 1999. The primary contributors to the increase in revenues in 2000 were the positive impact of weather on energy sales, continued economic growth in the Company's service territory, and an increase in fuel revenues. Fuel revenues have no effect on net income because they represent the recording of revenues to offset fuel expenses, including the fuel component of purchased energy. Fuel rates billed to customers are designed to fully recover fluctuating fuel costs over a period of time. Higher natural gas prices and decreased hydro production combined with increased costs of purchased power have resulted in a large under-recovery of fuel costs at December 31, 2000. Effective January 2001, the Company's fuel rate was increased to address this under-recovery. The Company expects to significantly reduce this balance over a three-year period.

The $20 million (30.5 percent) increase in other operating revenues in 2000 as compared to 1999 was due primarily to an increase in steam sales in conjunction with the operation of the Company's co-generation facilities.

Retail revenues in 1999 increased $30 million (1.1 percent) over 1998. The predominant factors causing the rise in revenues in 1999 were continued growth in the Company's service territory, as well as an increase in fuel revenues. These increases were offset by the effect of milder temperatures in 1999 as compared to 1998.

Energy sales for resale outside the service area are predominantly unit power sales under long-term contracts to Florida utilities. Economy energy and energy sold under short-term contracts are also sold for resale outside the service area. Revenues from long-term power contracts have both a capacity and energy component. Capacity revenues reflect the recovery of fixed costs and a return on investment under the contracts. Energy is generally sold at variable cost. These capacity and energy components of the unit power contracts were as follows:

	2000	1999	1998
		(in millions)	
Capacity	**$127**	$122	$142
Energy	**128**	112	118
Total	**$255**	$234	$260

Capacity revenues from non-affiliates were relatively unchanged in 2000 compared to the prior year. Capacity revenues from non-affiliates in 1999 decreased 13.9 percent compared to 1998. This decrease was attributable to the lowering of the equity return under formula rate contracts, as well as other adjustments and true-ups related to contractual pricing.

Revenues from sales to affiliated companies within the Southern electric system, as well as purchases of energy, will vary from year to year depending on demand and the availability and cost of generating resources at each company. These transactions did not have a significant impact on earnings.

Kilowatt-hour (KWH) sales for 2000 and the percent change by year were as follows:

	KWH	Percent Change	
	2000	**2000**	1999
	(millions)		
Residential	**16,772**	**6.8%**	(0.6)%
Commercial	**12,989**	**5.5**	3.4
Industrial	**22,101**	**0.7**	1.7
Other	**206**	**2.3**	2.3
Total retail	**52,068**	**3.8**	1.4
Sales for resale -			
Non-affiliates	**14,848**	**19.4**	5.0
Affiliates	**5,369**	**6.7**	(15.8)
Total	**72,285**	**6.9%**	0.5%

The increases in 2000 and 1999 retail energy sales were primarily due to the strength of business and economic conditions in the Company's service area. In 2000, residential energy sales experienced a 6.8 percent increase over the prior year primarily as a result of warmer summer temperatures and cold winter weather conditions compared to 1999. Assuming normal weather, sales to retail customers are projected to grow approximately 2.9 percent annually on average during 2001 through 2005.

Expenses

In 2000, total operating expenses of $2.7 billion were up $235 million or 9.4 percent compared with the prior year. This increase was mainly due to a $183 million increase in fuel and purchased power costs, accompanied by a $23 million increase in maintenance expenses.

In 1999, total operating expenses of $2.5 billion decreased $13 million or 0.5 percent compared with 1998. This decline was mainly due to a $15 million net decrease in fuel and purchased power costs and a $23 million decrease in maintenance expense, offset by an increase in taxes other than income taxes of $12 million.

Fuel costs constitute the single largest expense for the Company. The mix of fuel sources for generation of electricity is determined primarily by system load, the unit cost of fuel consumed, and the availability of hydro and nuclear generating units. The amount and sources of generation and the average cost of fuel per net KWH generated were as follows:

	2000	1999	1998
Total generation (billions of KWHs)	**65**	63	63
Sources of generation (percent) --			
Coal	**72**	72	72
Nuclear	**19**	20	18
Hydro	**3**	5	8
Oil & Gas	**6**	3	2
Average cost of fuel per net KWH generated (cents) --	**1.54**	1.44	1.54

In 2000, total fuel and purchased power costs of $1.3 billion increased $183 million (16 percent), while total energy sales increased 4,658 million kilowatt hours (6.9 percent) compared with the amounts recorded in 1999. Fuel and purchased power costs in 1999 decreased $15 million (1 percent) compared to 1998.

Purchased power consists of purchases from affiliates in the Southern electric system and non-affiliated companies. Purchased power transactions among the Company and its affiliates will vary from period to period depending on demand, the availability, and the variable production cost of generating resources at each company. During 2000, purchased power transactions among the Company and non-affiliates increased $72 million (77 percent) due to higher costs associated with these energy purchases and to offset decreased hydro generation, which was down significantly compared to 1999 as a result of lower stream flows.

The 8.4 percent increase in maintenance expense in 2000 as compared to 1999 is primarily attributable to an increase in the maintenance of overhead distribution lines and additional accruals to partially replenish the natural disaster reserve. The 7.5 percent decrease in maintenance expenses in 1999 is primarily attributable to a decrease in distribution expenses.

Depreciation and amortization expense increased 4.9 percent in 2000 and 2.6 percent in 1999. These increases reflect additions to property, plant, and equipment.

Taxes other than income taxes increased $5 million (2.5 percent) in 2000 as compared to 1999. This increase is attributable to increases in real and personal property taxes and public utility license taxes.

Total net interest and other charges increased $7 million (2.7 percent) in 2000. This increase results primarily from an increase in interest on long-term debt offset by a decrease in other interest charges. Total net interest and other charges decreased $38 million (12.3 percent) in 1999 primarily from a decrease in the amortization of premiums on reacquired debt pursuant to an APSC order. See Note 3 to the financial statements under "Retail Rate Adjustment Procedures" for additional details.

Effects of Inflation

The Company is subject to rate regulation and income tax laws that are based on the recovery of historical costs. Therefore, inflation creates an economic loss because the Company is recovering its costs of investments in dollars that have less purchasing power. While the inflation rate has been relatively low in recent years, it continues to have an adverse effect on the Company because of the large investment in utility plant with long economic lives. Conventional accounting for historical cost does not recognize this economic loss nor the partially offsetting gain that arises through financing facilities with fixed-money obligations, such as long-term debt and preferred securities. Any recognition of inflation by regulatory authorities is reflected in the rate of return allowed.

Future Earnings Potential

The results of operations for the past three years are not necessarily indicative of future earnings potential. The level of future earnings depends on numerous factors. The major factor is the ability of the Company to achieve energy sales growth while containing cost in a more competitive environment.

The Company currently operates as a vertically integrated utility providing electricity to customers within its traditional service area located in the state of Alabama. Prices for electricity provided by the Company to retail

customers are set by the APSC under cost-based regulatory principles.

Future earnings for the traditional business in the near term will depend upon growth in energy sales, which is subject to a number of factors. These factors include weather, competition, new short and long-term contracts with neighboring utilities, energy conservation practiced by customers, the elasticity of demand, and the rate of economic growth in the Company's traditional service area.

The electric utility industry in the United States is continuing to evolve as a result of regulatory and competitive factors. Among the primary agents of change has been the Energy Policy Act of 1992 (Energy Act). The Energy Act allows independent power producers (IPPs) to access a utility's transmission network in order to sell electricity to other utilities. This enhances the incentive for IPPs to build cogeneration plants for a utility's large industrial and/or commercial customers and sell excess energy generation to other utilities. Also, electricity sales for resale rates are affected by wholesale transmission access and numerous potential new energy suppliers, including power marketers and brokers.

Although the Energy Act does not permit retail customer access, it was a major catalyst for the current restructuring and consolidation taking place within the utility industry. Numerous federal and state initiatives are in varying stages to promote wholesale and retail competition. Among other things, these initiatives allow customers to choose their electricity provider. Some states have approved initiatives that result in a separation of the ownership and/or operation of generating facilities from the ownership and/or operation of transmission and distribution facilities. While various restructuring and competition initiatives have been discussed in Alabama, none have been enacted. In October 2000, the APSC completed a two-year study of electric industry restructuring, concluding that (i) restructuring of the electric utility industry in Alabama was not in the public interest and (ii) the APSC itself would not mandate retail competition or electric industry restructuring without enabling state legislation. Electric utility restructuring would require numerous issues to be resolved, including significant ones relating to recovery of any stranded investments, full cost recovery of energy produced, and other issues related to the current energy crisis in California. As a result of this crisis, many states have either discontinued or delayed implementation of initiatives involving retail deregulation. The inability of the Company to recover its investments, including the regulatory assets described in Note 1 to the financial statements, could have a material adverse effect on the Company's financial statements.

Continuing to be a low-cost producer could provide opportunities to increase market share and profitability in markets that evolve with changing regulation. Conversely, if the Company does not remain a low-cost producer and provide quality service, then energy sales growth could be limited, and this could significantly erode earnings.

On December 20, 1999, the Federal Energy Regulatory Commission (FERC) issued its final rule on Regional Transmission Organizations (RTOs). The order encouraged utilities owning transmission systems to form RTOs on a voluntary basis. After participating in the regional conferences with customers and other members of the public to discuss the formation of RTOs, utilities were required to make a filing with the FERC. Southern Company and its integrated southeast utility subsidiaries, including the Company, filed on October 16, 2000, a proposal for the creation of an RTO. The proposal is for the formation of a for-profit company that would have control of the bulk power transmission system of the Company and any other participating utilities. Participants would have the option to either maintain their ownership, divest, sell, or lease their assets to the proposed RTO. If the FERC accepts the proposal as filed, the creation of an RTO is not expected to have a material impact on the Company's financial statements. The outcome of this matter cannot now be determined.

The Energy Act amended the Public Utility Holding Company Act of 1935 (PUHCA) to allow holding companies to form exempt wholesale generators to sell power largely free of regulation under PUHCA. These entities are able to own and operate power generating facilities and sell power to affiliates—under certain restrictions.

The Company is constructing 1,230 megawatts of wholesale generating facilities in Autaugaville, Alabama to begin operation in 2003. Half of this capacity has been certified by the APSC to serve the Company's retail customers for seven years. The other half of the capacity

will be sold into the wholesale market and will not affect retail rates.

Southern Company is aggressively working to maintain and expand its share of wholesale sales in the southeastern power markets. In January 2001, Southern Company announced the formation of a new subsidiary—Southern Power Company (SPC). The new subsidiary will own, manage, and finance wholesale generating assets in the Southeast. SPC will be the primary growth engine for Southern Company's market-based energy business. Energy from its assets will be marketed to wholesale customers under the Southern Company name.

Currently, the Company plans to transfer the generating facilities under construction in Autaugaville to SPC in 2001. The Company will enter into a purchased power agreement for half of the capacity of these generating facilities to serve its territorial customers.

In accordance with Financial Accounting Standards Board (FASB) Statement No. 87, Employers' Accounting for Pensions, the Company recorded non-cash income of approximately $54 million in 2000. Pension plan income in 2001 is expected to be less as a result of plan amendments. Future pension income is dependent on several factors including trust earnings and changes to the plan. For more information, see Note 2.

Rates to retail customers served by the Company are regulated by the APSC. Rates for the Company can be adjusted periodically within certain limitations based on earned retail rate of return compared with an allowed return. There is a moratorium on any periodic retail rate increases (but not decreases) until July 2001.

In December 1995, the APSC issued an order authorizing the Company to reduce balance sheet items -- such as plant and deferred charges -- at any time the Company's actual base rate revenues exceed the budgeted revenues. In April 1997, the APSC issued an additional order authorizing the Company to reduce balance sheet asset items. This order authorizes the reduction of such items up to an amount equal to five times the total estimated annual revenue reduction resulting from future rate reductions initiated by the Company.

In April 2000, the APSC approved an amendment to the Company's existing rate structure to provide for the recovery of retail costs associated with certified purchased power agreements. In November 2000, the APSC certified a seven-year purchased power agreement pertaining to 615 megawatts of the Company's wholesale generating facilities under construction in Autaugaville, Alabama, all of which will be delivered in 2003. In addition, the APSC certified a seven-year purchased power agreement with a third party for approximately 630 megawatts; one half of the power will be delivered in 2003 while the remaining half is scheduled for delivery in 2004.

The Company is involved in various matters being litigated. See Note 3 to the financial statements for information regarding material issues that could possibly affect future earnings.

Compliance costs related to current and future environmental laws and regulations could affect earnings if such costs are not fully recovered. The Clean Air Act and other important environmental items are discussed later under "Environmental Matters."

The staff of the Securities and Exchange Commission (SEC) has questioned certain of the current accounting practices of the electric utility industry -- including the Company -- regarding the recognition, measurement, and classification in the financial statements of decommissioning costs for nuclear generating facilities. In response to these questions, the FASB is reviewing the accounting for liabilities related to the retirement of long-lived assets, including nuclear decommissioning. If the FASB issues new accounting rules, the estimated costs of retiring the Company's nuclear and other facilities may be required to be recorded as liabilities in the Balance Sheets. Also, the annual provisions for such costs could change. Because of the Company's current ability to recover asset retirement costs through rates, these changes would not have a significant adverse effect on results of operations. See Note 1 to the financial statements under "Depreciation and Nuclear Decommissioning" for additional information.

The Company is subject to the provisions of FASB Statement No. 71, Accounting for the Effects of Certain Types of Regulation. In the event that a portion of the Company's operations is no longer subject to these provisions, the Company would be required to write off related regulatory assets and liabilities that are not specifically recoverable, and determine if any other assets have been impaired. See Note 1 to the financial statements

under "Regulatory Assets and Liabilities" for additional information.

New Accounting Standard

In June 2000, FASB issued Statement No. 138, an amendment of Statement No. 133, Accounting for Derivative Instruments and Hedging Activities. Statement No. 133, as amended, establishes accounting and reporting standards for derivative instruments and for hedging activities. Statement No. 133 requires that certain derivative instruments be recorded in the balance sheet as either an asset or liability measured at fair value, and that changes in the fair value be recognized currently in earnings unless specific hedge accounting criteria are met.

The Company utilizes financial instruments to reduce its exposure to changes in foreign currency exchange rates. The Company also enters into commodity related forward contracts to limit exposure to changing prices on certain fuel purchases and electricity purchases and sales.

Substantially all of the Company's bulk energy purchases and sales meet the definition of a derivative under Statement No. 133. In many cases, these transactions meet the normal purchase and sale exception and the related contracts will continue to be accounted for under the accrual method. Certain of these instruments qualify as cash flow hedges resulting in the deferral of related gains and losses in other comprehensive income until the hedged transactions occur. Any ineffectiveness will be recognized currently in net income. However, others will be required to be marked to market through current period income.

The Company adopted Statement No. 133 effective January 1, 2001, with no material impact. The application of the new rules is still evolving and further guidance from FASB is expected, which could additionally impact the Company's financial statements.

Exposure to Market Risk

Due to cost-based rate regulation, the Company has limited exposure to market volatility in interest rates, commodity fuel prices, and prices of electricity. To mitigate residual risks relative to movements in electricity prices, the Company enters into fixed price contracts for the purchase and sale of electricity through the wholesale electricity market. Realized gains and losses are recognized in the income statement as incurred. At December 31, 2000, exposure from these activities was not material to the Company's financial position, results of operations, or cash flows. Also, based on the Company's overall interest rate exposure at December 31, 2000, a near-term 100 basis point change in interest rates would not materially affect the financial statements.

FINANCIAL CONDITION

Overview

The Company's financial condition remained stable in 2000. This stability is the continuation over recent years of growth in retail energy sales and cost control measures combined with a significant lowering of the cost of capital, achieved through the refinancing and/or redemption of higher-cost long-term debt and preferred stock.

The Company had gross property additions of $871 million in 2000. The majority of funds needed for gross property additions for the last several years have been provided from operating activities, principally from earnings and non-cash charges to income such as depreciation and deferred income taxes. The Statements of Cash Flows provide additional details.

Capital Structure

The Company's ratio of common equity to total capitalization -- including short-term debt -- was 42.2 percent in 2000 and 42.4 percent in 1999 and 1998.

During 2000, the Company issued $250 million of senior notes, the proceeds of which were used primarily to repay short-term indebtedness.

Capital Requirements

Capital expenditures are estimated to be $735 million for 2001, $891 million for 2002, and $625 million for 2003. See Note 4 to the financial statements for additional details.

Actual construction costs may vary from estimates because of changes in such factors as: business conditions; environmental regulations; nuclear plant regulations; load projections; the cost and efficiency of construction labor, equipment, and materials; and the cost

of capital. In addition, there can be no assurance that costs related to capital expenditures will be fully recovered.

Other Capital Requirements

The Company will continue to retire higher-cost debt and preferred stock and replace these obligations with lower-cost capital if market conditions permit.

Environmental Matters

In November 1990, the Clean Air Act Amendments (Clean Air Act) were signed into law. Title IV of the Clean Air Act -- the acid rain compliance provision of the law -- significantly affected the integrated Southeast utility subsidiaries of Southern Company, including the Company. Specific reductions in sulfur dioxide and nitrogen oxide emissions from fossil-fired generating plants were required in two phases. Phase I compliance began in 1995 and some 50 generating plants within the operating companies of Southern Company were brought into compliance with Phase I requirements.

Southern Company achieved Phase I sulfur dioxide compliance at the affected plants by switching to low-sulfur coal, which required some equipment upgrades. Construction expenditures for Phase I compliance totaled approximately $25 million for the Company.

Phase II sulfur dioxide compliance was required in 2000. The Company used emission allowances and fuel switching to comply with Phase II requirements. Also, equipment to control nitrogen oxide emissions was installed on additional system fossil-fired units as necessary to meet Phase II limits. Compliance with Phase II increased total construction expenditures through 2000 by $63 million.

The one-hour ozone non-attainment standards for the Birmingham area have been set and must be implemented in May 2003. Two generating plants will be affected in the Birmingham area. Additional construction expenditures for compliance with these new rules are currently estimated at approximately $230 million.

In July 1997, the Environmental Protection Agency (EPA), revised the national ambient air quality standards for ozone and particulate matter. This revision made the standards significantly more stringent. In the subsequent litigation of these standards, the U. S. Supreme Court recently dismissed certain challenges but found the EPA's implementation program for the new ozone standard unlawful and remanded it to the EPA. In addition, the Federal District of Columbia Circuit Court of Appeals will address other legal challenges to these standards in mid-2001. If the standards are eventually upheld, implementation could be required by 2007 to 2010.

In September 1998, the EPA issued the final regional nitrogen oxide reduction rules to the states for implementation. Compliance is required by May 31, 2004. The final rule affects 21 states including Alabama. If standards and rules for implementation are upheld, the additional construction expenditures for compliance are estimated at approximately $189 million.

A significant portion of costs related to the acid rain and ozone non-attainment provisions of the Clean Air Act is expected to be recovered through existing ratemaking provisions. However, there can be no assurance that all Clean Air Act costs will be recovered.

On November 3, 1999, the EPA brought a civil action against the Company in the U. S. District Court. The complaint alleges violations of the prevention of significant deterioration and new source review provisions of the Clean Air Act with respect to coal-fired generating facilities at the Company's Plants Miller, Barry, and Gorgas. The civil action requests penalties and injunctive relief, including an order requiring the installation of the best available control technology at the affected units. The EPA concurrently issued a notice of violation to the Company relating to these specific facilities, as well as Plants Greene County and Gaston. In early 2000, the EPA filed a motion to amend its complaint to add the violations alleged in its notice of violation. The complaint and notice of violation are similar to those brought against and issued to several other electric utilities. The complaint and notice of violation allege that the Company had failed to secure necessary permits or install additional pollution control equipment when performing maintenance and construction at coal burning plants constructed or under construction prior to 1978. On August 1, 2000, the U.S. District Court granted the Company's motion to dismiss for lack of jurisdiction in Georgia and granted the system service company's motion to dismiss on the grounds that it neither owned nor operated the generating units involved in the proceedings. On January 12, 2001, the EPA re-filed its claims against the Company in federal district court in Birmingham,

Alabama. The EPA did not include the system service company in the new complaint. The Company believes that it complied with applicable laws and EPA regulations and interpretations in effect at the time the work in question took place. The Clean Air Act authorizes civil penalties of up to $27,500 per day per violation at each generating unit. Prior to January 30, 1997, the penalty was $25,000 per day. An adverse outcome of this matter could require substantial capital expenditures that cannot be determined at this time and possibly require payment of substantial penalties. This could affect future results of operations, cash flows, and possibly financial condition if such costs are not recovered through regulated rates.

In December 2000, the EPA completed its utility studies for mercury and other hazardous air pollutants (HAPS) and issued a determination that an emission control program for mercury and perhaps, other HAPS is warranted. The program is to be developed over the next four years under the Maximum Achievable Control Technology (MACT) provisions of the Clean Air Act. This determination is being challenged in the courts. In January 2001, the EPA proposed guidance for the determination of Best Available Retrofit Technology (BART) emission controls under the Regional Haze Regulations. Installation of BART controls would likely be required around 2010. Litigation of the BART rules is probable in the near future.

Implementation of the final state rules for these initiatives could require substantial further reductions in nitrogen oxide, sulfur dioxide, mercury, and other HAPS emissions from fossil-fired generating facilities and other industries in these states. Additional compliance costs and capital expenditures resulting from the implementation of these rules and standards cannot be determined until the results of legal challenges are known, and the states have adopted their final rules. Reviews by the new administration in Washington, D.C. add to the uncertainties associated with BART guidance and the MACT determination for mercury and other HAPS.

The EPA and state environmental regulatory agencies are reviewing and evaluating various other matters including: control strategies to reduce regional haze; limits on pollutant discharges to impaired waters; water intake restrictions; and hazardous waste disposal requirements. The impact of any new standards will depend on the development and implementation of applicable regulations.

The Company must comply with other environmental laws and regulations that cover the handling and disposal of hazardous waste. Under these various laws and regulations, the Company could incur substantial costs to clean up properties. The Company conducts studies to determine the extent of any required cleanup costs and will recognize in the financial statements costs to clean up known sites. The Company has not incurred any cleanup costs to date.

Several major pieces of environmental legislation are being considered for reauthorization or amendment by Congress. These include: the Clean Air Act; the Clean Water Act; the Comprehensive Environmental Response, Compensation, and Liability Act; the Resource Conservation and Recovery Act; the Toxic Substances Control Act; and the Endangered Species Act. Changes to these laws could affect many areas of the Company's operations. The full impact of any such changes cannot be determined at this time.

Compliance with possible additional legislation related to global climate change, electromagnetic fields, and other environmental and health concerns could significantly affect the Company. The impact of new legislation -- if any -- will depend on the subsequent development and implementation of applicable regulations. In addition, the potential exists for liability as the result of lawsuits alleging damages caused by electromagnetic fields.

Sources of Capital

The Company plans to obtain the funds required for construction and other purposes from sources similar to those used in the past, which were primarily from internal sources. However, the type and timing of any financings – if needed – will depend on market conditions and regulatory approval. In recent years, financings primarily have utilized unsecured debt and trust preferred securities.

As required by the Nuclear Regulatory Commission and as ordered by the APSC, the Company has established external trust funds for nuclear decommissioning costs. In 1994, the Company also established an external trust fund for postretirement benefits as ordered by the APSC. The cumulative effect of funding these items over a long period will diminish internally funded capital and may require capital from other sources. For additional information concerning nuclear decommissioning costs, see Note 1 to the financial statements under "Depreciation and Nuclear Decommissioning."

Cautionary Statement Regarding Forward-Looking Information

This Annual Report includes forward-looking statements in addition to historical information. Forward-looking information includes, among other things, statements concerning projected retail sales growth and scheduled completion of new generation. In some cases, forward-looking statements can be identified by terminology such as "may," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of these terms or other comparable terminology. The Company cautions that there are various important factors that could cause actual results to differ materially from those indicated in the forward-looking statements; accordingly, there can be no assurance that such indicated results will be realized. These factors include the impact of recent and future federal and state regulatory change, including legislative and regulatory initiatives regarding deregulation and restructuring of the electric utility industry and also changes in environmental and other laws and regulations to which the Company is subject, as well as changes in application of existing laws and regulations; current and future litigation, including the pending EPA civil action against the Company; the extent and timing of the entry of additional competition in the markets of the Company; potential business strategies, including acquisitions or dispositions of assets or businesses, which cannot be assured to be completed or beneficial; internal restructuring or other restructuring options, that may be pursued by the Company; state and federal rate regulation in the United States; political, legal and economic conditions and developments in the United States; financial market conditions and the results of financing efforts; the impact of fluctuations in commodity prices, interest rates and customer demand; weather and other natural phenomena; the ability of the Company to obtain additional generating capacity at competitive prices; and other factors discussed elsewhere herein and in other reports (including Form 10-K) filed from time to time by the Company with the SEC.

STATEMENTS OF INCOME

For the Years Ended December 31, 2000, 1999, and 1998
Alabama Power Company 2000 Annual Report

	2000	1999	1998
		(in thousands)	
Operating Revenues:			
Retail sales	**$2,952,707**	$2,811,117	$2,780,677
Sales for resale --			
Non-affiliates	**461,730**	415,377	448,973
Affiliates	**166,219**	92,439	103,562
Other revenues	**86,805**	66,541	53,161
Total operating revenues	**3,667,461**	3,385,474	3,386,373
Operating Expenses:			
Operation --			
Fuel	**963,275**	855,632	900,309
Purchased power --			
Non-affiliates	**164,881**	93,204	92,998
Affiliates	**184,014**	180,563	150,897
Other	**538,529**	531,696	527,954
Maintenance	**301,046**	277,724	300,383
Depreciation and amortization	**364,618**	347,574	338,822
Taxes other than income taxes	**209,673**	204,645	193,049
Total operating expenses	**2,726,036**	2,491,038	2,504,412
Operating Income	**941,425**	894,436	881,961
Other Income (Expense):			
Interest income	**38,167**	55,896	68,553
Equity in earnings of unconsolidated subsidiaries (Note 5)	**3,156**	2,650	5,271
Other, net	**(7,909)**	(24,861)	(37,050)
Earnings Before Interest and Income Taxes	**974,839**	928,121	918,735
Interest and Other:			
Interest expense, net	**251,663**	245,235	285,940
Distributions on preferred securities of subsidiary (Note 8)	**25,549**	24,662	22,354
Total interest and other, net	**277,212**	269,897	308,294
Earnings Before Income Taxes	**697,627**	658,224	610,441
Income taxes (Note 7)	**261,555**	241,880	218,575
Net Income	**436,072**	416,344	391,866
Dividends on Preferred Stock	**16,156**	16,464	14,643
Net Income After Dividends on Preferred Stock	**$ 419,916**	$ 399,880	$ 377,223

The accompanying notes are an integral part of these statements.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2000, 1999, and 1998

Alabama Power Company 2000 Annual Report

	2000	1999	1998
		(in thousands)	
Operating Activities:			
Net income	**$ 436,072**	$ 416,344	$ 391,866
Adjustments to reconcile net income			
to net cash provided from operating activities --			
Depreciation and amortization	**412,998**	403,332	425,167
Deferred income taxes and investment tax credits, net	**66,166**	29,039	79,430
Other, net	**(37,703)**	(12,661)	(66,739)
Changes in certain current assets and liabilities --			
Receivables, net	**(125,652)**	33,509	49,747
Fossil fuel stock	**23,967**	(1,344)	(9,052)
Materials and supplies	**(10,662)**	(17,968)	11,932
Accounts payable	**107,702**	(38,556)	26,583
Energy cost recovery, retail	**(69,190)**	(97,869)	(95,427)
Other	**23,336**	5,930	(9,803)
Net cash provided from operating activities	**827,034**	719,756	803,704
Investing Activities:			
Gross property additions	**(870,581)**	(809,044)	(610,132)
Other	**(49,414)**	(72,218)	(52,940)
Net cash used for investing activities	**(919,995)**	(881,262)	(663,072)
Financing Activities:			
Increase (decrease) in notes payable, net	**184,519**	96,824	(306,882)
Proceeds --			
Other long-term debt	**250,000**	751,650	1,462,990
Preferred securities	**-**	50,000	-
Preferred stock	**-**	-	200,000
Capital contributions from parent company	**204,371**	204,347	30,000
Redemptions --			
First mortgage bonds	**(111,009)**	(470,000)	(771,108)
Other long-term debt	**(5,987)**	(104,836)	(107,776)
Preferred stock	**-**	(50,000)	(88,000)
Payment of preferred stock dividends	**(16,110)**	(15,788)	(15,596)
Payment of common stock dividends	**(417,100)**	(399,600)	(367,100)
Other	**(951)**	(15,864)	(66,869)
Net cash provided from financing activities	**87,733**	46,733	(30,341)
Net Change in Cash and Cash Equivalents	**(5,228)**	(114,773)	110,291
Cash and Cash Equivalents at Beginning of Period	**19,475**	134,248	23,957
Cash and Cash Equivalents at End of Period	**$ 14,247**	$ 19,475	$ 134,248
Supplemental Cash Flow Information:			
Cash paid during the period for --			
Interest (net of amount capitalized)	**$237,066**	$229,305	$234,360
Income taxes (net of refunds)	**175,303**	170,121	188,942

The accompanying notes are an integral part of these statements

BALANCE SHEETS
At December 31, 2000 and 1999
Alabama Power Company 2000 Annual Report

Assets	2000	1999
		(in thousands)
Current Assets:		
Cash and cash equivalents	$ 14,247	$ 19,475
Receivables --		
Customer accounts receivable	337,870	265,900
Under-recovered retail fuel clause revenue	237,817	168,627
Other accounts and notes receivable	60,315	42,137
Affiliated companies	95,704	40,083
Accumulated provision for uncollectible accounts	(6,237)	(4,117)
Refundable income taxes	-	17,997
Fossil fuel stock, at average cost	60,615	84,582
Materials and supplies, at average cost	178,299	167,637
Other	52,624	46,011
Total current assets	1,031,254	848,332
Property, Plant, and Equipment:		
In service	12,431,575	11,783,078
Less accumulated provision for depreciation	5,107,822	4,901,384
	7,323,753	6,881,694
Nuclear fuel, at amortized cost	94,050	106,836
Construction work in progress	744,974	715,153
Total property, plant, and equipment	8,162,777	7,703,683
Other Property and Investments:		
Equity investments in unconsolidated subsidiaries (Note 5)	38,623	34,891
Nuclear decommissioning trusts	313,895	286,653
Other	13,612	12,156
Total other property and investments	366,130	333,700
Deferred Charges and Other Assets:		
Deferred charges related to income taxes (Note 7)	345,550	330,405
Prepaid pension costs	268,259	213,971
Debt expense, being amortized	8,758	9,563
Premium on reacquired debt, being amortized	76,020	83,895
Department of Energy assessments	24,588	27,685
Other	95,772	97,470
Total deferred charges and other assets	818,947	762,989
Total Assets	$10,379,108	$9,648,704

The accompanying notes are an integral part of these balance sheets.

BALANCE SHEETS
At December 31, 2000 and 1999
Alabama Power Company 2000 Annual Report

Liabilities and Stockholder's Equity	2000	1999
	(in thousands)	
Current Liabilities:		
Securities due within one year (Note 10)	**$ 844**	$ 100,943
Notes payable	**281,343**	96,824
Accounts payable --		
Affiliated	**124,534**	91,315
Other	**209,205**	140,842
Customer deposits	**36,814**	31,704
Taxes accrued --		
Income taxes	**65,505**	100,569
Other	**19,471**	18,295
Interest accrued	**33,186**	26,365
Vacation pay accrued	**31,711**	30,112
Other	**97,743**	84,267
Total current liabilities	**900,356**	721,236
Long-term debt (See accompanying statements)	**3,425,527**	3,190,378
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes (Note 7)	**1,401,424**	1,240,344
Deferred credits related to income taxes (Note 7)	**222,485**	265,102
Accumulated deferred investment tax credits	**249,280**	260,367
Employee benefits provisions	**84,816**	82,298
Prepaid capacity revenues (Note 6)	**58,377**	79,703
Other	**176,559**	155,901
Total deferred credits and other liabilities	**2,192,941**	2,083,715
Company obligated mandatorily redeemable preferred securities of subsidiary trusts holding company junior subordinated notes (See accompanying statements) (Note 8)	**347,000**	347,000
Cumulative preferred stock (See accompanying statements)	**317,512**	317,512
Common stockholder's equity (See accompanying statements)	**3,195,772**	2,988,863
Total Liabilities and Stockholder's Equity	**$10,379,108**	$9,648,704

The accompanying notes are an integral part of these balance sheets.

STATEMENTS OF CAPITALIZATION
At December 31, 2000 and 1999
Alabama Power Company 2000 Annual Report

		2000	1999	2000	1999
			(in thousands)	*(percent of total)*	
Long-Term Debt:					
First mortgage bonds --					
Maturity	Interest Rates				
March 1, 2000	6.00%	**$ -**	$ 100,000		
2023 through 2024	7.30% - 9.00%	**488,991**	500,000		
Total first mortgage bonds		**488,991**	600,000		
Senior notes --					
5.35% due November 15, 2003		**156,200**	156,200		
7.850% due May 15, 2003		**250,000**	-		
7.125% due August 15, 2004		**250,000**	250,000		
5.49% due November 1, 2005		**225,000**	225,000		
7.125% due October 1, 2007		**200,000**	200,000		
5.375% due October 1, 2008		**160,000**	160,000		
6.25% to 7.125% due 2010-2048		**1,202,581**	1,207,622		
Total senior notes		**2,443,781**	2,198,822		
Other long-term debt --					
Pollution control revenue bonds --					
Collateralized:					
5.50% due 2024		**24,400**	24,400		
Variable rates (4.73% to 5.05% at 1/1/01) due 2015-2017		**89,800**	89,800		
Non-collateralized:					
6.69% due 2021		**65,000**	-		
Variable rates (3.50% to 5.30% at 1/1/01) due 2021-2028		**360,940**	425,940		
Total other long-term debt (Note 9)		**540,140**	540,140		
Capitalized lease obligations		**4,165**	5,111		
Unamortized debt premium (discount), net		**(50,706)**	(52,752)		
Total long-term debt (annual interest requirement -- $179.6 million)		**3,426,371**	3,291,321		
Less amount due within one year		**844**	100,943		
Long-term debt excluding amount due within one year		**$3,425,527**	$3,190,378	**46.9%**	46.6%

STATEMENTS OF CAPITALIZATION (continued)
At December 31, 2000 and 1999
Alabama Power Company 2000 Annual Report

	2000	1999	2000	1999
		(in thousands)	*(percent of total)*	
Company Obligated Mandatorily Redeemable Preferred Securities: (Note 8)				
$25 liquidation value --				
7.375%	**$ 97,000**	$ 97,000		
7.60%	**200,000**	200,000		
Auction rate (6.52% at 1/1/01)	**50,000**	50,000		
Total (annual distribution requirement -- $25.6 million)	**347,000**	347,000	**4.8**	5.1
Cumulative Preferred Stock:				
$100 par or stated value --				
4.20% to 4.92%	**47,512**	47,512		
$25 par or stated value --				
5.20% to 5.83%	**200,000**	200,000		
Auction rates -- at 1/1/01				
5.14% to 5.25%	**70,000**	70,000		
Total (annual dividend requirement -- $16.5 million)	**317,512**	317,512	**4.4**	4.6
Common Stockholder's Equity:				
Common stock, par value $40 per share --				
Authorized - 6,000,000 shares				
Outstanding - 5,608,955 shares in 2000 and 1999				
Par value	**224,358**	224,358		
Paid-in capital	**1,743,363**	1,538,992		
Premium on Preferred Stock	**99**	99		
Retained earnings	**1,227,952**	1,225,414		
Total common stockholder's equity	**3,195,772**	2,988,863	**43.9**	43.7
Total Capitalization	**$7,285,811**	$6,843,753	**100.0%**	100.0%

The accompanying notes are an integral part of these statements.

STATEMENTS OF COMMON STOCKHOLDER'S EQUITY

For the Years Ended December 31, 2000, 1999, and 1998
Alabama Power Company 2000 Annual Report

	Common Stock	Paid-In Capital	Premium on Preferred Stock	Retained Earnings	Total
			(in thousands)		
Balance at January 1, 1998	$224,358	$1,304,645	$99	$1,221,467	$2,750,569
Net income after dividends on preferred stock	-	-	-	377,223	377,223
Capital contributions from parent company	-	30,000	-	-	30,000
Cash dividends on common stock	-	-	-	(367,100)	(367,100)
Other	-	-	-	(6,625)	(6,625)
Balance at December 31, 1998	224,358	1,334,645	99	1,224,965	2,784,067
Net income after dividends on preferred stock	-	-	-	399,880	399,880
Capital contributions from parent company	-	204,347	-	-	204,347
Cash dividends on common stock	-	-	-	(399,600)	(399,600)
Other	-	-	-	169	169
Balance at December 31, 1999	224,358	1,538,992	99	1,225,414	2,988,863
Net income after dividends on preferred stock	-	-	-	**419,916**	**419,916**
Capital contributions from parent company	-	**204,371**	-	-	**204,371**
Cash dividends on common stock	-	-	-	**(417,100)**	**(417,100)**
Other	-	-	-	(278)	(278)
Balance at December 31, 2000	**$224,358**	**$1,743,363**	**$99**	**$1,227,952**	**$3,195,772**

The accompanying notes are an integral part of these statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Alabama Power Company (the Company) is a wholly owned subsidiary of Southern Company, which is the parent company of five integrated Southeast utilities, a system service company (SCS), Southern Communications Services (Southern LINC), Southern Company Energy Solutions, Southern Nuclear Operating Company (Southern Nuclear), Mirant Corporation—formerly Southern Energy, Inc.-- and other direct and indirect subsidiaries. The integrated Southeast utilities -- Alabama Power Company, Georgia Power Company, Gulf Power Company, Mississippi Power Company, and Savannah Electric and Power Company-- provide electric service in four states. Contracts among the integrated Southeast utilities – related to jointly-owned generating facilities, interconnecting transmission lines, and the exchange of electric power -- are regulated by the Federal Energy Regulatory Commission (FERC) and/or the Securities and Exchange Commission (SEC). SCS provides, at cost, specialized services to Southern Company and its subsidiary companies. Southern LINC provides digital wireless communications services to the integrated Southeast utilities and also markets these services to the public within the Southeast. Southern Company Energy Solutions develops new business opportunities related to energy products and services. Southern Nuclear provides services to Southern Company's nuclear power plants. Mirant acquires, develops, builds, owns, and operates power production and delivery facilities and provides a broad range of energy-related services to utilities and industrial companies in selected countries around the world. Mirant businesses include independent power projects, integrated utilities, a distribution company, and energy trading and marketing businesses outside the southeastern United States.

Southern Company is registered as a holding company under the Public Utility Holding Company Act of 1935 (PUHCA). Both Southern Company and its subsidiaries are subject to the regulatory provisions of the PUHCA. The Company is also subject to regulation by the FERC and the Alabama Public Service Commission (APSC). The Company follows accounting principles generally accepted in the United States and complies with the accounting policies and practices prescribed by its respective regulatory commissions. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires the use of estimates, and the actual results may differ from those estimates.

Certain prior years' data presented in the financial statements have been reclassified to conform with current year presentation.

Related-Party Transactions

The Company has an agreement with SCS under which the following services are rendered to the Company at cost: general and design engineering, purchasing, accounting and statistical, finance and treasury, tax, information resources, marketing, auditing, insurance and pension administration, human resources, systems and procedures, and other services with respect to business and operations and power pool transactions. Costs for these services amounted to $187 million, $218 million, and $201 million during 2000, 1999, and 1998, respectively.

The Company also has an agreement with Southern Nuclear to operate Plant Farley and provide the following nuclear-related services at cost: general executive and advisory services; general operations, management and technical services; administrative services including procurement, accounting, statistical, and employee relations; and other services with respect to business and operations. Costs for these services amounted to $148 million, $135 million, and $137 million during 2000, 1999, and 1998, respectively.

Regulatory Assets and Liabilities

The Company is subject to the provisions of Financial Accounting Standards Board (FASB) Statement No. 71, Accounting for the Effects of Certain Types of Regulation. Regulatory assets represent probable future revenues associated with certain costs that are expected to be recovered from customers through the ratemaking process. Regulatory liabilities represent probable future reductions in revenues associated with amounts that are expected to be credited to customers through the ratemaking process.

Regulatory assets and (liabilities) reflected in the Balance Sheets at December 31 relate to the following:

	2000	1999
	(in millions)	
Deferred income tax charges	$ 346	$ 330
Deferred income tax credits	(222)	(265)
Premium on reacquired debt	76	84
Department of Energy assessments	25	28
Vacation pay	32	30
Natural disaster reserve	(18)	(19)
Other, net	30	59
Total	$ 269	$ 247

In the event that a portion of the Company's operations is no longer subject to the provisions of FASB Statement No. 71, the Company would be required to write off related regulatory assets and liabilities that are not specifically recoverable through regulated rates. In addition, the Company would be required to determine if any impairment to other assets exists, including plant, and write down the assets, if impaired, to their fair values.

Revenues and Fuel Costs

The Company currently operates as a vertically integrated utility providing electricity to retail customers within its traditional service area located within the state of Alabama, and to wholesale customers in the southeast. Revenues are recognized as services are rendered. Unbilled revenues are accrued at the end of each fiscal period. Fuel revenues have no effect on net income because they represent the recording of revenues to offset fuel expenses, including the fuel component of purchased energy. Fuel rates billed to customers are designed to fully recover fluctuating fuel costs over a period of time. Higher natural gas prices and decreased hydro production combined with increased costs of purchased power have resulted in a large under-recovery of fuel costs at December 31, 2000. Effective January 2001, the Company's fuel rate was increased to address this under-recovery. The Company expects to significantly reduce this balance over a three-year period.

The Company has a diversified base of customers. No single customer or industry comprises 10 percent or more of revenues. For all periods presented, uncollectible accounts continue to average less than 1 percent of revenues.

Fuel expense includes the amortization of the cost of nuclear fuel and a charge, based on nuclear generation, for the permanent disposal of spent nuclear fuel. Total charges for nuclear fuel included in fuel expense amounted to $61 million in 2000, $63 million in 1999, and $59 million in 1998.

The Company has a contract with the U.S. Department of Energy (DOE) that provides for the permanent disposal of spent nuclear fuel. The DOE failed to begin disposing of spent fuel in January 1998 as required by the contract, and the Company is pursuing legal remedies against the government for breach of contract. Sufficient fuel storage capacity is available at Plant Farley to maintain full-core discharge capability until the refueling outage scheduled in 2006 for Farley Unit 1 and the refueling outage scheduled in 2008 for Farley Unit 2. Procurement of on-site dry spent fuel storage capacity at Plant Farley is in progress, with the intent to place the capacity in operation as early as 2005.

Also, the Energy Policy Act of 1992 required the establishment of a Uranium Enrichment Decontamination and Decommissioning Fund, which is funded in part by a special assessment on utilities with nuclear plants. This assessment is being paid over a 15-year period, which began in 1993. This fund will be used by the DOE for the decontamination and decommissioning of its nuclear fuel enrichment facilities. The law provides that utilities will recover these payments in the same manner as any other fuel expense. The Company estimates its remaining liability under this law to be approximately $25 million at December 31, 2000. This obligation is recognized in the accompanying Balance Sheets.

Depreciation and Nuclear Decommissioning

Depreciation of the original cost of depreciable utility plant in service is provided primarily by using composite straight-line rates, which approximated 3.2 percent in 2000, 1999 and 1998. When property subject to depreciation is retired or otherwise disposed of in the normal course of business, its cost -- together with the cost of removal, less salvage -- is charged to accumulated provision for depreciation. Minor items of property included in the original cost of the plant are retired when the related property unit is retired. Depreciation expense includes an amount for the expected cost of decommissioning nuclear facilities and removal of other facilities.

The Nuclear Regulatory Commission (NRC) requires all licensees operating commercial nuclear power reactors to

establish a plan for providing, with reasonable assurance, funds for decommissioning. The Company has established external trust funds to comply with the NRC's regulations. Amounts previously recorded in internal reserves are being transferred into the external trust funds over periods approved by the APSC. The NRC's minimum external funding requirements are based on a generic estimate of the cost to decommission the radioactive portions of a nuclear unit based on the size and type of reactor. The Company has filed plans with the NRC to ensure that -- over time -- the deposits and earnings of the external trust funds will provide the minimum funding amounts prescribed by the NRC.

Site study cost is the estimate to decommission the facility as of the site study year, and ultimate cost is the estimate to decommission the facility as of retirement date. The estimated costs of decommissioning -- both site study costs and ultimate costs – based on the most current study for Plant Farley were as follows:

Site study basis (year)	1998
Decommissioning periods:	
Beginning year	2017
Completion year	2031
	(in millions)
Site study costs:	
Radiated structures	$629
Non-radiated structures	60
Total	$689
	(in millions)
Ultimate costs:	
Radiated structures	$1,868
Non-radiated structures	178
Total	$2,046

The decommissioning cost estimates are based on prompt dismantlement and removal of the plant from service. The actual decommissioning costs may vary from the above estimates because of changes in the assumed date of decommissioning, changes in NRC requirements, or changes in the assumptions used in making estimates.

Annual provisions for nuclear decommissioning are based on an annuity method as approved by the APSC. The amount expensed in 2000 and fund balances as of December 31, 2000 were:

	(in millions)
Amount expensed in 2000	**$ 18**
Accumulated provisions:	
External trust funds, at fair value	$314
Internal reserves	38
Total	$352

All of the Company's decommissioning costs are approved for recovery by the APSC through the ratemaking process. Significant assumptions include an estimated inflation rate of 4.5 percent and an estimated trust earnings rate of 7.0 percent. The Company expects the APSC to periodically review and adjust, if necessary, the amounts collected in rates for the anticipated cost of decommissioning.

Income Taxes

The Company uses the liability method of accounting for deferred income taxes and provides deferred income taxes for all significant income tax temporary differences. Investment tax credits utilized are deferred and amortized to income over the average lives of the related property.

Allowance For Funds Used During Construction (AFUDC)

AFUDC represents the estimated debt and equity costs of capital funds that are necessary to finance the construction of new facilities. While cash is not realized currently from such allowance, it increases the revenue requirement over the service life of the plant through a higher rate base and higher depreciation expense. The amount of AFUDC capitalized was $43 million in 2000, $23 million in 1999, and $9 million in 1998. The composite rate used to determine the amount of allowance was 9.6 percent in 2000, 8.8 percent in 1999, and 9.0 percent in 1998. AFUDC, net of income tax, as a percent of net income after dividends on preferred stock was 8.4 percent in 2000, 4.7 percent in 1999, and 1.8 percent in 1998.

Property, Plant, and Equipment

Property, plant, and equipment is stated at original cost. Original cost includes: materials; labor; minor items of property; appropriate administrative and general costs; payroll-related costs such as taxes, pensions, and other benefits; and the estimated cost of funds used during construction. The cost of maintenance, repairs and replacement of minor items of property is charged to maintenance expense. The cost of replacements of property--exclusive of minor items of property--is capitalized.

Financial Instruments

The Company uses derivative financial instruments to hedge exposures to fluctuations in foreign currency exchange rates and certain commodity prices. Gains and losses on qualifying hedges are deferred and recognized either in income or as an adjustment to the carrying amount of the hedged item when the transaction occurs.

The Company is exposed to losses related to financial instruments in the event of counterparties' nonperformance. The Company has established controls to determine and monitor the creditworthiness of counterparties in order to mitigate the Company's exposure to counterparty credit risk. The Company is unaware of any counterparties that will fail to meet their obligations.

The Company has firm purchase commitments for equipment that require payment in euros. As a hedge against fluctuations in the exchange rate for euros, the Company entered into forward currency swaps. The notional amount is 16 million euros maturing in 2001 through 2002. At December 31, 2000, the unrecognized gain on these swaps was approximately $1 million.

Other Company financial instruments for which the carrying amount did not equal fair value at December 31 are as follows:

	Carrying Amount	Fair Value
	(in millions)	
Long-term debt:		
At December 31, 2000	**$3,422**	**$3,375**
At December 31, 1999	3,286	3,045
Preferred Securities:		
At December 31, 2000	**347**	**344**
At December 31, 1999	347	299

The fair value for long-term debt and preferred securities was based on either closing market prices or closing prices of comparable instruments.

Cash and Cash Equivalents

For purposes of the financial statements, temporary cash investments are considered cash equivalents. Temporary cash investments are securities with original maturities of 90 days or less.

Materials and Supplies

Generally, materials and supplies include the cost of transmission, distribution, and generating plant materials. Materials are charged to inventory when purchased and then expensed or capitalized to plant, as appropriate, when installed.

Natural Disaster Reserve

In accordance with an APSC order the Company has established a Natural Disaster Reserve. The Company is allowed to accrue $250 thousand per month, until the maximum accumulated provision of $32 million is attained. Higher accruals to restore the reserve to its authorized level are allowed whenever the balance in the reserve declines below $22.4 million. At December 31, 2000, the reserve balance was $18 million.

2. RETIREMENT BENEFITS

The Company has defined benefit, trusteed, pension plans that cover substantially all employees. The Company provides certain medical care and life insurance benefits for retired employees. Substantially all employees may become eligible for such benefits when they retire. The Company funds trusts to the extent deductible under

federal income tax regulations or to the extent required by the APSC and FERC.

In late 2000, the Company adopted several pension and postretirement benefit plan changes that had the effect of increasing benefits to both current and future retirees. The effects of these changes will be to increase annual pension and postretirement benefits cost by approximately $8 million and $12 million, respectively.

The measurement date for plan assets and obligations is September 30 of each year. The weighted average rates assumed in the actuarial calculations for both the pension and postretirement benefit plans were:

	2000	1999
Discount	**7.50%**	7.50%
Annual salary increase	**5.00**	5.00
Long-term return on plan assets	**8.50**	8.50

Pension Plan

Changes during the year in the projected benefit obligations and in the fair value of plan assets were as follows:

	Projected Benefit Obligations	
	2000	1999
	(in millions)	
Balance at beginning of year	**$873**	$868
Service cost	**22**	23
Interest cost	**64**	57
Benefits paid	**(51)**	(51)
Actuarial gain and employee transfers	**(8)**	(24)
Balance at end of year	**$900**	$873

	Plan Assets	
	2000	1999
	(in millions)	
Balance at beginning of year	**$1,647**	$1,461
Actual return on plan assets	**302**	245
Benefits paid	**(51)**	(51)
Employee transfers	**23**	(8)
Balance at end of year	**$1,921**	$1,647

The accrued pension costs recognized in the Balance Sheets were as follows:

	2000	1999
	(in millions)	
Funded status	**$1,021**	$ 774
Unrecognized transition obligation	**(21)**	(25)
Unrecognized prior service cost	**33**	36
Unrecognized net actuarial gain	**(765)**	(571)
Prepaid asset recognized in the Balance Sheets	**$ 268**	$ 214

Components of the pension plans' net periodic cost were as follows:

	2000	1999	1998
	(in millions)		
Service cost	**$ 23**	$ 23	$ 22
Interest cost	**64**	57	59
Expected return on plan assets	**(119)**	(109)	(102)
Recognized net actuarial gain	**(20)**	(14)	(16)
Net amortization	**(2)**	(2)	(2)
Net pension income	**$ (54)**	$ (45)	$(39)

Postretirement Benefits

Changes during the year in the accumulated benefit obligations and in the fair value of plan assets were as follows:

	Accumulated Benefit Obligations	
	2000	1999
	(in millions)	
Balance at beginning of year	**$264**	$278
Service cost	**4**	5
Interest cost	**19**	18
Benefits paid	**(12)**	(10)
Actuarial gain and employee transfers	**(11)**	(27)
Balance at end of year	**$264**	$264

	Plan Assets	
	2000	1999
	(in millions)	
Balance at beginning of year	**$161**	$137
Actual return on plan assets	**25**	18
Employer contributions	**18**	16
Benefits paid	**(12)**	(10)
Balance at end of year	**$192**	$161

The accrued postretirement costs recognized in the Balance Sheets were as follows:

	2000	1999
	(in millions)	
Funded status	$(72)	$(103)
Unrecognized transition obligation	49	53
Unrecognized net actuarial gain	(35)	(12)
Fourth quarter contributions	4	8
Accrued liability recognized in the Balance Sheets	$(54)	$ (54)

Components of the plans' net periodic cost were as follows:

	2000	1999	1998
	(in millions)		
Service cost	$ 4	$ 5	$ 5
Interest cost	19	18	18
Expected return on plan assets	(13)	(11)	(9)
Net amortization	4	4	4
Net postretirement cost	$ 14	$16	$18

An additional assumption used in measuring the accumulated postretirement benefit obligations was a weighted average medical care cost trend rate of 7.29 percent for 2000, decreasing gradually to 5.50 percent through the year 2005, and remaining at that level thereafter. An annual increase or decrease in the assumed medical care cost trend rate of 1 percent would affect the accumulated benefit obligation and the service and interest cost components at December 31, 2000 as follows:

	1 Percent Increase	1 Percent Decrease
	(in millions)	
Benefit obligation	$15	$14
Service and interest costs	1	1

Employee Savings Plan

The Company also sponsors a 401(k) defined contribution plan covering substantially all employees. The Company provides a 75 percent matching contribution up to 6 percent of an employee's base salary. Total matching contributions made to the plan for the years 2000, 1999, and 1998 were $11 million, $10 million, and $10 million, respectively.

Work Force Reduction Programs

The Company has incurred costs for work force reduction programs totaling $2.6 million, $5.6 million and $19.4 million for the years 2000, 1999 and 1998, respectively. These costs were deferred and are being amortized in accordance with regulatory treatment. The unamortized balance of these costs was $1.4 million at December 31, 2000.

3. CONTINGENCIES AND REGULATORY MATTERS

Environmental Litigation

On November 3, 1999, the Environmental Protection Agency (EPA), brought a civil action against the Company in the U. S. District Court. The complaint alleges violations of the prevention of significant deterioration and new source review provision of the Clean Air Act with respect to coal-fired generating facilities at the Company's Plants Miller, Barry and Gorgas. The civil action requests penalties and injunctive relief, including an order requiring the installation of the best available control technology at the affected units. The Clean Air Act authorizes civil penalties of up to $27,500 per day, per violation at each generating unit. Prior to January 30, 1997, the penalty was $25,000 per day.

The EPA concurrently issued to the Company a notice of violation relating to these specific facilities, as well as Plants Greene County and Gaston. In early 2000, the EPA filed a motion to amend its complaint to add the violations alleged in its notice of violation. The complaint and the notice of violation are similar to those brought against and issued to several other electric utilities. The complaint and the notice of violation allege that the Company failed to secure necessary permits or install additional pollution control equipment when performing maintenance and construction at coal burning plants constructed or under construction prior to 1978. On August 1, 2000, the U.S. District Court granted the Company's motion to dismiss for lack of jurisdiction in Georgia and granted SCS's motion to dismiss on the grounds that it neither owned nor operated the generating units involved in the proceedings. On January 12, 2001, the EPA re-filed its claims against the Company in federal district court in Birmingham, Alabama. The EPA did not include SCS in the new complaint. The Company believes that it complied with applicable laws and the

EPA's regulations and interpretations in effect at the time the work in question took place.

An adverse outcome of this matter could require substantial capital expenditures that cannot be determined at this time and possibly require payment of substantial penalties. This could affect future results of operations, cash flows, and possibly financial condition if such costs are not recovered through regulated rates.

Retail Rate Adjustment Procedures

The APSC has adopted rates that provide for periodic adjustments based upon the Company's earned return on end-of-period retail common equity. The rates also provide for adjustments to recognize the placing of new generating facilities into retail service. Both increases and decreases have been placed into effect since the adoption of these rates. The rate adjustment procedures allow a return on common equity range of 13.0 percent to 14.5 percent and limit increases or decreases in rates to 4 percent in any calendar year. There is a moratorium on any periodic retail rate increases (but not decreases) until July 2001.

In December 1995, the APSC issued an order authorizing the Company to reduce balance sheet items -- such as plant and deferred charges -- at any time the Company's actual base rate revenues exceed the budgeted revenues. In April 1997, the APSC issued an additional order authorizing the Company to reduce balance sheet asset items. This order authorizes the reduction of such items up to an amount equal to five times the total estimated annual revenue reduction resulting from future rate reductions initiated by the Company. In 1998, the Company – in accordance with the 1995 rate order – recorded $33 million of additional amortization of premium on reacquired debt. The Company did not record any additional amounts in 2000 or 1999.

In April 2000, the APSC approved an amendment to the Company's existing rate structure to provide for the recovery of retail costs associated with certified purchased power agreements. In November 2000, the APSC certified a seven-year purchased power agreement pertaining to 615 megawatts of the Company's wholesale generating facilities under construction in Autaugaville, Alabama, all of which will be delivered in 2003. In addition, the APSC certified a seven-year purchased power agreement with a third party for approximately 630 megawatts; one half of the power will be delivered in 2003 while the remaining half is scheduled for delivery in 2004.

The Company's ratemaking procedures will remain in effect until the APSC votes to modify or discontinue them.

4. FINANCING AND COMMITMENTS

Construction Program

To the extent possible, the Company's construction program is expected to be financed primarily from internal sources. Short-term debt is often utilized and the amounts available are discussed below. The Company may issue additional long-term debt and preferred securities for debt maturities, redeeming higher-cost securities, and meeting additional capital requirements.

The Company currently estimates property additions to be $735 million in 2001, $891 million in 2002, and $625 million in 2003.

The Company is constructing 1,230 megawatts of wholesale generating facilities in Autaugaville, Alabama to begin operation in 2003. Half of this capacity has been certified by the APSC to serve the Company's retail customers for seven years. The other half of the capacity will be sold into the wholesale market and will not affect retail rates. During 2001, the Company plans to transfer these generating facilities to Southern Power Company (SPC), the new wholesale subsidiary formed by Southern Company. If the Company transfers wholesale generation assets to SPC as planned, construction expenditures for the years 2001 through 2003 will be $598 million, $591 million and $583 million, respectively.

During 2001, the Company expects to complete the replacement of the steam generators at Plant Farley, as well as the construction of new generating capacity at Plant Barry. In addition, significant construction will continue related to transmission and distribution facilities and the upgrading of generating plants, including the expenditures necessary to comply with environmental regulation.

The capital budget is subject to periodic review and revision, and actual capital costs incurred may vary from estimates because of changes in such factors as: business conditions; environmental regulations; nuclear plant regulations; load projections; the cost and efficiency of

construction labor, equipment, and materials; and the cost of capital. In addition, there can be no assurance that costs related to capital expenditures will be fully recovered.

Financing

The ability of the Company to finance its capital budget depends on the amount of funds generated internally and the funds it can raise by external financing. The Company plans to obtain the funds required for construction and other purposes from sources similar to those used in the past, which were primarily from internal sources. However, the type and timing of any financings – if needed – will depend on market conditions and regulatory approval. In recent years, financings primarily have utilized unsecured debt and trust preferred securities.

Bank Credit Arrangements

The Company maintains committed lines of credit in the amount of $925 million (including $418 million of such lines which are dedicated to funding purchase obligations relating to variable rate pollution control bonds). Of these lines, $535 million expire at various times during 2001 and $390 million expire in 2004. In certain cases, such lines require payment of a commitment fee based on the unused portion of the commitment or the maintenance of compensating balances with the banks. Because the arrangements are based on an average balance, the Company does not consider any of its cash balances to be restricted as of any specific date. Moreover, the Company borrows from time to time pursuant to arrangements with banks for uncommitted lines of credit.

At December 31, 2000, the Company had regulatory approval to have outstanding up to $750 million of short-term borrowings.

Assets Subject to Lien

The Company's mortgage, as amended and supplemented, securing the first mortgage bonds issued by the Company, constitutes a direct lien on substantially all of the Company's fixed property and franchises.

Purchased Power Commitments

The Company has entered into various long-term commitments for the purchase of electricity. Estimated total long-term obligations at December 31, 2000 were as follows:

Year	Commitments (in millions)
2001	$ -
2002	-
2003	16
2004	34
2005	37
2006 and beyond	180
Total commitments	$ 267

Fuel Commitments

To supply a portion of the fuel requirements of its generating plants, the Company has entered into various long-term commitments for the procurement of fossil and nuclear fuel. In most cases, these contracts contain provisions for price escalations, minimum purchase levels and other financial commitments. Total estimated long-term obligations at December 31, 2000, were as follows:

Year	Commitments (in millions)
2001	$ 998
2002	841
2003	722
2004	669
2005	525
2006 – 2024	2,287
Total commitments	$6,042

Operating Leases

The Company has entered into coal rail car rental agreements with various terms and expiration dates. These expenses totaled $20.9 million in 2000, $17.8 million in 1999, and $5.8 million in 1998. At December 31, 2000, estimated minimum rental commitments for noncancellable operating leases were as follows:

Year	Commitments (in millions)
2001	$ 22.2
2002	21.6
2003	21.2
2004	18.2
2005	15.5
2006 – 2017	44.7
Total minimum payments	$143.4

5. JOINT OWNERSHIP AGREEMENTS

The Company and Georgia Power Company own equally all of the outstanding capital stock of Southern Electric Generating Company (SEGCO), which owns electric generating units with a total rated capacity of 1,020 megawatts, together with associated transmission facilities. The capacity of these units is sold equally to the Company and Georgia Power Company under a contract which, in substance, requires payments sufficient to provide for the operating expenses, taxes, interest expense and a return on equity, whether or not SEGCO has any capacity and energy available. The term of the contract extends automatically for two-year periods, subject to either party's right to cancel upon two year's notice. The Company's share of expenses totaled $85 million in 2000, $92 million in 1999 and $74 million in 1998, and is included in "Purchased power from affiliates" in the Statements of Income.

In addition, the Company has guaranteed unconditionally the obligation of SEGCO under an installment sale agreement for the purchase of certain pollution control facilities at SEGCO's generating units, pursuant to which $24.5 million principal amount of pollution control revenue bonds are outstanding. Georgia Power Company has agreed to reimburse the Company for the pro rata portion of such obligation corresponding to its then proportionate ownership of stock of SEGCO if the Company is called upon to make such payment under its guaranty.

At December 31, 2000, the capitalization of SEGCO consisted of $51 million of equity and $78 million of long-term debt on which the annual interest requirement is $5.3 million. SEGCO paid dividends totaling $5.1 million in 2000, $4.3 million in 1999, and $8.7 million in 1998, of which one-half of each was paid to the Company. SEGCO's net income was $5.9 million, $5.4 million, and $7.5 million for 2000, 1999 and 1998, respectively.

The Company's percentage ownership and investment in jointly-owned generating plants at December 31, 2000, is as follows:

Facility (Type)	Total Megawatt Capacity	Company Ownership	
Greene County (coal)	**500**	**60.00%**	**(1)**
Plant Miller Units 1 and 2 (coal)	**1,320**	**91.84%**	**(2)**

(1) Jointly owned with an affiliate, Mississippi Power Company.
(2) Jointly owned with Alabama Electric Cooperative, Inc.

Facility	Company Investment	Accumulated Depreciation
	(in millions)	
Greene County	**$100**	**$ 46**
Plant Miller Units 1 and 2	**743**	**312**

6. LONG-TERM POWER SALES AGREEMENTS

General

The Company and the other integrated utility subsidiaries of Southern Company have entered into long-term contractual agreements for the sale of capacity and energy to certain non-affiliated utilities located outside the system's service area. These agreements -- expiring at various dates discussed below -- are firm and pertain to capacity related to specific generating units. Because the energy is generally sold at cost under these agreements, profitability is primarily affected by revenues from capacity sales. The Company's capacity revenues amounted to $127 million in 2000, $122 million in 1999, and $142 million in 1998.

Unit power from Plant Miller is being sold to Florida Power Corporation (FPC), Florida Power & Light Company (FP&L), and Jacksonville Electric Authority (JEA). Under these agreements, approximately 1,235

megawatts of capacity are scheduled to be sold through 2001. Thereafter, these sales will remain at that approximate level -- unless reduced by FP&L, FPC, and JEA for the periods after 2001 with a minimum of three years notice -- until the expiration of the contracts in 2010. No notices of cancellation have been received.

Alabama Municipal Electric Authority (AMEA) Capacity Contracts

In August 1986, the Company entered into a firm power sales contract with AMEA entitling AMEA to scheduled amounts of capacity (to a maximum 100 megawatts) for a period of 15 years commencing September 1, 1986 (1986 Contract). In October 1991, the Company entered into a second firm power sales contract with AMEA entitling AMEA to scheduled amounts of additional capacity (to a maximum 80 megawatts) for a period of 15 years commencing October 1, 1991 (1991 Contract). In both contracts the power will be sold to AMEA for its member municipalities that previously were served directly by the Company as wholesale customers. Under the terms of the contracts, the Company received payments from AMEA representing the net present value of the revenues associated with the respective capacity entitlements, discounted at effective annual rates of 9.96 percent and 11.19 percent for the 1986 and 1991 contracts, respectively. These payments are being recognized as operating revenues and the discounts are being amortized to other interest expense as scheduled capacity is made available over the terms of the contracts.

In order to secure AMEA's advance payments and the Company's performance obligation under the contracts, the Company issued and delivered to an escrow agent first mortgage bonds representing the maximum amount of liquidated damages payable by the Company in the event of a default under the contracts. No principal or interest is payable on such bonds unless and until a default by the Company occurs. As the liquidated damages decline under the contracts, a portion of the bonds equal to the decreases is returned to the Company. At December 31, 2000, $61.3 million of such bonds were held by the escrow agent under the contracts.

7. INCOME TAXES

At December 31, 2000, the tax-related regulatory assets and liabilities were $346 million and $222 million, respectively. These assets are attributable to tax benefits flowed through to customers in prior years and to taxes applicable to capitalized interest. These liabilities are attributable to deferred taxes previously recognized at rates higher than current enacted tax law and to unamortized investment tax credits.

Details of the income tax provisions are as follows:

	2000	1999	1998
		(in millions)	
Total provision for income taxes:			
Federal --			
Current	**$168**	$194	$123
Deferred	**60**	24	72
	228	218	195
State --			
Current	**27**	19	16
Deferred	**7**	5	7
	34	24	23
Total	**$262**	$242	$218

The tax effects of temporary differences between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases, which give rise to deferred tax assets and liabilities, are as follows:

	2000	1999
		(in millions)
Deferred tax liabilities:		
Accelerated depreciation	**$ 992**	$ 884
Property basis differences	**405**	419
Fuel cost adjustment	**93**	65
Premium on reacquired debt	**30**	31
Pensions	**75**	60
Other	**12**	11
Total	**1,607**	1,470
Deferred tax assets:		
Capacity prepayments	**18**	24
Other deferred costs	**14**	25
Postretirement benefits	**24**	22
Unbilled revenue	**23**	13
Other	**81**	63
Total	**160**	147
Net deferred tax liabilities	**1,447**	1,323
Portion included in current liabilities, net	**(46)**	(83)
Accumulated deferred income taxes in the Balance Sheets	**$1,401**	$1,240

Deferred investment tax credits are amortized over the lives of the related property with such amortization normally applied as a credit to reduce depreciation in the Statements of Income. Credits amortized in this manner amounted to $11 million in 2000, 1999, and 1998. At December 31, 2000, all investment tax credits available to reduce federal income taxes payable had been utilized.

A reconciliation of the federal statutory income tax rate to the effective income tax rate is as follows:

	2000	1999	1998
Federal statutory rate	**35.0%**	35.0%	35.0%
State income tax, net of federal deduction	**3.1**	2.4	2.5
Non-deductible book depreciation	**1.4**	1.6	1.5
Differences in prior years' deferred and current tax rates	**(1.3)**	(1.3)	(1.6)
Other	**(0.7)**	(0.9)	(1.6)
Effective income tax rate	**37.5%**	36.8%	35.8%

Southern Company files a consolidated federal and certain state income tax returns. Under a joint consolidated income tax agreement, each subsidiary's current and deferred tax expense is computed on a stand-alone basis.

8. COMPANY OBLIGATED MANDATORILY REDEEMABLE PREFERRED SECURITIES

Statutory business trusts formed by the Company, of which the Company owns all the common securities, have issued mandatorily redeemable preferred securities as follows:

	Date of Issue	Amount (millions)	Rate	Notes (millions)	Maturity Date
Trust I	1/1996	$ 97	7.375%	$100	3/2026
Trust II	1/1997	200	7.60	206	12/2036
Trust III	2/1999	50	Auction	52	2/2029

Substantially all of the assets of each trust are junior subordinated notes issued by the Company in the respective approximate principal amounts set forth above. The distribution rate of Trust III's auction rate securities was 6.52% at January 1, 2001.

The Company considers that the mechanisms and obligations relating to the preferred securities, taken together, constitute a full and unconditional guarantee by the Company of the Trusts' payment obligations with respect to the preferred securities.

The Trusts are subsidiaries of the Company and, accordingly, are consolidated in the Company's financial statements.

9. OTHER LONG-TERM DEBT

Pollution control obligations represent installment purchases of pollution control facilities financed by funds derived from sales by public authorities of revenue bonds. The Company is required to make payments sufficient for the authorities to meet principal and interest requirements of such bonds. With respect to $114.2 million of such pollution control obligations, the Company has authenticated and delivered to the trustees a like principal amount of first mortgage bonds as security for its obligations under the installment purchase agreements. No principal or interest on these first mortgage bonds is payable unless and until a default occurs on the installment purchase agreements.

In May 2000, the Company issued $250 million of unsecured senior notes. The proceeds of this issuance were used to repay short-term indebtedness. All of the Company's senior notes are, in effect, subordinated to all secured debt of the Company, including its first mortgage bonds.

The estimated aggregate annual maturities of capitalized lease obligations through 2005 are as follows: $0.8 million in 2001, $0.9 million in 2002, $0.9 million in 2003, $1.0 million in 2004 and $0.1 million in 2005.

10. SECURITIES DUE WITHIN ONE YEAR

A summary of the improvement fund requirements and scheduled maturities and redemptions of long-term debt due within one year at December 31 is as follows:

	2000	1999
	(in thousands)	
First mortgage bond maturities and redemptions	**$ -**	$100,000
Other long-term debt maturities (Note 9)	**844**	943
Total long-term debt due within one year	**$844**	$100,943

The annual first mortgage bond improvement fund requirement is 1 percent of the aggregate principal amount

of bonds of each series authenticated, so long as a portion of that series is outstanding, and may be satisfied by the deposit of cash and/or reacquired bonds, the certification of unfunded property additions, or a combination thereof.

11. NUCLEAR INSURANCE

Under the Price-Anderson Amendments Act of 1988 (the Act), the Company maintains agreements of indemnity with the NRC that, together with private insurance, cover third-party liability arising from any nuclear incident occurring at Plant Farley. The Act provides funds up to $9.5 billion for public liability claims that could arise from a single nuclear incident. Plant Farley is insured against this liability to a maximum of $200 million by private insurance, with the remaining coverage provided by a mandatory program of deferred premiums which could be assessed, after a nuclear incident, against all owners of nuclear reactors. The Company could be assessed up to $88 million per incident for each licensed reactor it operates but not more than an aggregate of $10 million per incident to be paid in a calendar year for each reactor. Such maximum assessment, excluding any applicable state premium taxes, for the Company is $176 million per incident but not more than an aggregate of $20 million to be paid for each incident in any one year.

The Company is a member of Nuclear Electric Insurance Limited (NEIL), a mutual insurer established to provide property damage insurance in an amount up to $500 million for members' nuclear generating facilities.

Additionally, the Company has policies that currently provide decontamination, excess property insurance, and premature decommissioning coverage up to $2.25 billion for losses in excess of the $500 million primary coverage. This excess insurance is also provided by NEIL.

NEIL also covers the additional cost that would be incurred in obtaining replacement power during a prolonged accidental outage at a member's nuclear plant. Members can be insured against increased costs of replacement power in an amount up to $3.5 million per week (starting 12 weeks after the outage) for one year and up to $2.8 million per week for the second and third years.

Under each of the NEIL policies, members are subject to assessments if losses each year exceed the accumulated funds available to the insurer under that policy. The current maximum annual assessments for the Company under the three NEIL policies would be $17 million.

For all on-site property damage insurance policies for commercial nuclear power plants, the NRC requires that the proceeds of such policies shall be dedicated first for the sole purpose of placing the reactor in a safe and stable condition after an accident. Any remaining proceeds are to be applied next toward the costs of decontamination and debris removal operations ordered by the NRC, and any further remaining proceeds are to be paid either to the Company or to its bond trustees as may be appropriate under the policies and applicable trust indentures.

All retrospective assessments, whether generated for liability, property or replacement power may be subject to applicable state premium taxes.

12. COMMON STOCK DIVIDEND RESTRICTIONS

The Company's first mortgage bond indenture contains various common stock dividend restrictions that remain in effect as long as the bonds are outstanding. At December 31, 2000, retained earnings of $796 million were restricted against the payment of cash dividends on common stock under terms of the mortgage indenture.

13. QUARTERLY FINANCIAL INFORMATION (Unaudited)

Summarized quarterly financial data for 2000 and 1999 are as follows:

Quarter Ended	Operating Revenues	Operating Income	Net Income After Dividends on Preferred Stock
		(in millions)	
March 2000	**$ 746**	**$172**	**$ 68**
June 2000	**900**	**229**	**103**
September 2000	**1,137**	**390**	**209**
December 2000	**884**	**151**	**40**
March 1999	$ 714	$162	$ 63
June 1999	823	209	93
September 1999	1,116	388	201
December 1999	733	136	43

The Company's business is influenced by seasonal weather conditions.

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SELECTED FINANCIAL AND OPERATING DATA 1996-2000

Alabama Power Company 2000 Annual Report

	2000	1999	1998	1997	1996
Operating Revenues (in thousands)	**$3,667,461**	$3,385,474	$3,386,373	$3,149,111	$3,120,775
Net Income after Dividends on Preferred Stock (in thousands)	**$419,916**	$399,880	$377,223	$375,939	$371,490
Cash Dividends on Common Stock (in thousands)	**$417,100**	$399,600	$367,100	$339,600	$347,500
Return on Average Common Equity (percent)	**13.58**	13.85	13.63	13.76	13.75
Total Assets (in thousands)	**$10,379,108**	$9,648,704	$9,225,698	$8,812,867	$8,733,846
Gross Property Additions (in thousands)	**$870,581**	$809,044	$610,132	$451,167	$425,024
Capitalization (in thousands):					
Common stock equity	**$3,195,772**	$2,988,863	$2,784,067	$2,750,569	$2,714,277
Preferred stock	**317,512**	317,512	317,512	255,512	340,400
Company obligated mandatorily redeemable preferred securities	**347,000**	347,000	297,000	297,000	97,000
Long-term debt	**3,425,527**	3,190,378	2,646,566	2,473,202	2,354,006
Total (excluding amounts due within one year)	**$7,285,811**	$6,843,753	$6,045,145	$5,776,283	$5,505,683
Capitalization Ratios (percent):					
Common stock equity	**43.9**	43.7	46.1	47.6	49.3
Preferred stock	**4.4**	4.6	5.3	4.4	6.2
Company obligated mandatorily redeemable preferred securities	**4.8**	5.1	4.9	5.2	1.7
Long-term debt	**46.9**	46.6	43.7	42.8	42.8
Total (excluding amounts due within one year)	**100.0**	100.0	100.0	100.0	100.0
Security Ratings:					
First Mortgage Bonds -					
Moody's	A1	A1	A1	A1	A1
Standard and Poor's	A	A+	A+	A+	A+
Fitch	AA-*	AA-	AA-	AA-	AA-
Preferred Stock -					
Moody's	**a2**	a2	a2	a2	a2
Standard and Poor's	**BBB+**	A-	A	A	A
Fitch	**A***	A	A	A+	A+
Unsecured Long-Term Debt -					
Moody's	**A2**	A2	A2	A2	-
Standard and Poor's	**A**	A	A	A	-
Fitch	**A+***	A+	A+	A+	-
Customers (year-end):					
Residential	**1,132,410**	1,120,574	1,106,217	1,092,161	1,073,559
Commercial	**193,106**	188,368	182,738	177,362	171,827
Industrial	**4,819**	4,897	5,020	5,076	5,100
Other	**745**	735	733	728	732
Total	**1,331,080**	1,314,574	1,294,708	1,275,327	1,251,218
Employees (year-end):	**6,871**	6,792	6,631	6,531	6,865

*Effective 1/22/01 the Fitch Security Ratings for First Mortgage Bonds, Preferred Stock, and Unsecured Long-Term Debt are A+, A-, and A respectively.

SELECTED FINANCIAL AND OPERATING DATA 1996-2000 (continued)

Alabama Power Company 2000 Annual Report

	2000	1999	1998	1997	1996
Operating Revenues (in thousands):					
Residential	**$ 1,222,509**	$1,145,646	$ 1,133,435	$ 997,507	$ 998,806
Commercial	**854,695**	807,098	779,169	724,148	696,453
Industrial	**859,668**	843,090	853,550	775,591	759,628
Other	**15,835**	15,283	14,523	13,563	13,729
Total retail	**2,952,707**	2,811,117	2,780,677	2,510,809	2,468,616
Sales for resale - non-affiliates	**461,730**	415,377	448,973	431,023	391,669
Sales for resale - affiliates	**166,219**	92,439	103,562	161,795	216,620
Total revenues from sales of electricity	**3,580,656**	3,318,933	3,333,212	3,103,627	3,076,905
Other revenues	**86,805**	66,541	53,161	45,484	43,870
Total	**$3,667,461**	$3,385,474	$3,386,373	$3,149,111	$3,120,775
Kilowatt-Hour Sales (in thousands):					
Residential	**16,771,821**	15,699,081	15,794,543	14,336,408	14,593,761
Commercial	**12,988,728**	12,314,085	11,904,509	11,330,312	10,904,476
Industrial	**22,101,407**	21,942,889	21,585,117	20,727,912	19,999,258
Other	**205,827**	201,149	196,647	180,389	192,573
Total retail	**52,067,783**	50,157,204	49,480,816	46,575,021	45,690,068
Sales for resale - non-affiliates	**14,847,533**	12,437,599	11,840,910	12,329,480	9,491,237
Sales for resale - affiliates	**5,369,474**	5,031,781	5,976,099	8,993,326	10,292,066
Total	**72,284,790**	67,626,584	67,297,825	67,897,827	65,473,371
Average Revenue Per Kilowatt-Hour (cents):					
Residential	**7.29**	7.30	7.18	6.96	6.84
Commercial	**6.58**	6.55	6.55	6.39	6.39
Industrial	**3.89**	3.84	3.95	3.74	3.80
Total retail	**5.67**	5.60	5.62	5.39	5.40
Sales for resale	**3.11**	2.91	3.10	2.78	3.07
Total sales	**4.95**	4.91	4.95	4.57	4.70
Residential Average Annual Kilowatt-Hour Use Per Customer	**14,875**	14,097	14,370	13,254	13,705
Residential Average Annual Revenue Per Customer	**$1,084.26**	$1,028.76	$1,031.21	$922.21	$937.95
Plant Nameplate Capacity Ratings (year-end) (megawatts)	**12,122**	11,379	11,151	11,151	11,151
Maximum Peak-Hour Demand (megawatts):					
Winter	**9,478**	8,863	7,757	8,478	8,413
Summer	**11,019**	10,739	10,329	9,778	9,912
Annual Load Factor (percent)	**59.3**	59.7	62.9	62.7	61.3
Plant Availability (percent):					
Fossil-steam	**89.4**	80.4	85.6	86.3	86.6
Nuclear	**88.3**	91.0	80.2	88.8	90.5
Source of Energy Supply (percent):					
Coal	**63.0**	64.1	65.3	65.7	67.0
Nuclear	**16.9**	17.8	16.3	17.9	18.5
Hydro	**2.9**	4.7	6.9	7.5	7.1
Oil and gas	**4.9**	1.1	1.5	0.7	0.4
Purchased power -					
From non-affiliates	**4.6**	4.5	3.3	2.4	2.4
From affiliates	**7.7**	7.8	6.7	5.8	4.6
Total	**100.0**	100.0	100.0	100.0	100.0

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GEORGIA POWER COMPANY

FINANCIAL SECTION

MANAGEMENT'S REPORT

Georgia Power Company 2000 Annual Report

The management of Georgia Power Company has prepared this annual report and is responsible for the financial statements and related information. These statements were prepared in accordance with accounting principles generally accepted in the United States and necessarily include amounts that are based on the best estimates and judgments of management. Financial information throughout this annual report is consistent with the financial statements.

The Company maintains a system of internal accounting controls to provide reasonable assurance that assets are safeguarded and that the accounting records reflect only authorized transactions of the Company. Limitations exist in any system of internal controls based upon the recognition that the cost of the system should not exceed its benefits. The Company believes that its system of internal accounting controls maintains an appropriate cost/benefit relationship.

The Company's system of internal accounting controls is evaluated on an ongoing basis by the Company's internal audit staff. The Company's independent public accountants also consider certain elements of the internal control system in order to determine their auditing procedures for the purpose of expressing an opinion on the financial statements.

David M. Ratcliffe
President and Chief
Executive Officer

The audit committee of the board of directors, which is composed of three independent directors, provides a broad overview of management's financial reporting and control functions. At least three times a year this committee meets with management, the internal auditors, and the independent public accountants to ensure that these groups are fulfilling their obligations and to discuss auditing, internal control and financial reporting matters. The internal auditors and the independent public accountants have access to the members of the audit committee at any time.

Management believes that its policies and procedures provide reasonable assurance that the Company's operations are conducted with a high standard of business ethics.

In management's opinion, the financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of Georgia Power Company in conformity with accounting principles generally accepted in the United States.

Thomas A. Fanning
Executive Vice President,
Treasurer and Chief
Financial Officer

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Georgia Power Company:

We have audited the accompanying balance sheets and statements of capitalization of Georgia Power Company (a Georgia corporation and a wholly owned subsidiary of Southern Company) as of December 31, 2000 and 1999, and the related statements of income, common stockholder's equity, and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements (pages II-88 through II-108) referred to above present fairly, in all material respects, the financial position of Georgia Power Company as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Arthur Andersen LLP

Atlanta, Georgia
February 28, 2001

RESULTS OF OPERATIONS

Earnings

Georgia Power Company's 2000 earnings totaled $559 million, representing an $18 million (3.3 percent) increase over 1999. This earnings increase is primarily due to higher retail and wholesale sales and continued control of operating expenses, partially offset by additional accelerated amortization of regulatory assets allowed under the second year of a Georgia Public Service Commission (GPSC) three-year retail rate order. Georgia Power Company's 1999 earnings totaled $541 million, representing a $29 million (5.1 percent) decrease from 1998. This earnings decrease was primarily due to the recognition of interest income in 1998 as a result of the resolution of tax issues with the Internal Revenue Service (IRS). Earnings in 1999 from normal operations increased due primarily to lower accelerated depreciation under the GPSC retail rate order, sales growth, and decreased financing costs, partially offset by retail rate reductions under the new order and lower wholesale revenues.

Revenues

Operating revenues in 2000 and the amount of change from the prior year are as follows:

	Amount	Increase (Decrease) From Prior Year	
	2000	2000	1999
		(in millions)	
Retail -			
Base revenues	$3,119	$ 84	$(292)
Fuel cost recovery	1,198	183	44
Total retail	4,317	267	(248)
Sales for resale -			
Non-affiliates	298	88	(49)
Affiliates	96	20	(5)
Total sales for resale	394	108	(54)
Other operating revenues	160	39	21
Total operating revenues	$4,871	$414	$(281)
Percent change		9.3%	(5.9)%

Retail base revenues of $3.1 billion in 2000 increased $84 million (2.8 percent) primarily due to a 4.9 percent increase in sales. Under the GPSC retail rate order, the Company recorded $44 million of revenue subject to refund for estimated earnings above 12.5 percent retail return on common equity in 2000. Refunds will be made to customers in 2001. Retail base revenues of $3.0 billion in 1999 decreased $292 million (8.8 percent) primarily due to retail rate reductions under the GPSC retail rate order. Pursuant to the GPSC retail rate order, in 1999 the Company also recorded $79 million of revenue subject to refund for estimated earnings above 12.5 percent retail return on common equity. Revenue subject to refund is reflected in "Base revenues" in the chart above. The $79 million in refunds were made to customers in 2000. See Note 3 to the financial statements under "Retail Rate Order" for additional information.

Electric rates include provisions to adjust billings for fluctuations in fuel costs, the energy component of purchased power costs, and certain other costs. Under these fuel cost recovery provisions, fuel revenues generally equal fuel expenses -- including the fuel component of purchased energy -- and do not affect net income. However cash flow is affected by the untimely recovery of these receivables. As of December 31, 2000, the Company had $132 million in underrecovered fuel costs. The Company currently plans to make a filing with the GPSC in early 2001 to establish a new fuel rate in order to better reflect current fuel cost and to collect the current underrecovered balance.

Wholesale revenues from sales to non-affiliated utilities increased in 2000 and decreased in 1999 as follows:

	2000	1999	1998
		(in millions)	
Outside service area -			
Long-term contracts	$ 55	$ 55	$ 51
Other sales	162	74	93
Inside service area	81	81	115
Total	$298	$210	$259

Revenues from long-term contracts outside the service area remained constant in 2000 and increased slightly in 1999 due to increased energy sales. See Note 7 to the financial statements for further information regarding these sales. Revenues from other sales outside the service area primarily represent wholesale sales from Plant Dahlberg which went into service during 2000 and increases in power marketing activities. These activities include the purchase and resale of energy. Consequently, changes in revenues are generally offset by corresponding changes in purchased power expense from non-affiliates. Wholesale revenues from customers within the service

area remained constant in 2000 but decreased in 1999 primarily due to a decrease in revenues under a power supply agreement with Oglethorpe Power Corporation (OPC).

Revenues from sales to affiliated companies within the Southern electric system, as well as purchases of energy, will vary from year to year depending on demand and the availability and cost of generating resources at each company. These transactions do not have a significant impact on earnings.

Other operating revenues in 2000 increased $39 million (33 percent) primarily due to increased revenues from the transmission of electricity and gains on the sale of generating plant emission allowances. Under a GPSC order, $28 million of the gains on emission allowance sales in 2000 were used to reduce recoverable fuel costs and as such, did not affect earnings. In 1999, other operating revenues increased $21 million or (21 percent) from the previous year due primarily to increased revenues from the rental of electric equipment and property.

Kilowatt-hour (KWH) sales for 2000 and the percent change by year were as follows:

		Percent Change	
	2000 KWH (in billions)	**2000**	1999
Residential	**20.7**	**6.6%**	(0.4)%
Commercial	**25.6**	**8.1**	3.7
Industrial	**27.5**	**0.9**	0.1
Other	**0.6**	**3.2**	1.5
Total retail	**74.4**	**4.9**	1.1
Sales for resale -			
Non-affiliates	**6.5**	**27.7**	(21.4)
Affiliates	**2.4**	**35.6**	(11.9)
Total sales for resale	**8.9**	**29.8**	(19.1)
Total sales	**83.3**	**7.1**	(1.0)

Residential and commercial sales increased 6.6 percent and 8.1 percent, respectively, due to warmer summer temperatures and colder winter weather. Strong regional economic growth was also a factor in the increase in commercial sales. Industrial sales remained fairly constant. In 1999, residential sales decreased 0.4 percent due to moderate summer temperatures, while commercial sales increased 3.7 percent due to strong regional economic growth. Industrial sales remained fairly constant.

Expenses

Fuel costs constitute the single largest expense for the Company. The mix of fuel sources for generation of electricity is determined primarily by system load, the unit cost of fuel consumed, and the availability of hydro and nuclear generating units. The amount and sources of generation and the average cost of fuel per net KWH generated were as follows:

	2000	1999	1998
Total generation (billions of KWH)	**73.6**	69.3	69.1
Sources of generation (percent) --			
Coal	**75.8**	75.5	73.3
Nuclear	**21.2**	21.6	21.6
Hydro	**0.8**	1.0	2.6
Oil and gas	**2.2**	1.9	2.5
Average cost of fuel per net KWH generated (cents) --	**1.39**	1.34	1.36

Fuel expense increased 10.7 percent in 2000 due to an increase in generation to meet higher energy demands, a decrease in generation from hydro plants, and a higher average cost of fuel. Fuel expense increased 0.3 percent in 1999 due to a slight increase in fossil and nuclear generation and a decrease in generation from hydro plants, partially offset by a lower average cost of fuel.

Purchased power expense in 2000 increased $206 million (53 percent) over the prior year due to higher retail energy demands and power marketing activities. The majority of the increase was offset by increases in retail fuel revenues and power marketing revenues and therefore did not affect earnings. As discussed above, the expense associated with energy purchased for power marketing activities is generally offset by revenue when resold. Purchased power expense decreased slightly in 1999.

Other operation and maintenance expenses in 2000 increased slightly over those in 1999. Increased line maintenance, customer assistance and sales expense and additional severance costs were partially offset by

decreased generating plant maintenance and decreased employee benefit provisions. Other operation and maintenance expenses increased 1.6 percent in 1999 primarily due to increased generating plant maintenance, partially offset by a reduction in the charges related to the implementation of a customer service system in 1998, decreased year 2000 readiness costs, and decreased employee benefit provisions.

Depreciation and amortization increased $66 million in 2000 due to $50 million of additional accelerated amortization of regulatory assets required under the second year of the GPSC retail rate order and increased plant in service. Depreciation and amortization decreased $261 million in 1999 primarily due to higher depreciation charges recognized in 1998 under the prior GPSC accounting order and the completion in 1998 of the amortization of deferred Plant Vogtle costs.

Interest income decreased $3 million in 2000 primarily due to decreased interest on temporary cash investments. Interest income decreased in 1999 primarily due to the 1998 recognition of $73 million in interest income resulting from the resolution of tax issues with the IRS and the State of Georgia. Other, net decreased in 2000 due to an increase in charitable contributions. In 1999, other, net decreased due primarily to increased bad debt expense related to consumer energy efficiency improvement financing.

Interest expense, net increased in 2000 due to the issuance of an additional $300 million in senior notes during 2000. Interest expense, net decreased in 1999 due primarily to the refinancing or retirement of securities. The Company refinanced or retired $179 million and $775 million of securities in 2000 and 1999, respectively. Distributions on preferred securities of subsidiary companies decreased $7 million in 2000 due to the redemption of $100 million of preferred securities in December 1999. Distributions on preferred securities of subsidiary companies increased $11 million in 1999 due to the issuance of additional mandatorily redeemable preferred securities in January 1999.

Effects of Inflation

The Company is subject to rate regulation and income tax laws that are based on the recovery of historical costs. Therefore, inflation creates an economic loss because the Company is recovering its costs of investments in dollars that have less purchasing power. While the inflation rate has been relatively low in recent years, it continues to have an adverse effect on the Company because of the large investment in utility plants with long economic life. Conventional accounting for historical cost does not recognize this economic loss nor the partially offsetting gain that arises through financing facilities with fixed-money obligations such as long-term debt and preferred securities. Any recognition of inflation by regulatory authorities is reflected in the rate of return allowed.

FUTURE EARNINGS POTENTIAL

The results of operations for the past three years are not necessarily indicative of future earnings. The level of future earnings depends on numerous factors including regulatory matters and energy sales.

The Company currently operates as a vertically integrated utility providing electricity to customers within its traditional service area located in the State of Georgia. Prices for electricity provided by the Company to retail customers are set by the GPSC under cost-based regulatory principles.

On January 1, 1999, the Company began operating under a new three-year retail rate order. The Company's earnings are evaluated against a retail return on common equity range of 10 percent to 12.5 percent, with required rate reductions of $262 million on an annual basis effective in 1999 and an additional $24 million effective in 2000. The order provides for $85 million in each year, plus up to $50 million of any earnings above the 12.5 percent return during the second and third years, to be applied to accelerated amortization or depreciation of assets. Two-thirds of any additional earnings above the 12.5 percent return will be applied to rate reductions, with the remaining one-third retained by the Company. Pursuant to the GPSC retail rate order, in 2000 and 1999, the Company recorded $85 million in accelerated amortization of regulatory assets. In 2000, the Company also recorded the additional $50 million of accelerated amortization. The accelerated amortization is recorded in a regulatory liability account as mandated by the GPSC. In addition, the Company recorded $44 million and $79 million of revenue subject to refund for estimated earnings above 12.5 percent in 2000 and 1999, respectively. Refunds applicable to 1999 were made to customers in 2000. The Company will file a general rate case on July 2, 2001 in response to which the GPSC

would be expected to determine whether the retail rate order should be continued, modified, or discontinued. See Note 3 to the financial statements under "Retail Rate Order" for additional information.

Growth in energy sales is subject to a number of factors which traditionally have included changes in contracts with neighboring utilities, energy conservation practiced by customers, the elasticity of demand, weather, competition, initiatives to increase sales to existing customers, and the rate of economic growth in the Company's service area. Assuming normal weather, retail sales growth from 2000 is projected to be approximately 2.4 percent annually on average during 2001 through 2003.

The Company has entered into purchase power agreements which will result in higher capacity and operating and maintenance payments in future years. See Note 4 to the financial statements under "Purchased Power Commitments" for additional information.

The Company is constructing two 566 megawatt combined cycle units at Plant Wansley to begin operation in 2002. These units have been certified by the GPSC to serve the Company's retail customers for approximately seven years. Savannah Electric will have the rights to 200 megawatts of capacity from these units for the same seven-year period.

The Company is also constructing a 571 megawatt combined cycle unit at Plant Goat Rock to begin operation in 2002, and a 610 megawatt combined cycle unit at Plant Goat Rock to begin operation in 2003. The power from these units will initially be sold into the wholesale market when they begin operation. The Company has filed with the GPSC for certification of these units to begin serving the Company's retail customers in 2003 and 2004, respectively, for a term of seven years each.

In addition to seeking certification of Plant Goat Rock, the Company is also seeking certification of a seven year commitment to 615 megawatts beginning in 2004 at Plant Autaugaville to serve its retail customers. Plant Autaugaville is currently under construction by Alabama Power.

Further, the Company is constructing Plant Dahlberg, a ten unit, 800 megawatt combustion turbine peaking power plant that will serve the wholesale market. Units one through eight began operation in May 2000; units nine and ten are expected to begin operation in June 2001. The Company has entered into wholesale contracts to sell all 800 megawatts of capacity. These contracts cover substantially all of the output of the plant for the first five years. Because these units are dedicated to the wholesale market, retail rates will not be affected.

The Company is aggressively working to maintain and expand its share of wholesale sales in the Southeastern power markets. In January 2001, Southern Company announced the formation of a new subsidiary, Southern Power Company (SPC). SPC will own, manage, and finance wholesale generating assets in the Southeast. Energy from its assets will be marketed to wholesale customers under the Southern Company name. The current plan is for Georgia Power and Alabama Power to transfer Plant Dahlberg and the units under construction at Plants Wansley, Goat Rock, and Autaugaville to SPC in 2001. The Company will enter into purchased power capacity agreements with SPC for power from the units at Plants Wansley, Goat Rock, and Autaugaville to serve the Company's retail customers.

In accordance with Financial Accounting Standards Board (FASB) Statement No. 87, Employers' Accounting for Pensions, the Company recorded non-cash income of approximately $59 million in 2000. Pension plan income in 2001 is expected to be less as a result of plan amendments. Future pension income is dependent on several factors including trust earnings and changes to the plan. For additional information see Note 2 to the financial statements.

Compliance costs related to current and future environmental laws, regulations, and litigation could affect earnings if such costs are not fully recovered. See "Environmental Issues" for further discussion of these matters.

The electric utility industry in the United States is continuing to evolve as a result of regulatory and competitive factors. Among the primary agents of change has been the Energy Policy Act of 1992 (Energy Act). The Energy Act allows independent power producers (IPPs) to access a utility's transmission network in order to sell electricity to other utilities. Although the Energy Act does not permit retail customer access, it was a major

catalyst for the current restructuring and consolidation taking place within the utility industry.

On December 20, 1999, the Federal Energy Regulatory Commission (FERC) issued its final rule on Regional Transmission Organizations (RTOs). The order encouraged utilities owning transmission systems to form RTOs on a voluntary basis. After participating in regional conferences with customers and other members of the public to discuss the formation of RTOs, utilities were required to make a filing with the FERC. On October 16, 2000, Southern Company and its five integrated Southeast utilities, including the Company, filed with the FERC a proposal for the creation of an RTO. The proposal is for the formation of a for-profit company that would have control of the bulk power transmission system of participating utilities. Participants would have the option to either maintain their ownership, divest, sell, or lease their assets to the proposed RTO. If the FERC accepts the proposal as filed, the creation of the RTO is not expected to have a material impact on the financial statements of the Company. However, the ultimate outcome of this matter cannot now be determined.

The Company continues to compete with other electric suppliers within the state. In Georgia, most new retail customers with at least 900 kilowatts of connected load may choose their electricity supplier. Numerous federal and state initiatives are in varying stages to promote wholesale and retail competition across the nation. Among other things, these initiatives allow customers to choose their electricity provider. As these initiatives materialize, the structure of the utility industry could radically change. Some states have approved initiatives that result in a separation of the ownership and/or operation of generating facilities from the ownership and/or operation of transmission and distribution facilities. While the GPSC has held workshops to discuss retail competition and industry restructuring, there has been no proposed or enacted legislation to date in Georgia. Enactment would require numerous issues to be resolved, including significant ones relating to transmission pricing and recovery of costs. The GPSC continues its assessment of the range of potential stranded costs. The inability of the Company to recover all its costs, including the regulatory assets described in Note 1 to the financial statements, could have a material effect on the financial condition of the Company. The Company is attempting to reduce regulatory assets through the GPSC retail rate order. See Note 3 to the financial statements under "Retail Rate Order" for additional information.

The Company is subject to the provisions of FASB Statement No. 71, Accounting for the Effects of Certain Types of Regulation. In the event that a portion of the Company's operations is no longer subject to these provisions, the Company would be required to write off related regulatory assets and liabilities that are not specifically recoverable, and determine if any other assets have been impaired. See Note 1 to the financial statements under "Regulatory Assets and Liabilities" for additional information.

The staff of the Securities and Exchange Commission (SEC) has questioned certain of the current accounting practices of the electric utility industry - including the Company's - regarding the recognition, measurement, and classification in the financial statements of decommissioning costs for nuclear generating facilities. In response to these questions, the FASB is reviewing the accounting for liabilities related to the retirement of long-lived assets, including nuclear decommissioning. If the FASB issues new accounting rules, the estimated costs of retiring the Company's nuclear and other facilities may be required to be recorded as liabilities in the Balance Sheets. Also, the annual provisions for such costs could change. Because of the Company's current ability to recover asset retirement costs through rates, these changes would not have a significant adverse effect on results of operations. See Note 1 to the financial statements under "Depreciation and Nuclear Decommissioning" for additional information.

Exposure to Market Risks

Due to cost-based rate regulation, the Company currently has limited exposure to market volatility in interest rates, commodity fuel prices and prices of electricity. (See the discussion above for potential changes in industry structure.) To mitigate residual risks relative to movements in electricity prices, the Company enters into fixed price contracts for the purchase and sale of electricity through the wholesale electricity market. Realized gains and losses are recognized in the income statement as incurred. At December 31, 2000, exposure from these activities was not material to the Company's financial position, results of operations, or cash flows. Also, based on the Company's overall interest rate exposure at December 31, 2000, a near-term 100 basis

point change in interest rates would not materially affect the financial statements.

New Accounting Standard

In June 2000, the FASB issued Statement No. 138, an amendment of Statement No. 133, Accounting for Derivative Instruments and Hedging Activities. Statement No. 133, as amended, establishes accounting and reporting standards for derivative instruments and for hedging activities. Statement No. 133 requires that certain derivative instruments be recorded in the balance sheet as either an asset or liability measured at fair value and that changes in the fair value be recognized currently in earnings unless specific hedge accounting criteria are met.

Substantially all of the Company's bulk energy purchases and sales meet the definition of a derivative under Statement No. 133. In many cases, these transactions meet the normal purchase and sale exception and the related contracts will continue to be accounted for under the accrual method. Certain of these instruments qualify as cash flow hedges resulting in the deferral of related gains and losses in other comprehensive income until the hedged transactions occur. Any ineffectiveness will be recognized currently in net income. However, others will be required to be marked to market through current period income.

The Company adopted the provisions of Statement No. 133 effective January 1, 2001. The impact on net income was immaterial. The application of the new rules is still evolving and further guidance from the FASB is expected, which could additionally impact the Company's financial statements.

FINANCIAL CONDITION

Plant Additions

In 2000, gross utility plant additions were $1.1 billion. These additions were primarily related to transmission and distribution facilities, the purchase of nuclear fuel, and the construction of additional combustion turbine and combined cycle units. The funds needed for gross property additions are currently provided from operations, short-term and long-term debt, and capital contributions from Southern Company. The Statements of Cash Flows provide additional details.

Financing Activities

In 2000, the Company's financing costs increased due to the issuance of new debt during the year. New issues during 1998 through 2000 totaled $1.5 billion and retirement or repayment of higher-cost securities totaled $1.7 billion.

Special purpose subsidiaries of the Company have issued mandatorily redeemable preferred securities. See Note 9 to the financial statements under "Preferred Securities" for additional information.

Composite financing rates for long-term debt, preferred stock, and preferred securities for the years 1998 through 2000, as of year-end, were as follows:

	2000	1999	1998
Composite interest rate on long-term debt	**5.90%**	5.48%	5.64%
Composite preferred stock dividend rate	**4.60**	4.60	5.52
Composite preferred securities dividend rate	**7.49**	7.49	7.89

Liquidity and Capital Requirements

Cash provided from operations decreased by $135 million in 2000, primarily due to higher fuel and purchased power expenses related to increased energy demands.

The Company estimates that construction expenditures for the years 2001 through 2003 will total $1.6 billion, $1.3 billion, and $0.8 billion, respectively. If the Company transfers wholesale generation assets to SPC in 2001 as contemplated, construction expenditures for the years 2001 through 2003 will total $1.0 billion, $0.9 billion, and $0.7 billion, respectively. Investments in additional combustion turbine and combined cycle generating units, transmission and distribution facilities, enhancements to existing generating plants, and equipment to comply with environmental requirements are planned.

Cash requirements for redemptions announced and maturities of long-term debt are expected to total $581 million during 2001 through 2003.

As a result of requirements by the Nuclear Regulatory Commission, the Company has established external trust

funds for the purpose of funding nuclear decommissioning costs. The amount to be funded is $30 million each year in 2001, 2002, and 2003. For additional information concerning nuclear decommissioning costs, see Note 1 to the financial statements under "Depreciation and Nuclear Decommissioning."

Sources of Capital

The Company expects to meet future capital requirements primarily using funds generated from operations and equity funds from Southern Company and, if needed, by the issuance of new debt and equity securities, term loans, and short-term borrowings. To meet short-term cash needs and contingencies, the Company had approximately $1.8 billion of unused credit arrangements with banks at the beginning of 2001. See Note 9 to the financial statements under "Bank Credit Arrangements" for additional information.

Recently, the Company has relied on the issuance of unsecured debt and trust preferred securities, in addition to unsecured pollution control bonds issued for its benefit by public authorities, to meet its long-term external financing requirements. In years past, the Company issued first mortgage bonds, mortgage backed pollution control bonds and preferred stock to fund its external requirements. The amount outstanding of the later securities has been steadily declining during the last four years.

If the Company were to choose to issue new first mortgage bonds or preferred stock once again, it would be required to meet certain coverage requirements.

ENVIRONMENTAL ISSUES

Clean Air Act

In November 1990, the Clean Air Act Amendments of 1990 (Clean Air Act) were signed into law. Title IV of the Clean Air Act -- the acid rain compliance provision of the law -- significantly affected Southern Company's subsidiaries, including the Company. Specific reductions in sulfur dioxide and nitrogen oxide emissions from fossil-fired generating plants are required in two phases. Phase I compliance began in 1995 and some 50 generating units within Southern Company's subsidiaries were brought into compliance with Phase I requirements.

Southern Company's subsidiaries, including the Company, achieved Phase I sulfur dioxide compliance at the affected units by switching to low-sulfur coal, which required some equipment upgrades. Construction expenditures for the Company's Phase I compliance totaled approximately $167 million.

Phase II sulfur dioxide compliance was required in 2000. Southern Company's subsidiaries, including the Company, used emission allowances and fuel switching to comply with Phase II requirements. Also, equipment to control nitrogen oxide emissions was installed on additional system fossil-fired units as necessary to meet Phase II limits and ozone non-attainment requirements for metropolitan Atlanta through 2000. Compliance for Phase II and initial ozone non-attainment requirements increased total construction expenditures for the Company through 2000 by approximately $39 million.

The one-hour ozone non-attainment standards for the Atlanta area have been set and must be implemented in May 2003. Seven generating plants will be affected in the Atlanta area. Additional construction expenditures for the Company's compliance with these new rules are currently estimated at approximately $705 million.

A significant portion of costs related to the acid rain and ozone non-attainment provisions of the Clean Air Act is expected to be recovered through existing ratemaking provisions. However, there can be no assurance that all Clean Air Act costs will be recovered.

Environmental Protection Agency Litigation

On November 3, 1999, the EPA brought a civil action in the U.S. District Court for the Northern District of Georgia. The complaint alleges violations of the prevention of significant deterioration and new source review provisions of the Clean Air Act with respect to coal-fired generating facilities at the Company's Bowen and Scherer plants. The civil action requests penalties and injunctive relief, including an order requiring the installation of the best available control technology at the affected units. The EPA concurrently issued a notice of violation to the Company relating to these two plants. In early 2000, the EPA filed a motion to amend its complaint to add the violations alleged in its notice of violation. The complaint and the notice of violation are similar to those brought against and issued to several other electric utilities. The complaint and the notice of violation allege that the Company failed to secure necessary permits or install additional pollution equipment when performing maintenance and construction at coal burning plants constructed or under construction prior to 1978. The Company believes that it complied with applicable laws and the EPA's regulations and interpretations in effect at the time the work in question took place. The Clean Air Act authorizes civil penalties of up to $27,500 per day per violation at each generating unit. Prior to January 30, 1997, the penalty was $25,000 per day. An adverse outcome of this matter could require substantial capital expenditures that cannot be determined at this time and possibly require payment of substantial penalties. This could affect future results of operations, cash flows, and possibly financial condition unless such costs can be recovered through regulated rates.

Other Environmental Issues

In July 1997, the EPA revised the national ambient air quality standards for ozone and particulate matter. This revision made the standards significantly more stringent. In the subsequent litigation of these standards, the U.S. Supreme Court recently dismissed certain challenges but found the EPA's implementation program for the new ozone standard unlawful and remanded it to the EPA. In addition, the Federal District of Columbia Circuit Court of Appeals will address other legal challenges to these standards in mid-2001. If the standards are eventually upheld, implementation could be required by 2007 to 2010.

In September 1998, the EPA issued the final regional nitrogen oxide reduction rules to the states for implementation. Compliance is required by May 31, 2004. The final rule affects 21 states, including Georgia.

In December 2000, the EPA completed its utility study for mercury and other hazardous air pollutants (HAPS) and issued a determination that an emission control program for mercury and, perhaps, other HAPS is warranted. The program is to be developed over the next four years under the Maximum Achievable Control Technology (MACT) provisions of the Clean Air Act. This determination is being challenged in the courts. In January 2001, the EPA proposed guidance for the determination of Best Available Retrofit Technology (BART) emission controls under the Regional Haze Regulations. Installation of BART controls would likely be required around 2010. Litigation of the BART rules is probable in the near future.

Implementation of the final state rules for these initiatives could require substantial further reductions in nitrogen oxide, sulfur dioxide, mercury, and other HAPS emissions from fossil-fired generating facilities and other industries in these states. Additional compliance costs and capital expenditures resulting from the implementation of these rules and standards cannot be determined until the results of legal challenges are known, and the states have adopted their final rules. Reviews by the new administration in Washington, D.C. add to the uncertainties associated with BART guidance and the MACT determination for mercury and other HAPS.

The Company must comply with other environmental laws and regulations that cover the handling and disposal of hazardous waste. Under these various laws and regulations, the Company could incur costs to clean up properties currently or previously owned. The Company conducts studies to determine the extent of any required clean-up costs and has recognized in the financial statements costs to clean up known sites. These costs for the Company amounted to $4 million, $4 million, and $6 million in 2000, 1999, and 1998, respectively. Additional sites may require environmental remediation for which the Company may be liable for a portion of or all required clean-up costs. See Note 3 to the financial statements under "Other Environmental Contingencies" for information regarding the Company's potentially responsible party status at a site in Brunswick, Georgia,

and the status of sites listed on the State of Georgia's hazardous site inventory.

The EPA and state environmental regulatory agencies are reviewing and evaluating various matters including: control strategies to reduce regional haze; limits on pollutant discharges to impaired waters; water intake restrictions; and hazardous waste disposal requirements. The impact of any new standards will depend on the development and implementation of applicable regulations.

Several major pieces of environmental legislation are being considered for reauthorization or amendment by Congress. These include: the Clean Air Act; the Clean Water Act; the Comprehensive Environmental Response, Compensation, and Liability Act; the Resource Conservation and Recovery Act; the Toxic Substances Control Act; and the Endangered Species Act. Changes to these laws could affect many areas of the Company's operations. The full impact of any such changes cannot be determined at this time.

Compliance with possible additional legislation related to global climate change, electromagnetic fields, and other environmental and health concerns could significantly affect the Company. The impact of new legislation -- if any -- will depend on the subsequent development and implementation of applicable regulations. In addition, the potential exists for liability as the result of lawsuits alleging damages caused by electromagnetic fields.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

The Company's 2000 Annual Report contains forward-looking and historical information. In some cases, forward-looking statements can be identified by terminology such as "may," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of these terms or other comparable terminology. The Company cautions that there are various important factors that could cause actual results to differ materially from those indicated in the forward-looking statements; accordingly, there can be no assurance that such indicated results will be realized. These factors include the impact of recent and future federal and state regulatory change, including legislative and regulatory initiatives regarding deregulation and restructuring of the electric utility industry and also changes in environmental and other laws and regulations to which the Company is subject, as well as changes in application of existing laws and regulations; current and future litigation, including the pending EPA civil action and the race discrimination litigation against the Company; the extent and timing of the entry of additional competition in the Company's markets; potential business strategies, including acquisitions or dispositions of assets or businesses, which cannot be assured to be completed or beneficial; internal restructuring or other restructuring options, that may be pursued by the Company; state and federal rate regulation in the United States; political, legal and economic conditions and developments in the United States; financial market conditions and the results of financing efforts; the impact of fluctuations in commodity prices, interest rates and customer demand; weather and other natural phenomena; the ability of the Company to obtain additional generating capacity at competitive prices; and other factors discussed elsewhere herein and in other reports (including Form 10-K) filed from time to time by the Company with the SEC.

STATEMENTS OF INCOME

For the Years Ended December 31, 2000, 1999, and 1998
Georgia Power Company 2000 Annual Report

	2000	1999	1998
		(in thousands)	
Operating Revenues:			
Retail sales	**$4,317,338**	$4,050,088	$4,298,217
Sales for resale --			
Non-affiliates	**297,643**	210,104	259,234
Affiliates	**96,150**	76,426	81,606
Other revenues	**159,487**	120,057	99,196
Total operating revenues	**4,870,618**	4,456,675	4,738,253
Operating Expenses:			
Operation --			
Fuel	**1,017,878**	919,876	917,119
Purchased power --			
Non-affiliates	**356,189**	214,573	229,960
Affiliates	**239,815**	174,989	161,003
Other	**795,458**	784,359	819,589
Maintenance	**404,189**	411,983	358,218
Depreciation and amortization	**619,094**	552,966	813,802
Taxes other than income taxes	**204,527**	202,853	204,623
Write down of Rocky Mountain plant	**-**	-	33,536
Total operating expenses	**3,637,150**	3,261,599	3,537,850
Operating Income	**1,233,468**	1,195,076	1,200,403
Other Income (Expense):			
Interest income	**2,629**	5,583	79,578
Equity in earnings of unconsolidated subsidiaries	**3,051**	2,721	3,735
Other, net	**(50,495)**	(47,986)	(38,277)
Earnings Before Interest and Income Taxes	**1,188,653**	1,155,394	1,245,439
Interest Charges and Other:			
Interest expense, net	**208,868**	194,869	216,313
Distributions on preferred securities of subsidiaries	**59,104**	65,774	54,327
Total interest charges and other, net	**267,972**	260,643	270,640
Earnings Before Income Taxes	**920,681**	894,751	974,799
Income taxes	**360,587**	351,639	398,632
Net Income	**560,094**	543,112	576,167
Dividends on Preferred Stock	**674**	1,729	5,939
Net Income After Dividends on Preferred Stock	**$ 559,420**	$ 541,383	$ 570,228

The accompanying notes are an integral part of these statements.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2000, 1999, and 1998
Georgia Power Company 2000 Annual Report

	2000	1999	1998
		(in thousands)	
Operating Activities:			
Net income	**$ 560,094**	$ 543,112	$ 576,167
Adjustments to reconcile net income to net cash provided from operating activities --			
Depreciation and amortization	**712,960**	663,878	867,637
Deferred income taxes and investment tax credits, net	**(28,961)**	(34,930)	(93,005)
Other, net	**(51,501)**	(42,179)	40,396
Changes in certain current assets and liabilities --			
Receivables, net	**(108,621)**	21,665	(25,453)
Fossil fuel stock	**26,835**	(22,165)	(8,066)
Materials and supplies	**(9,715)**	(10,417)	(3,090)
Accounts payables	**64,412**	13,095	47,862
Energy cost recovery, retail	**(95,235)**	(26,862)	(7,649)
Other	**(9,092)**	90,788	6,997
Net cash provided from operating activities	**1,061,176**	1,195,985	1,401,796
Investing Activities:			
Gross property additions	**(1,078,163)**	(790,464)	(499,053)
Other	**(5,450)**	(27,454)	67,031
Net cash used for investing activities	**(1,083,613)**	(817,918)	(432,022)
Financing Activities:			
Increase (decrease) in notes payable, net	**67,598**	295,389	(25,378)
Proceeds --			
Senior notes	**300,000**	100,000	495,000
Pollution control bonds	**78,725**	238,000	89,990
Preferred securities	**-**	200,000	-
Capital contributions from parent company	**301,514**	155,777	235
Retirements --			
First mortgage bonds	**(100,000)**	(404,000)	(558,250)
Pollution control bonds	**(78,725)**	(235,000)	(89,990)
Preferred securities	**-**	(100,000)	-
Preferred stock	**(383)**	(36,231)	(106,064)
Capital distributions to parent company	**-**	-	(270,000)
Payment of preferred stock dividends	**(751)**	(984)	(9,137)
Payment of common stock dividends	**(549,600)**	(543,000)	(536,600)
Other	**(1,231)**	(29,630)	(26,641)
Net cash provided from (used for) financing activities	**17,147**	(359,679)	(1,036,835)
Net Change in Cash and Cash Equivalents	**(5,290)**	18,388	(67,061)
Cash and Cash Equivalents at Beginning of Year	**34,660**	16,272	83,333
Cash and Cash Equivalents at End of Year	**$ 29,370**	$ 34,660	$ 16,272
Supplemental Cash Flow Information:			
Cash paid during the year for --			
Interest (net of amount capitalized)	**$ 265,373**	$ 247,050	$ 269,524
Income taxes (net of refunds)	**392,310**	394,457	480,318

The accompanying notes are an integral part of these statements

BALANCE SHEETS
At December 31, 2000 and 1999
Georgia Power Company 2000 Annual Report

Assets	2000	1999
		(in thousands)
Current Assets:		
Cash and cash equivalents	**$ 29,370**	$ 34,660
Receivables --		
Customer accounts receivable	**465,249**	401,773
Unrecovered retail fuel clause revenue	**131,623**	36,388
Other accounts and notes receivable	**156,143**	102,544
Affiliated companies	**13,312**	16,006
Accumulated provision for uncollectible accounts	**(5,100)**	(7,000)
Fossil fuel stock, at average cost	**99,463**	126,298
Materials and supplies, at average cost	**263,609**	253,894
Other	**97,515**	63,990
Total current assets	**1,251,184**	1,028,553
Property, Plant, and Equipment:		
In service	**16,469,706**	15,798,624
Less accumulated provision for depreciation	**6,914,512**	6,538,574
	9,555,194	9,260,050
Nuclear fuel, at amortized cost	**120,570**	119,288
Construction work in progress (Note 4)	**652,264**	425,975
Total property, plant, and equipment	**10,328,028**	9,805,313
Other Property and Investments:		
Equity investments in unconsolidated subsidiaries (Note 4)	**25,485**	25,024
Nuclear decommissioning trusts	**375,666**	371,914
Other	**33,829**	33,766
Total other property and investments	**434,980**	430,704
Deferred Charges and Other Assets:		
Deferred charges related to income taxes (Note 8)	**565,982**	590,893
Prepaid pension costs	**205,113**	145,801
Debt expense, being amortized	**53,748**	55,824
Premium on reacquired debt, being amortized	**173,610**	184,331
Other	**120,964**	120,441
Total deferred charges and other assets	**1,119,417**	1,097,290
Total Assets	**$13,133,609**	$12,361,860

The accompanying notes are an integral part of these balance sheets.

BALANCE SHEETS
At December 31, 2000 and 1999
Georgia Power Company 2000 Annual Report

Liabilities and Stockholder's Equity	2000	1999
		(in thousands)
Current Liabilities:		
Securities due within one year (Note 9)	**$ 1,808**	$ 155,772
Notes payable	**703,839**	636,241
Accounts payable --		
Affiliated	**117,168**	76,591
Other	**397,550**	346,785
Customer deposits	**78,540**	74,695
Taxes accrued --		
Income taxes	**5,151**	7,914
Other	**137,511**	127,414
Interest accrued	**47,244**	58,665
Vacation pay accrued	**38,865**	38,143
Other	**153,400**	153,767
Total current liabilities	**1,681,076**	1,675,987
Long-term debt (See accompanying statements)	**3,041,939**	2,688,358
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes (Note 8)	**2,182,783**	2,202,565
Deferred credits related to income taxes (Note 8)	**247,067**	267,083
Accumulated deferred investment tax credits (Note 8)	**352,282**	367,114
Employee benefits provisions	**177,444**	181,529
Other	**397,655**	236,812
Total deferred credits and other liabilities	**3,357,231**	3,255,103
Company obligated mandatorily redeemable preferred securities of subsidiary trusts holding company junior subordinated notes (See accompanying statements)	**789,250**	789,250
Cumulative preferred stock (See accompanying statements)	**14,569**	14,952
Common stockholder's equity (See accompanying statements)	**4,249,544**	3,938,210
Total Liabilities and Stockholder's Equity	**$13,133,609**	$12,361,860

The accompanying notes are an integral part of these balance sheets.

STATEMENTS OF CAPITALIZATION
At December 31, 2000 and 1999
Georgia Power Company 2000 Annual Report

		2000	1999	2000	1999
		(in thousands)		*(percent of total)*	
Long-Term Debt:					
First mortgage bonds --					
Maturity	Interest Rates				
March 1, 2000	6.00%	$ -	$ 100,000		
April 1, 2003	6.625%	**200,000**	200,000		
August 1, 2003	6.35%	**75,000**	75,000		
2005	6.07%	**10,000**	10,000		
2008	6.875%	**50,000**	50,000		
2025	7.70%	**57,000**	57,000		
Total first mortgage bonds		**392,000**	492,000		
Senior notes -- (Note 9)					
Variable rate (6.71375% at 1/1/01)-due February 22, 2002		**300,000**	-		
5.50% due December 1, 2005		**150,000**	150,000		
6.60% due December 31, 2038		**200,000**	200,000		
6.625% due March 31, 2039		**100,000**	100,000		
6.875% due December 31, 2047		**145,000**	145,000		
Total senior notes payable		**895,000**	595,000		
Other long-term debt -- (Note 9)					
Pollution control revenue bonds --					
Maturity	Interest Rates				
2000	4.375%	-	50,000		
2005	5.00%	**57,000**	57,000		
2011	Variable (5.10% at 1/1/01)	**10,450**	10,450		
2018-2019	6.00% to 6.25%	**13,100**	13,100		
2021-2025	5.40% to 6.75%	**308,660**	337,385		
2022-2025	Variable (4.85% to 5.35% at 1/1/01)	**622,075**	622,075		
2026-2030	Variable (5.00% to 5.10% at 1/1/01)	**206,180**	206,180		
2030	4.53%	**78,725**	-		
2032-2034	Variable (5.0% to 5.30% at 1/1/01)	**140,000**	140,000		
2034	5.25% to 5.45%	**238,000**	238,000		
Total other long-term debt		**1,674,190**	1,674,190		
Capital lease obligations (Note 9)		**85,179**	85,851		
Unamortized debt discount, net		**(2,622)**	(2,911)		
Total long-term debt (annual interest requirement -- $179.6 million)		**3,043,747**	2,844,130		
Less amount due within one year (Note 9)		**1,808**	155,772		
Total long-term debt excluding amount due within one year		**$ 3,041,939**	$ 2,688,358	**37.6 %**	36.2

STATEMENTS OF CAPITALIZATION (continued)
At December 31, 2000 and 1999
Georgia Power Company 2000 Annual Report

	2000	1999	2000	1999
	(in thousands)		*(percent of total)*	
Company Obligated Mandatorily Redeemable Preferred Securities (Note 9):				
$25 liquidation value -- 6.85%	$ **200,000**	$ 200,000		
$25 liquidation value -- 7.60%	**175,000**	175,000		
$25 liquidation value -- 7.75%	**189,250**	189,250		
$25 liquidation value -- 7.75%	**225,000**	225,000		
Total (annual distribution requirement -- $59.1 million)	**789,250**	789,250	**9.7**	10.6
Cumulative Preferred Stock, without par value:				
Authorized -- 55,000,000 shares				
Outstanding -- 145,689 shares at December 31, 2000				
Outstanding -- 149,520 shares at December 31, 1999				
$100 stated value -- 4.60%	**14,569**	14,952		
Total cumulative preferred stock (annual dividend requirement -- $0.7 million)	**14,569**	14,952	**0.2**	0.2
Common Stockholder's Equity:				
Common stock, without par value --				
Authorized -- 15,000,000 shares				
Outstanding -- 7,761,500 shares	**344,250**	344,250		
Paid-in capital	**2,117,497**	1,815,983		
Premium on preferred stock	**40**	40		
Retained earnings (Note 9)	**1,787,757**	1,777,937		
Total common stockholder's equity (See accompanying statements)	**4,249,544**	3,938,210	**52.5**	53.0
Total Capitalization	**$ 8,095,302**	$ 7,430,770	**100.0 %**	100.0 %

The accompanying notes are an integral part of these statements.

STATEMENTS OF COMMON STOCKHOLDER'S EQUITY

For the Years Ended December 31, 2000, 1999, and 1998
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	Common Stock	Paid-In Capital	Premium on Preferred Stock	Retained Earnings	Total
			(in thousands)		
Balance at January 1, 1998	$344,250	$1,929,971	$160	$1,745,347	$4,019,728
Net income after dividends on preferred stock	-	-	-	570,228	570,228
Capital distributions to parent company	-	(270,000)	-	-	(270,000)
Capital contributions from parent company	-	235	-	-	235
Cash dividends on common stock	-	-	-	(536,600)	(536,600)
Preferred stock transactions, net	-	-	(2)	583	581
Balance at December 31, 1998	344,250	1,660,206	158	1,779,558	3,784,172
Net income after dividends on preferred stock	-	-	-	541,383	541,383
Capital contributions from parent company	-	155,777	-	-	155,777
Cash dividends on common stock	-	-	-	(543,000)	(543,000)
Preferred stock transactions, net	-	-	(118)	(4)	(122)
Balance at December 31, 1999	344,250	1,815,983	40	1,777,937	3,938,210
Net income after dividends on preferred stock	-	-	-	**559,420**	**559,420**
Capital contributions from parent company	-	**301,514**	-	-	**301,514**
Cash dividends on common stock	-	-	-	**(549,600)**	**(549,600)**
Balance at December 31, 2000	**$344,250**	**$2,117,497**	**$40**	**$1,787,757**	**$4,249,544**

The accompanying notes are an integral part of these statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The Company is a wholly owned subsidiary of Southern Company, which is the parent company of five integrated Southeast utilities, Southern Company Services (SCS), the system service company, Southern Communications Services (Southern LINC), Mirant Corporation (formerly Southern Energy), Southern Nuclear Operating Company (Southern Nuclear), Southern Company Energy Solutions, and other direct and indirect subsidiaries. The integrated Southeast utilities (Alabama Power Company, Georgia Power Company, Gulf Power Company, Mississippi Power Company, and Savannah Electric and Power Company) provide electric service in four states. Contracts among the integrated Southeast utilities -- related to jointly owned generating facilities, interconnecting transmission lines, and the exchange of electric power -- are regulated by the Federal Energy Regulatory Commission (FERC) or the Securities and Exchange Commission (SEC). SCS provides, at cost, specialized services to Southern Company and subsidiary companies. Southern LINC provides digital wireless communications services to the subsidiary companies and also markets these services to the public within the Southeast. Southern Company Energy Solutions develops new business opportunities related to energy products and services. Southern Nuclear provides services to Southern Company's nuclear power plants. Mirant Corporation acquires, develops, builds, owns, and operates power production and delivery facilities and provides a broad range of energy-related services to utilities and industrial companies in selected countries around the world. Mirant Corporation's businesses include independent power projects, integrated utilities, a distribution company, and energy trading and marketing businesses outside the Southeastern United States.

Southern Company is registered as a holding company under the Public Utility Holding Company Act of 1935 (PUHCA). Both Southern Company and its subsidiaries are subject to the regulatory provisions of the PUHCA. The Company is also subject to regulation by the FERC and the Georgia Public Service Commission (GPSC). The Company follows accounting principles generally accepted in the United States and complies with the accounting policies and practices prescribed by the respective regulatory commissions. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires the use of estimates, and the actual results may differ from these estimates.

Certain prior years' data presented in the financial statements have been reclassified to conform with current year presentation.

Related-Party Transactions

The Company has an agreement with SCS under which the following services are rendered to the Company at cost: general and design engineering, purchasing, accounting and statistical, finance and treasury, tax, information resources, marketing, auditing, insurance and pension, human resources, systems and procedures, and other services with respect to business and operations and power pool operations. Costs for these services amounted to $269 million, $253 million, and $251 million during 2000, 1999, and 1998, respectively.

The Company has an agreement with Southern Nuclear under which the following nuclear-related services are rendered to the Company at cost: general executive and advisory services; general operations, management and technical services; administrative services including procurement, accounting and statistical, employee relations, and systems and procedures services; strategic planning and budgeting services; and other services with respect to business and operations. Costs for these services amounted to $281 million, $270 million, and $269 million during 2000, 1999, and 1998, respectively.

Regulatory Assets and Liabilities

The Company is subject to the provisions of Financial Accounting Standards Board (FASB) Statement No. 71, Accounting for the Effects of Certain Types of Regulation. Regulatory assets represent probable future revenues associated with certain costs that are expected to be recovered from customers through the ratemaking process. Regulatory liabilities represent probable future reductions in revenues associated with amounts that are expected to be credited to customers through the ratemaking process. Pursuant to the terms of the GPSC retail rate order, the Company recorded $135 million and $85 million in 2000 and 1999, respectively, of accelerated cost recovery of regulatory assets which have been

recorded on the balance sheet as a regulatory liability. See Note 3 under "Retail Rate Order" for additional information. Regulatory assets and (liabilities) reflected in the Company's Balance Sheets at December 31 relate to the following:

	2000	1999
	(in millions)	
Deferred income taxes	$ 566	$ 591
Deferred income tax credits	(247)	(267)
Premium on reacquired debt	174	184
Corporate building lease	55	54
Vacation pay	49	47
Postretirement benefits	30	33
Department of Energy assessments	21	24
Deferred nuclear outage costs	28	26
Accelerated cost recovery	(220)	(85)
Interest, accelerated cost recovery	(10)	-
Other, net	23	3
Total	$ 469	$ 610

In the event that a portion of the Company's operations is no longer subject to the provisions of Statement No. 71, the Company would be required to write off related regulatory assets and liabilities that are not specifically recoverable through regulated rates. In addition, the Company would be required to determine if any impairment to other assets exists, including plant, and write down the assets, if impaired, to their fair value.

Revenues and Fuel Costs

The Company currently operates as a vertically integrated utility providing electricity to retail customers within its traditional service area located within the state of Georgia, and to wholesale customers in the Southeast.

Revenues are recognized as services are rendered. Unbilled revenues are accrued at the end of each fiscal period. Fuel costs are expensed as the fuel is used. The Company's fuel cost recovery mechanism includes provisions to adjust billings for fluctuations in fuel costs, the energy component of purchased power costs, and certain other costs. Revenues are adjusted for differences between recoverable fuel costs and amounts actually recovered in current rates.

The Company has a diversified base of customers. No single customer or industry comprises 10 percent or more of revenues. For all periods presented, uncollectible accounts averaged less than 1 percent of revenues.

Fuel expense includes the amortization of the cost of nuclear fuel and a charge, based on nuclear generation, for the permanent disposal of spent nuclear fuel. Total charges for nuclear fuel included in fuel expense amounted to $75 million in 2000, $74 million in 1999, and $74 million in 1998. The Company has a contract with the U.S. Department of Energy (DOE) that provides for the permanent disposal of spent nuclear fuel. The DOE failed to begin disposing of spent fuel in January 1998 as required by the contracts, and the Company is pursuing legal remedies against the government for breach of contract. Effective June 2000, the on-site dry storage facility for Plant Hatch became operational. Sufficient capacity is believed available to continue dry storage operations at Plant Hatch through the life of the plant. Sufficient fuel storage capacity currently is available at Plant Vogtle to maintain full-core discharge capability for both units into the year 2014.

Also, the Energy Policy Act of 1992 required the establishment of a Uranium Enrichment Decontamination and Decommissioning Fund, which is to be funded in part by a special assessment on utilities with nuclear plants. The assessment will be paid over a 15-year period, which began in 1993. This fund will be used by the DOE for the decontamination and decommissioning of its nuclear fuel enrichment facilities. The law provides that utilities will recover these payments in the same manner as any other fuel expense. The Company -- based on its ownership interests -- estimates its remaining liability under this law at December 31, 2000 to be approximately $19 million. This obligation is recorded in the accompanying Balance Sheets.

Depreciation and Nuclear Decommissioning

Depreciation of the original cost of depreciable utility plant in service is provided primarily by using composite straight-line rates, which approximated 3.3 percent in 2000 and 1999, and 3.2 percent in 1998. In addition, pursuant to a GPSC retail rate order, the Company recorded accelerated depreciation of electric plant of $304 million in 1998. Total accelerated depreciation recorded under the GPSC retail rate order was $467 million. These charges are recorded in the accumulated provision for depreciation. When property subject to depreciation is retired or otherwise disposed of in the

normal course of business, its original cost -- together with the cost of removal, less salvage -- is charged to accumulated depreciation. Minor items of property included in the original cost of the plant are retired when the related property unit is retired. Depreciation expense includes an amount for the expected costs of decommissioning nuclear facilities and removal of other facilities.

Nuclear Regulatory Commission (NRC) regulations require all licensees operating commercial power reactors to establish a plan for providing, with reasonable assurance, funds for decommissioning. The Company has established external trust funds to comply with the NRC's regulations. Amounts previously recorded in internal reserves are being transferred into the external trust funds over a set period of time as ordered by the GPSC. Earnings on the trust funds are considered in determining decommissioning expense. The NRC's minimum external funding requirements are based on a generic estimate of the cost to decommission the radioactive portions of a nuclear unit based on the size and type of reactor. The Company has filed plans with the NRC to ensure that -- over time -- the deposits and earnings of the external trust funds will provide the minimum funding amounts prescribed by the NRC.

The Company periodically conducts site-specific studies to estimate the actual cost of decommissioning its nuclear generating facilities. Site study cost is the estimate to decommission the facility as of the site study year, and ultimate cost is the estimate to decommission the facility as of its retirement date. The estimated site study costs based on the most current study and ultimate costs assuming an inflation rate of 4.7 percent for the Company's ownership interests are as follows:

	Plant Hatch	Plant Vogtle
Site study basis (year)	2000	2000
Decommissioning periods:		
Beginning year	2014	2027
Completion year	2042	2045
	(in millions)	
Site study costs:		
Radiated structures	$486	$420
Non-radiated structures	37	48
Total	$523	$468
	(in millions)	
Ultimate costs:		
Radiated structures	$1,004	$1,468
Non-radiated structures	79	166
Total	$1,083	$1,634

The decommissioning cost estimates are based on prompt dismantlement and removal of the plant from service. The actual decommissioning costs may vary from the above estimates because of changes in the assumed date of decommissioning, changes in the NRC requirements, changes in the assumptions used in making the estimates, changes in regulatory requirements, changes in technology, and changes in costs of labor, materials, and equipment. The Company has filed with the NRC an application requesting a 20-year renewal of the licenses for both units at Plant Hatch which would permit the operation of both units until 2034.

Annual provisions for nuclear decommissioning expense are based on an annuity method as approved by the GPSC. The amounts expensed in 2000 and fund balances as of December 31, 2000 were:

	Plant Hatch	Plant Vogtle
	(in millions)	
Amount expensed in 2000	$ 19	$ 9
	(in millions)	
Accumulated provisions:		
External trust funds, at fair value	$230	$146
Internal reserves	20	12
Total	$250	$158

Effective January 1, 1999, the GPSC increased the annual provision for decommissioning expenses to

$28 million from $20 million in 1998. This amount is based on the NRC generic estimate to decommission the radioactive portion of the facilities as of 1997 of $526 million and $438 million for Plants Hatch and Vogtle, respectively. The ultimate costs associated with the 1997 NRC minimum funding requirements are $1.1 billion and $1.3 billion for Plants Hatch and Vogtle, respectively. Significant assumptions include an estimated inflation rate of 3.6 percent and an estimated trust earnings rate of 6.5 percent. The Company expects the GPSC to periodically review and adjust, if necessary, the amounts collected in rates for the anticipated cost of decommissioning.

Income Taxes

The Company uses the liability method of accounting for deferred income taxes and provides deferred income taxes for all significant income tax temporary differences. Investment tax credits utilized are deferred and amortized to income over the average lives of the related property.

Allowance for Funds Used During Construction (AFUDC)

AFUDC represents the estimated debt and equity costs of capital funds that are necessary to finance the construction of new regulated facilities. While cash is not realized currently from such allowance, it increases the revenue requirement over the service life of the plant through a higher rate base and higher depreciation expense. For the years 2000, 1999, and 1998, the average AFUDC rates were 6.74 percent, 5.61 percent, and 6.71 percent, respectively. AFUDC, net of taxes, as a percentage of net income after dividends on preferred stock, was less than 2.0 percent for 2000, 1999 and 1998.

Property, Plant, and Equipment

Property, plant, and equipment is stated at original cost, less regulatory disallowances and impairments. Original cost includes: materials; labor; payroll-related costs such as taxes, pensions, and other benefits; and the cost of funds used during construction. The cost of maintenance, repairs, and replacement of minor items of property is charged to maintenance expense. The cost of replacements of property (exclusive of minor items of property) is capitalized.

Cash and Cash Equivalents

For purposes of the financial statements, temporary cash investments are considered cash equivalents. Temporary cash investments are securities with original maturities of 90 days or less.

Financial Instruments

The Company has a firm commitment that requires payment in euros. As a hedge against fluctuations in the exchange rate for euros, the Company entered into forward currency swaps. The notional amount is 15.9 million euros maturing in 2001 through 2002. At December 31, 2000, the unrecognized gain on these swaps was approximately $1.3 million.

The Company's financial instruments for which the carrying amounts did not approximate fair value at December 31 were as follows:

	Carrying Amount	Fair Value
Long-term debt:	(in millions)	
At December 31, 2000	**$2,959**	**$2,912**
At December 31, 1999	$2,758	$2,604
Preferred securities:		
At December 31, 2000	**$789**	**$761**
At December 31, 1999	$789	$680

The fair values for securities were based on either closing market prices or closing prices of comparable instruments.

Materials and Supplies

Generally, materials and supplies include the cost of transmission, distribution, and generating plant materials. Materials are charged to inventory when purchased and then expensed or capitalized to plant, as appropriate, when installed.

2. RETIREMENT BENEFITS

The Company has defined benefit, trusteed pension plans that cover substantially all employees. The Company provides certain medical care and life insurance benefits for retired employees. Substantially all these employees may become eligible for such benefits when they retire. The Company funds postretirement trusts to the extent required by the GPSC and FERC. In late 2000, the Company adopted several pension and postretirement

benefits plan changes that had the effect of increasing benefits to both current and future retirees. The effects of these changes will be to increase annual pension and postretirement benefits costs by approximately $10 million and $6 million, respectively. The measurement date for plan assets and obligations is September 30 of each year.

The weighted average rates assumed in the actuarial calculations for both the pension and postretirement benefit plans were:

	2000	1999
Discount	**7.50%**	7.50%
Annual salary increase	**5.00**	5.00
Expected long-term return on plan assets	**8.50**	8.50

Pension Plan

Changes during the year in the projected benefit obligations and in the fair value of plan assets were as follows:

	Projected Benefit Obligations	
	2000	1999
	(in millions)	
Balance at beginning of year	**$1,205**	$1,217
Service cost	**32**	33
Interest cost	**88**	80
Benefits paid	**(58)**	(57)
Actuarial gain and employee transfers	**(14)**	(68)
Balance at end of year	**$1,253**	$1,205

	Plan Assets	
	2000	1999
	(in millions)	
Balance at beginning of year	**$2,107**	$1,859
Actual return on plan assets	**385**	313
Benefits paid	**(58)**	(57)
Employee transfers	**30**	(8)
Balance at end of year	**$2,464**	$2,107

The accrued pension costs recognized in the Balance Sheets were as follows:

	2000	1999
	(in millions)	
Funded status	**$1,211**	$ 902
Unrecognized transition obligation	**(26)**	(30)
Unrecognized prior service cost	**38**	41
Unrecognized net actuarial gain	**(1,018)**	(767)
Prepaid asset recognized in the Balance Sheets	**$ 205**	$ 146

Components of the plan's net periodic cost were as follows:

	2000	1999	1998
	(in millions)		
Service cost	**$ 32**	$ 33	$ 30
Interest cost	**88**	80	82
Expected return on plan assets	**(151)**	(137)	(127)
Recognized net actuarial gain	**(27)**	(17)	(20)
Net amortization	**(1)**	(1)	(1)
Net pension income	**$ (59)**	$ (42)	$ (36)

Postretirement Benefits

Changes during the year in the accumulated benefit obligations and in the fair value of plan assets were as follows:

	Accumulated Benefit Obligations	
	2000	1999
	(in millions)	
Balance at beginning of year	**$438**	$464
Service cost	**7**	8
Interest cost	**36**	30
Benefits paid	**(21)**	(19)
Actuarial gain and employee transfers	**(28)**	(45)
Amendments	**63**	-
Balance at end of year	**$495**	$438

	Plan Assets	
	2000	1999
	(in millions)	
Balance at beginning of year	**$177**	$150
Actual return on plan assets	**12**	11
Employer contributions	**30**	35
Benefits paid	**(21)**	(19)
Balance at end of year	**$198**	$177

The accrued postretirement costs recognized in the Balance Sheets were as follows:

	2000	1999
	(in millions)	
Funded status	**$(297)**	$(261)
Unrecognized transition obligation	**113**	122
Unrecognized prior service cost	**60**	-
Unrecognized gain	**(13)**	-
Unrecognized net actuarial loss	**-**	10
Fourth quarter contributions	**27**	14
Accrued liability recognized in the Balance Sheets	**$(110)**	$(115)

Components of the plans' net periodic cost were as follows:

	2000	1999	1998
	(in millions)		
Service cost	**$ 7**	$ 8	$ 7
Interest cost	**36**	30	32
Expected return on plan assets	**(16)**	(10)	(9)
Recognized net actuarial loss	**-**	1	1
Net amortization	**12**	9	9
Net postretirement cost	**$ 39**	$38	$40

An additional assumption used in measuring the accumulated postretirement benefit obligations was a weighted average medical care cost trend rate of 7.29 percent for 2000, decreasing gradually to 5.50 percent through the year 2005, and remaining at that level thereafter. An annual increase or decrease in the assumed medical care cost trend rate of 1 percent would affect the accumulated benefit obligation and the service and interest cost components at December 31, 2000 as follows:

	1 Percent Increase	1 Percent Decrease
	(in millions)	
Benefit obligation	$39	$ 34
Service and interest costs	3	3

Employee Savings Plan

The Company also sponsors a 401(k) defined contribution plan covering substantially all employees. The Company provides a 75 percent matching contribution up to 6 percent of an employee's base salary. Total matching contributions made to the plan for the years 2000, 1999, and 1998 were $15 million, $15 million, and $14 million, respectively.

3. CONTINGENCIES & REGULATORY MATTERS

Retail Rate Order

On December 18, 1998, the GPSC approved a three-year retail rate order for the Company ending December 31, 2001. Under the terms of the order, earnings are evaluated against a retail return on common equity range of 10 percent to 12.5 percent. Retail rates were decreased by $262 million on an annual basis effective January 1, 1999, and by an additional $24 million effective January 1, 2000. The order further provides for $85 million in each year, plus up to $50 million of any earnings above the 12.5 percent return during the second and third years, to be applied to accelerated amortization or depreciation of assets. Two-thirds of any additional earnings above the 12.5 percent return will be applied to rate reductions, with the remaining one-third retained by the Company. Pursuant to the order, in 2000 and 1999, the Company recorded $85 million each year in accelerated amortization of regulatory assets. In 2000, the Company also recorded the additional $50 million of accelerated amortization. The accelerated amortization is recorded in a regulatory liability account and, as mandated by the GPSC, the Company recorded $10 million of interest on the amounts in the regulatory liability account. In addition, the Company recorded $44 million and $79 million of revenue subject to refund for estimated earnings above 12.5 percent retail return on common equity in 2000 and 1999, respectively. Refunds applicable to 1999 were made to customers in 2000. The estimated 2000 refund is included in other current liabilities on the Balance Sheet. The Company will file a

general rate case on July 2, 2001, in response to which the GPSC would be expected to determine whether the rate order should be continued, modified, or discontinued.

Environmental Protection Agency (EPA) Litigation

On November 3, 1999, the EPA brought a civil action in the U.S. District Court for the Northern District of Georgia. The complaint alleges violations of the prevention of significant deterioration and new source review provisions of the Clean Air Act with respect to coal-fired generating facilities at the Company's Bowen and Scherer plants. The civil action requests penalties and injunctive relief, including an order requiring the installation of the best available control technology at the affected units beginning at the point of the alleged violations. The Clean Air Act authorizes civil penalties of up to $27,500 per day, per violation at each generating unit. Prior to January 30, 1997, the penalty was $25,000 per day.

The EPA concurrently issued a notice of violation to the Company relating to these two plants. In early 2000, the EPA filed a motion to amend its complaint to add the violations alleged in its notice of violation. The complaint and the notice of violation are similar to those brought against and issued to several other electric utilities. The complaint and the notice of violation allege that the Company failed to secure necessary permits or install additional pollution equipment when performing maintenance and construction at coal burning plants constructed or under construction prior to 1978. The Company believes that it complied with applicable laws and the EPA's regulations and interpretations in effect at the time the work in question took place.

An adverse outcome of this matter could require substantial capital expenditures that cannot be determined at this time and possibly require payment of substantial penalties. This could affect future results of operations, cash flows, and possibly financial condition unless such costs can be recovered through regulated rates.

Other Environmental Contingencies

In January 1995, the Company and four other unrelated entities were notified by the EPA that they have been designated as potentially responsible parties under the Comprehensive Environmental Response, Compensation and Liability Act with respect to a site in Brunswick, Georgia. As of December 31, 2000, the Company has recognized approximately $5 million in cumulative expenses associated with the Company's agreed upon share of removal and remedial investigation and feasibility study costs for this site. The final outcome of this matter cannot now be determined. However, based on the nature and extent of the Company's activities relating to the site, management believes that the Company's portion of any remaining remediation costs should not be material to the financial statements.

In compliance with the Georgia Hazardous Site Response Act of 1993, the State of Georgia was required to compile an inventory of all known or suspected sites where hazardous wastes, constituents, or substances have been disposed of or released in quantities deemed reportable by the State. In developing this list, the State identified several hundred properties throughout the State, including 34 sites which may require environmental remediation that were either previously or are currently owned by the Company. The majority of these sites are electrical power substations and power generation facilities. The Company has remediated ten electrical substations on the list at a cumulative cost of approximately $3 million through December 31, 2000. The State has removed from the list three power generation facilities following the assessment which indicated no remediation was necessary. In addition, the Company has recognized approximately $27.5 million in cumulative expenses through December 31, 2000 for the assessment of the remaining sites on the list and the anticipated clean-up cost for 14 sites that the Company plans to remediate. Any additional costs of remediating the remaining sites cannot presently be determined until such studies are completed for each site and the State determines whether remediation is required. If all listed sites were required to be remediated, the Company could incur expenses of up to approximately $5 million in additional clean-up costs and construction expenditures of up to approximately $37 million to develop new waste management facilities or install additional pollution control devices.

Nuclear Performance Standards

The GPSC has adopted a nuclear performance standard for the Company's nuclear generating units under which the performance of Plants Hatch and Vogtle is evaluated every three years. The performance standard is based on each unit's capacity factor as compared to the average of

all comparable U.S. nuclear units operating at a capacity factor of 50 percent or higher during the three-year period of evaluation. Depending on the performance of the units, the Company could receive a monetary award or penalty under the performance standards criteria.

In January 1997, the GPSC approved a performance award of approximately $11.7 million for performance during the 1993-1995 period. This award was collected through the retail fuel cost recovery provision and recognized in income over the 36-month period ending in December 1999. In February 2000, the GPSC approved a performance award of approximately $7.8 million for performance during the 1996-1998 period. This award is being collected through the retail fuel cost recovery provision and recognized in income over a 36-month period that began in January 2000, as mandated by the GPSC.

Race Discrimination Litigation

On July 28, 2000, a lawsuit alleging race discrimination was filed by three Georgia Power employees against the Company, Southern Company, and SCS in the United States District Court for the Northern District of Georgia. The lawsuit also raised claims on behalf of a purported class. The plaintiffs seek compensatory and punitive damages in an unspecified amount, as well as injunctive relief. On August 14, 2000, the lawsuit was amended to add four more plaintiffs and a new defendant, Southern Company Energy Solutions, Inc. The lawsuit is in the discovery stage. The final outcome of this case cannot now be determined.

4. COMMITMENTS

Construction Program

The Company is constructing Plant Dahlberg, a ten unit, 800 megawatt combustion turbine peaking power plant. Units one through eight began operation in May 2000; units nine and ten are expected to begin operation in June 2001. The Company is also constructing a 571 megawatt combined cycle unit and a 610 megawatt combined cycle unit at Plant Goat Rock that will begin operation in 2002 and in 2003, respectively, and an addition of two 566 megawatt combined cycle units at Plant Wansley, to begin operation in 2002. During 2001, the Company plans to transfer the units at Plants Dahlberg, Goat Rock, and Wansley at net book value to Southern Power Company (SPC), a new subsidiary formed by Southern Company. Significant construction of transmission and distribution facilities, and projects to upgrade and extend the useful life of generating plants and to remain in compliance with environmental requirements will continue. The Company currently estimates property additions to be approximately $1.6 billion in 2001, $1.3 billion in 2002, and $0.8 billion in 2003. If the Company transfers wholesale generation assets to SPC in 2001 as contemplated, construction expenditures for the years 2001 through 2003 will total $1.0 billion, $0.9 billion, and $0.7 billion, respectively.

The construction program is subject to periodic review and revision, and actual construction costs may vary from estimates because of numerous factors, including, but not limited to, changes in business conditions, load growth estimates, environmental regulations, and regulatory requirements.

Fuel Commitments

To supply a portion of the fuel requirements of its generating plants, the Company has entered into various long-term commitments for the procurement of fossil and nuclear fuel. In most cases, these contracts contain provisions for price escalations, minimum purchase levels, and other financial commitments. Total estimated long-term fossil and nuclear fuel commitments at December 31, 2000 were as follows:

Year	Minimum Obligations
	(in millions)
2001	$1,006
2002	625
2003	586
2004	430
2005	342
2006 and beyond	873
Total minimum obligations	$3,862

Additional commitments for coal and for nuclear fuel will be required in the future to supply the Company's fuel needs.

Purchased Power Commitments

The Company and an affiliate, Alabama Power Company, own equally all of the outstanding capital stock of

Southern Electric Generating Company (SEGCO), which owns electric generating units with a total rated capacity of 1,020 megawatts, as well as associated transmission facilities. The capacity of the units has been sold equally to the Company and Alabama Power Company under a contract which, in substance, requires payments sufficient to provide for the operating expenses, taxes, debt service, and return on investment, whether or not SEGCO has any capacity and energy available. The term of the contract extends automatically for two-year periods, subject to either party's right to cancel upon two year's notice. The Company's share of expenses included in purchased power from affiliates in the Statements of Income is as follows:

	2000	1999	1998
		(in millions)	
Energy	**$57**	$51	$45
Capacity	**30**	29	30
Total	**$87**	$80	$75
Kilowatt-hours	**3,835**	3,338	3,146

The Company has commitments regarding a portion of a 5 percent interest in Plant Vogtle owned by Municipal Electric Authority of Georgia (MEAG) that are in effect until the latter of the retirement of the plant or the latest stated maturity date of MEAG's bonds issued to finance such ownership interest. The payments for capacity are required whether or not any capacity is available. The energy cost is a function of each unit's variable operating costs. Except as noted below, the cost of such capacity and energy is included in purchased power from non-affiliates in the Company's Statements of Income. Capacity payments totaled $58 million, $57 million, and $56 million in 2000, 1999, and 1998, respectively. The current projected Plant Vogtle capacity payments are:

Year	Capacity Payments
	(in millions)
2001	$ 59
2002	58
2003	58
2004	55
2005	55
2006 and beyond	539
Total capacity payments	$824

Portions of the payments noted above relate to costs in excess of Plant Vogtle's allowed investment for ratemaking purposes. The present value of these portions was written off in 1987 and 1990.

The Company has entered into other various long-term commitments for the purchase of electricity. Estimated total long-term obligations at December 31, 2000 were as follows:

Year	Other Obligations
	(in millions)
2001	$ 22
2002	39
2003	41
2004	40
2005	40
2006 and beyond	154
Total other obligations	$336

Operating Leases

The Company has entered into coal rail car rental agreements with various terms and expiration dates. These expenses totaled $16 million for 2000, $11 million for 1999, and $13 million for 1998. At December 31, 2000, estimated minimum rental commitments for these noncancelable operating leases were as follows:

Year	Minimum Obligations
	(in millions)
2001	$ 15
2002	15
2003	15
2004	16
2005	14
2006 and beyond	102
Total minimum obligations	$177

5. NUCLEAR INSURANCE

Under the Price-Anderson Amendments Act of 1988, the Company maintains agreements of indemnity with the NRC that, together with private insurance, cover third-party liability arising from any nuclear incident occurring at the Company's nuclear power plants. The Act provides funds up to $9.5 billion for public liability claims that could arise from a single nuclear incident. Each nuclear plant is insured against this liability to a maximum of $200 million by private insurance, with the remaining coverage provided by a mandatory program of

deferred premiums that could be assessed, after a nuclear incident, against all owners of nuclear reactors. The Company could be assessed up to $88 million per incident for each licensed reactor it operates but not more than an aggregate of $10 million per incident to be paid in a calendar year for each reactor. Such maximum assessment for the Company, excluding any applicable state premium taxes -- based on its ownership and buyback interests -- is $178 million per incident but not more than an aggregate of $20 million to be paid for each incident in any one year.

The Company is a member of Nuclear Electric Insurance Limited (NEIL), a mutual insurer established to provide property damage insurance in an amount up to $500 million for members' nuclear generating facilities.

Additionally, the Company has policies that currently provide decontamination, excess property insurance, and premature decommissioning coverage up to $2.25 billion for losses in excess of the $500 million primary coverage. This excess insurance is also provided by NEIL.

NEIL also covers the additional costs that would be incurred in obtaining replacement power during a prolonged accidental outage at a member's nuclear plant. Members can be insured against increased costs of replacement power in an amount up to $3.5 million per week -- starting 12 weeks after the outage -- for one year and up to $2.8 million per week for the second and third years.

Under each of the NEIL policies, members are subject to assessments if losses each year exceed the accumulated funds available to the insurer under that policy. The current maximum annual assessments for the Company under the three NEIL policies would be $19 million.

For all on-site property damage insurance policies for commercial nuclear power plants, the NRC requires that the proceeds of such policies should be dedicated first for the sole purpose of placing the reactor in a safe and stable condition after an accident. Any remaining proceeds are to be applied next toward the costs of decontamination and debris removal operations ordered by the NRC, and any further remaining proceeds are to be paid either to the Company or to its bond trustees as may be appropriate under the policies and applicable trust indentures.

All retrospective assessments, whether generated for liability, property, or replacement power, may be subject to applicable state premium taxes.

6. JOINT OWNERSHIP AGREEMENTS

Except as otherwise noted, the Company has contracted to operate and maintain all jointly owned generating facilities. The Company jointly owns the Rocky Mountain pumped storage hydroelectric plant with Oglethorpe Power Company who is the operator of the plant. The Company also jointly owns Plant McIntosh with Savannah Electric and Power Company who operates the plant. The Company and Florida Power Corporation (FPC) jointly own a combustion turbine unit (Intercession City) operated by FPC.

The Company includes its proportionate share of plant operating expenses in the corresponding operating expenses in the Statements of Income.

At December 31, 2000, the Company's percentage ownership and investment (exclusive of nuclear fuel) in jointly owned facilities in commercial operation were as follows:

Facility (Type)	Company Ownership	Investment	Accumulated Depreciation
		(in millions)	
Plant Vogtle (nuclear)	45.7%	$3,301*	$1,724
Plant Hatch (nuclear)	50.1	873	650
Plant Wansley (coal)	53.5	300	150
Plant Scherer (coal)			
Units 1 and 2	8.4	112	53
Unit 3	75.0	545	207
Plant McIntosh Common Facilities (combustion-turbine)	75.0	19	2
Rocky Mountain (pumped storage)	25.4	169*	72
Intercession City (combustion-turbine)	33.3	11	1

* Investment net of write-offs.

7. LONG-TERM POWER SALES AND LEASE AGREEMENTS

The Company and the other integrated Southeast utilities of Southern Company have long-term contractual agreements for the sale of capacity and energy to

non-affiliated utilities located outside the system's service area. These agreements consist of firm unit power sales pertaining to capacity from specific generating units. Because energy is generally sold at cost under these agreements, it is primarily the capacity revenues that affect the Company's profitability.

The Company's capacity revenues were as follows:

Year	Revenues (in millions)	Capacity (megawatts)
2000	**$ 30**	**124**
1999	32	162
1998	32	162

Unit power from specific generating plants is being sold to Florida Power & Light Company, FPC, and Jacksonville Electric Authority. Under these agreements, approximately 102 megawatts of capacity is scheduled to be sold annually for periods after 2000 with a minimum of three years notice until the expiration of the contracts in 2010.

During 2000, the Company entered into certain operating leases for portions of its generating unit capacity. Minimum future capacity revenues from noncancelable operating leases as of December 31, 2000 were as follows:

Year	Minimum Obligations (in millions)
2001	$ 41
2002	45
2003	45
2004	45
2005	5
2006 and beyond	-
Total minimum obligations	$181

8. INCOME TAXES

At December 31, 2000, tax-related regulatory assets were $566 million and tax-related regulatory liabilities were $247 million. The assets are attributable to tax benefits flowed through to customers in prior years and to taxes applicable to capitalized interest. The liabilities are attributable to deferred taxes previously recognized at rates higher than current enacted tax law and to unamortized investment tax credits.

Details of the federal and state income tax provisions are as follows:

	2000	1999	1998
Total provision for income taxes:		(in millions)	
Federal:			
Current	**$342**	$333	$415
Deferred	**(34)**	(34)	(87)
Deferred investment tax credits	**-**	-	7
	308	299	335
State:			
Current	**48**	54	77
Deferred	**(5)**	(6)	(13)
Deferred investment tax credits	**10**	5	-
Total	**$361**	$352	$399

The tax effects of temporary differences between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases, which give rise to deferred tax assets and liabilities, are as follows:

	2000	1999
		(in millions)
Deferred tax liabilities:		
Accelerated depreciation	**$1,755**	$1,766
Property basis differences	**683**	729
Other	**243**	155
Total	**2,681**	2,650
Deferred tax assets:		
Other property basis differences	**189**	200
Federal effect of state deferred taxes	**91**	93
Other deferred costs	**208**	109
Other	**37**	48
Total	**525**	450
Net deferred tax liabilities	**2,156**	2,200
Portion included in current assets	**27**	3
Accumulated deferred income taxes in the Balance Sheets	**$2,183**	$2,203

Deferred investment tax credits are amortized over the life of the related property with such amortization normally applied as a credit to reduce depreciation in the Statements of Income. Credits amortized in this manner amounted to $15 million in 2000 and 1999, and $22 million in 1998. At December 31, 2000, all investment tax credits available to reduce federal income taxes payable had been utilized.

A reconciliation of the federal statutory tax rate to the effective income tax rate is as follows:

	2000	1999	1998
Federal statutory rate	35%	35%	35%
State income tax, net of federal deduction	4	4	4
Non-deductible book depreciation	2	2	6
Other	(2)	(2)	(4)
Effective income tax rate	39%	39%	41%

Southern Company and its subsidiaries file a consolidated federal income tax return. Under a joint consolidated income tax agreement, each subsidiary's current and deferred tax expense is computed on a stand-alone basis.

9. CAPITALIZATION

First Mortgage Bond Indenture Restrictions

The Company's first mortgage bond indenture contains various restrictions that remain in effect as long as the bonds are outstanding. At December 31, 2000, $891 million of retained earnings and paid-in capital was unrestricted for the payment of cash dividends or any other distributions under terms of the mortgage indenture. If additional first mortgage bonds are issued, supplemental indentures in connection with those issues may contain more stringent restrictions than those currently in effect. The Company has no restrictions on the amount of indebtedness it may incur.

Preferred Securities

Statutory business trusts formed by the Company, of which the Company owns all the common securities, have issued mandatorily redeemable preferred securities as follows:

	Date of Issue	Amount (millions)	Rate	Notes (millions)	Maturity Date
Trust I	8/1996	$225.00	7.75%	$232	6/2036
Trust II	1/1997	175.00	7.60	180	12/2036
Trust III	6/1997	189.25	7.75	195	3/2037
Trust IV	2/1999	200.00	6.85	206	3/2029

Substantially all of the assets of each trust are junior subordinated notes issued by the Company in the respective approximate principal amounts set forth above.

The Company considers that the mechanisms and obligations relating to the preferred securities, taken together, constitute a full and unconditional guarantee by the Company of the Trusts' payment obligations with respect to the preferred securities.

The Trusts are subsidiaries of the Company, and accordingly are consolidated in the Company's financial statements.

Pollution Control Bonds

The Company has incurred obligations in connection with the sale by public authorities of tax-exempt pollution control revenue bonds. The Company has authenticated and delivered to trustees an aggregate of $378.8 million of its first mortgage bonds outstanding at December 31, 2000, which are pledged as security for its obligations under pollution control revenue contracts. No interest on these first mortgage bonds is payable unless and until a default occurs on the installment purchase or loan agreements.

Senior Notes

In February 2000 and February 2001, the Company issued unsecured senior notes. The proceeds of these issues were used to redeem higher cost long-term debt and to reduce short-term borrowing. The senior notes are, in effect, subordinated to all secured debt of the Company, including its first mortgage bonds.

Bank Credit Arrangements

At the beginning of 2001, the Company had unused credit arrangements with banks totaling $1.8 billion, of which $1.3 billion expires at various times during 2001, and $500 million expires at April 24, 2003.

Of the total $1.8 billion in unused credit, $1.65 billion is a syndicated credit arrangement with $1.15 billion expiring April 20, 2001, and $500 million expiring April 24, 2003. Upon expiration, the $1.15 billion agreement provides the option of converting borrowings into two-year term loans. Both agreements contain stated borrowing rates but also allow for competitive bid loans.

In addition, the agreements require payment of commitment fees based on the unused portions of the commitments. Annual fees are also paid to the agent bank.

Approximately $115 million of the $1.3 billion arrangements expiring during 2001 allow for two-year term loans executable upon the expiration date of the facilities. All of the arrangements include stated borrowing rates but also allow for negotiated rates. These agreements also require payment of commitment fees based on the unused portion of the commitments or the maintenance of compensating balances with the banks. These balances are not legally restricted from withdrawal.

This $1.8 billion in unused credit arrangements provides liquidity support to the Company's variable rate pollution control bonds. The amount of variable rate pollution control bonds outstanding requiring that liquidity support as of December 31, 2000 was $979 million.

In addition, the Company borrows under uncommitted lines of credit with banks and through a $750 million commercial paper program that has the liquidity support of committed bank credit arrangements. Average compensating balances held under these committed facilities were not material in 2000.

Other Long-Term Debt

Assets acquired under capital leases are recorded in the Balance Sheets as utility plant in service, and the related obligations are classified as long-term debt. At December 31, 2000 and 1999, the Company had a capitalized lease obligation for its corporate headquarters building of $87 million with an interest rate of 8.1 percent. The lease agreement provides for payments that are minimal in early years and escalate through the first 21 years of the lease. For ratemaking purposes, the GPSC has treated the lease as an operating lease and has allowed only the lease payments in cost of service. The difference between the accrued expense and the lease payments allowed for ratemaking purposes is being deferred as a cost to be recovered in the future as ordered by the GPSC. At December 31, 2000 and 1999, the interest and lease amortization deferred on the Balance Sheets are $55 million and $54 million, respectively.

Assets Subject to Lien

The Company's mortgage dated as of March 1, 1941, as amended and supplemented, securing the first mortgage bonds issued by the Company, constitutes a direct lien on substantially all of the Company's fixed property and franchises.

Securities Due Within One Year

A summary of the improvement fund requirements and scheduled maturities and redemptions of securities due within one year at December 31 is as follows:

	2000	1999
	(in millions)	
Bond improvement fund requirements	$ -	$ 5
Capital lease – current portion	2	1
First mortgage bond maturities and redemptions	-	100
Pollution control bond maturities and redemptions	-	50
Total long-term debt	$2	$156

The Company's first mortgage bond indenture includes an improvement fund requirement that amounts to 1 percent of each outstanding series of bonds authenticated under the indenture prior to January 1 of each year, other than those issued to collateralize pollution control obligations. The requirement may be satisfied by June 1 of each year by depositing cash, reacquiring bonds, or by pledging additional property equal to 1 2/3 times the requirement.

Redemption of Securities

The Company plans to continue, to the extent possible, a program of redeeming or replacing debt and preferred securities in cases where opportunities exist to reduce financing costs. Issues may be repurchased in the open market or called at premiums as specified under terms of the issue. They may also be redeemed at face value to meet improvement fund requirements, to meet replacement provisions of the mortgage, or through use of proceeds from the sale of property pledged under the mortgage.

10. QUARTERLY FINANCIAL DATA (UNAUDITED)

Summarized quarterly financial information for 2000 and 1999 is as follows:

Quarter Ended	Operating Revenues	Operating Income	Net Income After Dividends on Preferred Stock
		(in millions)	
March 2000	**$ 992**	**$223**	**$ 94**
June 2000	**1,221**	**311**	**148**
September 2000	**1,545**	**537**	**283**
December 2000	**1,113**	**162**	**34**
March 1999	$ 931	$224	$ 92
June 1999	1,092	299	138
September 1999	1,466	557	296
December 1999	968	115	15

Under the GPSC retail rate order, the Company recorded $135 million and $85 million of accelerated amortization in 2000 and 1999, respectively, which were recorded monthly as an operating expense. The fourth quarter December 1999 operating income has been restated to reflect the accelerated amortization as an operating expense rather than as amortization of premium on reacquired debt. See Note 3 to the financial statements under "Retail Rate Order" for additional information.

The Company's business is influenced by seasonal weather conditions.

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SELECTED FINANCIAL AND OPERATING DATA 1996-2000

Georgia Power Company 2000 Annual Report

	2000	1999	1998	1997	19
Operating Revenues (in thousands)	**$4,870,618**	$4,456,675	$4,738,253	$4,385,717	$4,416,7
Net Income after Dividends on Preferred Stock (in thousands)	**$559,420**	$541,383	$570,228	$593,996	$580,3
Cash Dividends on Common Stock (in thousands)	**$549,600**	$543,000	$536,600	$520,000	$475,5
Return on Average Common Equity (percent)	**13.66**	14.02	14.61	14.53	13.
Total Assets (in thousands)	**$13,133,609**	$12,361,860	$12,033,618	$12,573,728	$13,006,6
Gross Property Additions (in thousands)	**$1,078,163**	$790,464	$499,053	$475,921	$428,2
Capitalization (in thousands):					
Common stockholder's equity	**$4,249,544**	$3,938,210	$3,784,172	$4,019,728	$4,154,2
Preferred stock	**14,569**	14,952	15,527	157,247	464,6
Company obligated mandatorily redeemable preferred securities	**789,250**	789,250	689,250	689,250	325,0
Long-term debt	**3,041,939**	2,688,358	2,744,362	2,982,835	3,200,4
Total (excluding amounts due within one year)	**$8,095,302**	$7,430,770	$7,233,311	$7,849,060	$8,144,3
Capitalization Ratios (percent):					
Common stockholder's equity	**52.5**	53.0	52.3	51.2	5.
Preferred stock	**0.2**	0.2	0.2	2.0	
Company obligated mandatorily redeemable preferred securities	**9.7**	10.6	9.5	8.8	
Long-term debt	**37.6**	36.2	38.0	38.0	3
Total (excluding amounts due within one year)	**100.0**	100.0	100.0	100.0	10
Security Ratings:					
First Mortgage Bonds -					
Moody's	**A1**	A1	A1	A1	
Standard and Poor's	**A**	A+	A+	A+	
Fitch	**AA-**	AA-	AA-	AA-	A
Preferred Stock -					
Moody's	**a2**	a2	a2	a2	
Standard and Poor's	**BBB+**	A-	A	A	
Fitch	**A**	A+	A+	A+	
Unsecured Long-Term Debt -					
Moody's	**A2**	A2	A2	A2	
Standard and Poor's	**A**	A	A	A	
Fitch	**A+**	A+	A+	A+	
Customers (year-end):					
Residential	**1,669,566**	1,632,450	1,596,488	1,561,675	1,531,4
Commercial	**237,977**	229,524	221,180	211,672	205,0
Industrial	**8,533**	8,958	9,485	9,988	10,4
Other	**3,159**	3,060	3,034	2,748	2,6
Total	**1,919,235**	1,873,992	1,830,187	1,786,083	1,749,6
Employees (year-end):	**8,855**	8,961	8,371	8,354	10,3

SELECTED FINANCIAL AND OPERATING DATA 1996-2000 (continued)

Georgia Power Company 2000 Annual Report

	2000	1999	1998	1997	1996
Operating Revenues (in thousands):					
Residential	**$ 1,535,684**	$1,410,099	$ 1,486,699	$ 1,326,787	$ 1,371,033
Commercial	**1,620,466**	1,527,880	1,591,363	1,493,353	1,486,586
Industrial	**1,154,789**	1,143,001	1,170,881	1,110,311	1,118,633
Other	**6,399**	(30,892)	49,274	47,848	47,060
Total retail	**4,317,338**	4,050,088	4,298,217	3,978,299	4,023,312
Sales for resale - non-affiliates	**297,643**	210,104	259,234	282,365	281,580
Sales for resale - affiliates	**96,150**	76,426	81,606	38,708	35,886
Total revenues from sales of electricity	**4,711,131**	4,336,618	4,639,057	4,299,372	4,340,778
Other revenues	**159,487**	120,057	99,196	86,345	76,001
Total	**$4,870,618**	$4,456,675	$4,738,253	$4,385,717	$4,416,779
Kilowatt-Hour Sales (in thousands):					
Residential	**20,693,481**	19,404,709	19,481,486	17,295,022	17,826,451
Commercial	**25,628,402**	23,715,485	22,861,391	21,134,346	20,823,073
Industrial	**27,543,265**	27,300,355	27,283,147	26,701,685	26,191,831
Other	**568,906**	551,451	543,462	508,163	536,057
Total retail	**74,434,054**	70,972,000	70,169,486	65,669,216	65,377,412
Sales for resale - non-affiliates	**6,463,723**	5,060,931	6,438,891	6,795,300	7,868,342
Sales for resale - affiliates	**2,435,106**	1,795,243	2,038,400	1,706,699	1,180,207
Total	**83,332,883**	77,828,174	78,646,777	74,171,215	74,425,961
Average Revenue Per Kilowatt-Hour (cents):					
Residential	**7.42**	7.27	7.63	7.67	7.69
Commercial	**6.32**	6.44	6.96	7.07	7.14
Industrial	**4.19**	4.19	4.29	4.16	4.27
Total retail	**5.80**	5.71	6.13	6.06	6.15
Sales for resale	**4.43**	4.18	4.02	3.78	3.51
Total sales	**5.65**	5.57	5.90	5.80	5.83
Residential Average Annual Kilowatt-Hour Use Per Customer	**12,520**	12,006	12,314	11,171	11,763
Residential Average Annual Revenue Per Customer	**$929.11**	$872.47	$939.73	$857.01	$904.70
Plant Nameplate Capacity Ratings (year-end) (megawatts)	**15,114**	14,474	14,437	14,437	14,367
Maximum Peak-Hour Demand (megawatts):					
Winter	**12,014**	11,568	11,959	10,407	10,410
Summer	**14,930**	14,575	13,923	13,153	12,914
Annual Load Factor (percent)	**61.6**	58.9	58.7	57.4	62.2
Plant Availability (percent):					
Fossil-steam	**86.1**	84.3	86.0	85.8	85.2
Nuclear	**91.5**	89.3	91.6	88.8	89.3
Source of Energy Supply (percent):					
Coal	**62.3**	63.0	62.3	64.3	60.4
Nuclear	**17.4**	18.0	18.3	18.8	18.2
Hydro	**0.7**	0.9	2.2	2.2	2.2
Oil and gas	**1.8**	1.6	2.2	0.6	0.5
Purchased power -					
From non-affiliates	**8.1**	6.6	6.5	2.7	5.6
From affiliates	**9.7**	9.9	8.5	11.4	13.1
Total	**100.0**	100.0	100.0	100.0	100.0

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GULF POWER COMPANY

FINANCIAL SECTION

MANAGEMENT'S REPORT

Gulf Power Company 2000 Annual Report

The management of Gulf Power Company has prepared -- and is responsible for -- the financial statements and related information included in this report. These statements were prepared in accordance with accounting principles generally accepted in the United States and necessarily include amounts that are based on the best estimates and judgments of management. Financial information throughout this annual report is consistent with the financial statements.

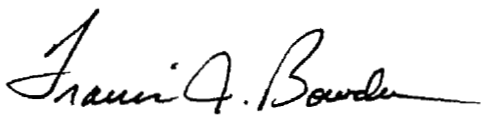
The Company maintains a system of internal accounting controls to provide reasonable assurance that assets are safeguarded and that the accounting records reflect only authorized transactions of the Company. Limitations exist in any system of internal controls, however, based on a recognition that the cost of the system should not exceed its benefits. The Company believes its system of internal accounting controls maintains an appropriate cost/benefit relationship.

The Company's system of internal accounting controls is evaluated on an ongoing basis by the Company's internal audit staff. The Company's independent public accountants also consider certain elements of the internal control system in order to determine their auditing procedures for the purpose of expressing an opinion on the financial statements.

The audit committee of the board of directors, composed of independent directors provides a broad overview of management's financial reporting and control functions. Periodically, this committee meets with management, the internal auditors, and the independent public accountants to ensure that these groups are fulfilling their obligations and to discuss auditing, internal controls, and financial reporting matters. The internal auditors and independent public accountants have access to the members of the audit committee at any time.

Management believes that its policies and procedures provide reasonable assurance that the Company's operations are conducted according to a high standard of business ethics.

In management's opinion, the financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of Gulf Power Company in conformity with accounting principles generally accepted in the United States.



Travis J. Bowden
President
and Chief Executive Officer

Ronnie R. Labrato
Comptroller
and Chief Financial Officer

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Gulf Power Company:

We have audited the accompanying balance sheets and statements of capitalization of Gulf Power Company (a Maine corporation and a wholly owned subsidiary of Southern Company) as of December 31, 2000 and 1999, and the related statements of income, common stockholder's equity, and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements (pages II-123 through II-137) referred to above present fairly, in all material respects, the financial position of Gulf Power Company as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Arthur Andersen LLP

Atlanta, Georgia
February 28, 2001

RESULTS OF OPERATIONS

Earnings

Gulf Power Company's 2000 net income after dividends on preferred stock was $51.8 million, a decrease of $1.9 million from the previous year. In 1999, earnings were $53.7 million, down $2.8 million when compared to 1998. The decrease in earnings in 2000, as well as 1999, was primarily a result of higher expenses than in the prior year.

Revenues

Operating revenues increased in 2000 when compared to 1999. The following table summarizes the change in operating revenues for the past two years:

	Amount	Increase (Decrease) From Prior Year	
	2000	**2000**	1999
		(in thousands)	
Retail --			
Base Revenues	**$336,103**	$3,771	$2,469
Regulatory cost recovery and other	**226,059**	45,631	1,173
Total retail	**562,162**	49,402	3,642
Sales for resale--			
Non-affiliates	**66,890**	4,537	461
Affiliates	**66,995**	885	23,468
Total sales for resale	**133,885**	5,422	23,929
Other operating revenues	**18,272**	(14,604)	(3,990)
Total operating revenues	**$714,319**	$40,220	$23,581
Percent change		6.0%	3.6%

Retail revenues of $562.2 million in 2000 increased $49.4 million, or 9.6 percent, from the prior year due primarily to the recovery of higher fuel and purchased power costs. Retail base rate revenues increased $3.8 million due to increased customer growth and hotter than normal weather, offset by a $10 million permanent annual rate reduction and $6.9 million of revenues subject to refund based upon the current retail revenue sharing plan (See Note 3 to the financial statements under "Retail Revenue Sharing Plan" for further information). Retail revenues for 1999 increased $3.6 million, or 0.7 percent, when compared to 1998 due primarily to an increase in the number of retail customers served by the Company.

The 2000 increase in regulatory cost recovery and other retail revenues over 1999 is primarily attributable to higher fuel and purchased power costs. The 1999 increase in regulatory cost recovery and other retail revenues over 1998 is primarily attributable to the recovery of increased purchased power capacity costs. "Regulatory cost recovery and other" includes the following: recovery provisions for fuel expense and the energy component of purchased power costs; energy conservation costs; purchased power capacity costs; and environmental compliance costs. The recovery provisions generally equal the related expenses and have no material effect on net income. See Notes 1 and 3 to the financial statements under "Revenues and Regulatory Cost Recovery Clauses" and "Environmental Cost Recovery," respectively, for further information.

Sales for resale were $133.9 million in 2000, an increase of $5.4 million, or 4.2 percent, over 1999 primarily due to additional energy sales. Revenues from sales to utilities outside the service area under long-term contracts consist of capacity and energy components. Capacity revenues reflect the recovery of fixed costs and a return on investment under the contracts. Energy is generally sold at variable cost. The capacity and energy components under these long-term contracts were as follows:

	2000	1999	1998
		(in thousands)	
Capacity	**$20,270**	$19,792	$22,503
Energy	**21,922**	20,251	14,556
Total	**$42,192**	$40,043	$37,059

Capacity revenues increased slightly in 2000 due to the recovery of higher operating expenses experienced during the year. Capacity revenues had been declining in prior years due to the decreasing net investment related to these sales. This downward trend accelerated during 1999 as a result of a reduction in the authorized rate of return on the equity component of the investment.

Sales to affiliated companies vary from year to year depending on demand and the availability and cost of generating resources at each company. These sales have little impact on earnings.

Other operating revenues decreased in 2000 and in 1999 due primarily to the retail recovery clause adjustments for the difference between recoverable costs and the amounts actually reflected in current rates. See Notes 1 and 3 to the financial statements under "Revenues and Regulatory Cost Recovery Clauses" and "Environmental Cost Recovery," respectively, for further discussion.

Energy Sales

Kilowatt-hour sales for 2000 and the percent changes by year were as follows:

	KWH	Percent Change	
	2000	2000	1999
	(millions)		
Residential	4,790	7.1%	0.8%
Commercial	3,379	4.9	3.6
Industrial	1,925	4.3	0.7
Other	19	0.0	0.0
Total retail	10,113	5.8	1.7
Sales for resale			
Non-affiliates	1,705	9.2	16.4
Affiliates	1,917	(23.7)	42.9
Total	13,735	0.7	9.0

In 2000, total retail energy sales increased when compared to 1999 due primarily to an increase in the total number of customers and hotter than normal weather. Total retail energy sales increased in 1999 when compared to 1998 due to increases in the number of customers. See "Future Earnings Potential" for information on the Company's initiatives to remain competitive and to meet conservation goals set by the Florida Public Service Commission (FPSC).

An increase in energy sales for resale to non-affiliates of 9.2 percent in 2000 when compared to 1999 is primarily related to unit power sales under long-term contracts to other Florida utilities and bulk power sales under short-term contracts to other non-affiliated utilities. Energy sales to affiliated companies vary from year to year depending on demand and availability and cost of generating resources at each company.

Expenses

Total operating expenses in 2000 increased $39.5 million, or 7.1 percent, over the amount recorded in 1999 due primarily to higher fuel and purchased power expenses. In 1999, total operating expenses increased $26.8 million, or 5.1 percent, compared to 1998 due primarily to higher fuel, purchased power, and maintenance expenses offset by lower other operation expenses.

Fuel expenses in 2000, when compared to 1999, increased $6.7 million, or 3.2 percent, due primarily to an increase in average fuel costs. In 1999, fuel expenses increased $11.5 million, or 5.9 percent, when compared to 1998. The increases were the result of increased generation resulting from a higher demand for energy.

The amount and sources of generation and the average cost of fuel per net kilowatt-hour generated were as follows:

	2000	1999	1998
Total generation (millions of kilowatt-hours)	12,866	13,095	11,986
Sources of generation (percent)			
Coal	98.2	97.4	98.0
Oil and gas	1.8	2.6	2.0
Average cost of fuel per net kilowatt-hour generated (cents)--	1.68	1.60	1.69

Purchased power expenses increased in 2000 by $25.5 million, or 44.7 percent, over 1999 and purchased power expenses for 1999 increased over 1998 by $13.2 million, or 30.2 percent, due primarily to a higher demand for energy in both years.

Depreciation and amortization expense increased $2.3 million, or 3.5 percent, in 2000 when compared to 1999, due to an increase in depreciable property and the amortization of a portion of a regulatory asset, which was allowed in the current retail revenue sharing plan. The $5.5 million, or 9.2 percent, increase in 1999 compared to 1998 was due primarily to a reduction in the amortization of gains from the 1998 sale of emission allowances.

Interest on long-term debt, which is included in "Interest expense", increased $1.2 million, or 5.8 percent, in 2000 when compared to 1999 due primarily to the issuance of $50 million of senior notes in August 1999. In 1999 interest on long-term debt increased $1.7 million, or 8.4 percent, when compared to 1998 due primarily to the maturity of two first mortgage bond series in 1998 which were replaced by senior notes at a slightly higher interest rate, and the issuance of $50 million of senior notes in August 1999.

Effects of Inflation

The Company is subject to rate regulation and income tax laws that are based on the recovery of historical costs. Therefore, inflation creates an economic loss because the Company is recovering its cost of investments in dollars that have less purchasing power. While the inflation rate

has been relatively low in recent years, it continues to have an adverse effect on the Company because of the large investment in utility plant with long economic lives. Conventional accounting for historical cost does not recognize this economic loss nor the partially offsetting gain that arises through financing facilities with fixed-money obligations, such as long-term debt and preferred securities. Any recognition of inflation by regulatory authorities is reflected in the rate of return allowed.

Future Earnings Potential

The results of operations for the past three years are not necessarily indicative of future earnings potential. The level of future earnings depends on numerous factors. The major factor is the ability to achieve energy sales growth while containing cost in a more competitive environment.

In accordance with Financial Accounting Standards Board (FASB) Statement No. 87, Employers' Accounting for Pensions, the Company recorded non-cash income of approximately $5.8 million in 2000. Pension income in 2001 is expected to be less as a result of plan amendments. Future pension income is dependent on several factors including trust earnings and changes to the plan.

The Company currently operates as a vertically integrated utility providing electricity to customers within its traditional service area located in northwest Florida. Prices for electricity provided by the Company to retail customers are set by the FPSC.

Future earnings in the near term will depend upon growth in energy sales, which is subject to a number of factors. Traditionally, these factors have included weather, competition, changes in contracts with neighboring utilities, energy conservation practiced by customers, the elasticity of demand, and the rate of economic growth in the Company's service area. In early 1999, the FPSC staff and the Company became involved in discussions primarily related to reducing the Company's authorized rate of return. On October 1, 1999, the Office of Public Counsel, the Coalition for Equitable Rates, the Florida Industrial Power Users Group, and the Company jointly filed a petition to resolve the issues. The stipulation included a reduction to retail base rates of $10 million annually and provides for revenues to be shared within set ranges for 1999 through 2002. Customers receive two-thirds of any revenue within the sharing range and the Company retains one-third. Any revenue above this range is refunded to the customers. The stipulation also included authorization for the Company, at its discretion, to accrue up to an additional $5 million to the property insurance reserve and $1 million to amortize a regulatory asset related to the corporate office. The Company also filed a request to prospectively reduce its authorized ROE range from 11 to 13 percent to 10.5 to 12.5 percent in order to help ensure that the FPSC would approve the stipulation. The FPSC approved both the stipulation and the ROE request with an effective date of November 4, 1999. The Company is currently planning to seek additional rate relief to recover costs related to the Smith Unit 3 combined cycle facility currently under construction and scheduled to be placed in-service in June of 2002.

For calendar year 2000, the Company's retail revenue range for sharing was $352 million to $368 million. Actual retail revenues in 2000 were $362 million and the Company recorded revenues subject to refund of $6.9 million. The estimated refund with interest was reflected in customer billings in February 2001. For calendar year 2001, the Company's retail revenue range for sharing is $358 million to $374 million. For calendar year 2002, there are specified sharing ranges for each month from the expected in-service date of Smith Unit 3 until the end of the year. The sharing plan will expire at the earlier of the in-service date of Smith Unit 3 or December 31, 2002.

The electric utility industry in the United States is continuing to evolve as a result of regulatory and competitive factors. Among the primary agents of change has been the Energy Policy Act of 1992 (Energy Act). The Energy Act allows independent power producers (IPPs) to access a utility's transmission network in order to sell electricity to other utilities. This enhances the incentive for IPPs to build cogeneration plants for a utility's large industrial and commercial customers and sell energy generation to other utilities. Also, electricity sales for resale rates are being driven down by wholesale transmission access and numerous potential new energy suppliers, including power marketers and brokers. The Company is aggressively working to maintain and expand its share of wholesale sales in the southeastern power markets.

In 2000, Florida's Governor appointed a 17 member study commission to look at the state's electric industry, studying issues ranging from current and future reliability of electric and natural gas supply, electric industry retail and wholesale competition, environmental impacts of energy supply, conservation,

and tax issues. The commission's final report and recommendations are due to the Governor and legislature by December 1, 2001. The commission submitted an interim report to the state legislature that involves introducing more competition into the wholesale production of electricity in Florida. If approved by the legislature, the proposal would require utilities to turn over generating assets to an unregulated affiliate company over a 6-year transition period. The proposal would allow out of state companies to build merchant facilities and to bid on new generation needs. The effects of any proposed changes cannot presently be determined, but could have a material effect on the Company's financial statements.

Although the Energy Act does not permit retail customer access, it was a major catalyst for the current restructuring and consolidation taking place within the utility industry. Numerous federal and state initiatives are in varying stages to promote wholesale and retail competition. Among other things, these initiatives allow customers to choose their electricity provider. Some states have approved initiatives that result in a separation of the ownership and/or operation of generating facilities from the ownership and/or operation of transmission and distribution facilities. While various restructuring and competition initiatives have been discussed in Florida, none have been enacted. Enactment would require numerous issues to be resolved, including significant ones relating to recovery of any stranded investments, full cost recovery of energy produced, and other issues related to the current energy crisis in California. As a result of this crisis, many states have either discontinued or delayed implementation of initiatives involving retail deregulation. The inability of a company to recover its investments, including the regulatory assets described in Note 1 to the financial statements, could have a material adverse effect on financial condition and results of operations.

Continuing to be a low-cost producer could provide opportunities to increase market share and profitability in markets that evolve with changing regulation. Conversely, if the Company does not remain a low-cost producer and provide quality service, then energy sales growth could be limited, and this could significantly erode earnings.

In 1996, the FPSC approved a new optional Commercial/Industrial Service Rider (CISR), which is applicable to the rate schedules for the Company's largest existing and potential customers who are able to show they have viable alternatives to purchasing the Company's energy services. The CISR, approved as a pilot program, provides the flexibility needed to enable the Company to offer its services in a more competitive manner to these customers. The publicity of the CISR ruling, increased competitive pressures, and general awareness of customer choice pilots and proposals across the country have stimulated interest on the part of customers in custom tailored offerings. The Company has participated in one-on-one discussions with many of these customers, and has negotiated and executed two Contract Service Agreements within the CISR pilot program. The pilot program was scheduled to end in 2000; however, on February 6, 2001 the FPSC approved the Company's request to remove the original 48 month limitation and allow the program to continue.

Every five years the FPSC establishes numeric demand side management goals. The Company proposed numeric goals for the ten-year period from 2000 to 2009. The proposed goals consisted of the total, cost-effective winter and summer peak demand (kilowatts) and annual energy (kilowatt-hour) savings reasonably achievable from demand side management for the residential and commercial/industrial classes. The Company submitted its 2001 Demand Side Management Plan to the FPSC on December 29, 2000. The plan describes the proposed programs the Company will employ to reach the numeric goals. The plan relies heavily on innovative pricing and energy efficient construction.

On December 20, 1999, the Federal Energy Regulatory Commission (FERC) issued its final rule on Regional Transmission Organizations (RTOs). The order encouraged utilities owning transmission systems to form RTOs on a voluntary basis. After participating in regional conferences with customers and other members of the public to discuss the formation of RTOs, utilities were required to make a filing with the FERC. Southern Company and its integrated utility subsidiaries, including the Company, filed on October 16, 2000, a proposal for the creation of an RTO. The proposal is for the formation of a for-profit company that would have control of the bulk power transmission system of the Company and any other participating utilities. Participants would have the option to either maintain their ownership or divest, sell, or lease their assets to the proposed RTO. If the FERC accepts the proposal as filed, the creation of an RTO is not expected to have a material impact on the Company's

financial statements. The outcome of this matter cannot now be determined.

The Energy Act amended the Public Utility Holding Company Act of 1935 (PUHCA) to allow holding companies to form exempt wholesale generators to sell power largely free of regulation under PUHCA. These entities are able to own and operate power generating facilities and sell power to affiliates -- under certain restrictions.

Southern Company is aggressively working to maintain and expand its share of wholesale sales in the southeastern power markets. In January 2001, Southern Company announced the formation of a new subsidiary -- Southern Power Company. The new subsidiary will own, manage, and finance wholesale generating assets in the Southeast. Southern Power will be the primary growth engine for Southern Company's market-based energy business. Energy from its assets will be marketed to wholesale customers under the Southern Company name.

Compliance costs related to current and future environmental laws and regulations could affect earnings if such costs are not fully recovered. The Clean Air Act and other important environmental items are discussed later under "Environmental Matters." Also, Florida legislation adopted in 1993 that provides for recovery of prudent environmental compliance costs is discussed in Note 3 to the financial statements under "Environmental Cost Recovery."

The Company is subject to the provisions of FASB Statement No. 71, Accounting for the Effects of Certain Types of Regulation. In the event that a portion of the Company's operations is no longer subject to these provisions, the Company would be required to write off related regulatory assets and liabilities that are not specifically recoverable, and determine if any other assets have been impaired. See Note 1 to the financial statements under "Regulatory Assets and Liabilities" for additional information.

Exposure to Market Risks

Due to cost-based rate regulation, the Company has limited exposure to market volatility in interest rates and prices of electricity. To mitigate residual risks relative to movements in electricity prices, the Company enters into fixed price contracts for the purchase and sale of electricity through the wholesale electricity market. Realized gains and losses are recognized in the income statements as incurred. At December 31, 2000, exposure from these activities was not material.

New Accounting Standard

In June 2000, FASB issued Statement No. 138, an amendment of Statement No. 133, Accounting for Derivative Instruments and Hedging Activities. Statement No. 133, as amended, establishes accounting and reporting standards for derivative instruments and for hedging activities. Statement No. 133 requires that certain derivative instruments be recorded in the balance sheet as either an asset or liability measured at fair value, and that changes in the fair value be recognized currently in earnings unless specific hedge accounting criteria are met.

The Company may utilize financial instruments to reduce its exposure to changes in interest rates depending on market conditions. The Company also enters into commodity related forward contracts to limit exposure to changing prices on certain fuel purchases and electricity purchases and sales.

Substantially all of these bulk energy purchases and sales meet the definition of a derivative under Statement No. 133. In many cases, these transactions meet the normal purchase and sale exception and the related contracts will continue to be accounted for under the accrual method. Certain of these instruments qualify as cash flow hedges resulting in the deferral of related gains and losses in other comprehensive income until the hedged transactions occur. Any ineffectiveness will be recognized currently in net income. However, others will be required to be marked to market through current period income.

The Company adopted Statement No. 133 effective January 1, 2001. The impact on net income was immaterial. The application of the new rules is still evolving and further guidance from FASB is expected, which could additionally impact the Company's financial statements. Also, as wholesale energy markets mature, future transactions could result in more volatility in net income and comprehensive income.

Financial Condition

Overview

The Company's financial condition continues to be very solid. During 2000, gross property additions were $95.8 million. Funds for the property additions were provided by operating activities. See the Statements of Cash Flows for further details.

Financing Activities

In 2000, there were no issuances or retirements of long-term debt. In 1999, the Company sold $50 million of senior notes and long-term bank notes totaling $27 million were retired. See the Statements of Cash Flows for further details.

Composite financing rates for the years 1998 through 2000 as of year end were as follows:

	2000	1999	1998
Composite interest rate on long-term debt	**6.2%**	6.0%	6.1%
Composite rate on trust preferred securities	**7.3%**	7.3%	7.3%
Composite preferred stock dividend rate	**5.1%**	5.1%	5.1%

The composite interest rate on long-term debt increased in 2000 due to higher interest rates on variable rate pollution control bonds.

Capital Requirements for Construction

The Company's gross property additions, including those amounts related to environmental compliance, are budgeted at $451 million for the three years beginning in 2001 ($279 million in 2001, $96 million in 2002, and $76 million in 2003). These amounts include $199.2 million for the years 2001 and 2002 for the estimated cost of a 574 megawatt combined cycle gas generating unit and related interconnections to be located in the eastern portion of the Company's service area. The unit is expected to have an in-service date of June 2002. The remaining property additions budget is primarily for maintaining and upgrading transmission and distribution facilities and generating plants. Actual construction costs may vary from this estimate because of changes in such factors as the following: business conditions; environmental regulations; load projections; the cost and efficiency of construction labor, equipment, and materials; and the cost of capital. In addition, there can be no assurance that costs related to capital expenditures will be fully recovered.

Other Capital Requirements

The Company will continue to retire higher-cost debt and preferred securities and replace these securities with lower-cost capital as market conditions and terms of the instruments permit.

Environmental Matters

In November 1990, the Clean Air Act Amendments of 1990 (Clean Air Act) was signed into law. Title IV of the Clean Air Act -- the acid rain compliance provision of the law -- significantly affected the Company. Specific reductions in sulfur dioxide and nitrogen oxide emissions from fossil-fired generating plants were required in two phases. Phase I compliance began in 1995. As a result of a systemwide compliance strategy, some 50 generating units of Southern Company were brought into compliance with Phase I requirements.

Southern Company achieved Phase I sulfur dioxide compliance at the affected plants by switching to low-sulfur coal, which required some equipment upgrades. Construction expenditures for Phase I nitrogen oxide and sulfur dioxide emissions compliance totaled approximately $300 million for Southern Company, including approximately $42 million for the Company.

Phase II sulfur dioxide compliance was required in 2000. Southern Company used emission allowances and fuel switching to comply with Phase II requirements. Also, equipment to control nitrogen oxide emissions was installed on additional system fossil-fired units as necessary to meet Phase II limits and ozone non-attainment requirements for metropolitan Atlanta through 2000. Compliance for Phase II and initial ozone non-attainment requirements increased Southern Company's total construction expenditures through 2000 by approximately $100 million. Phase II compliance did not have a material impact on Gulf Power.

A significant portion of costs related to the acid rain and ozone nonattainment provisions of the Clean Air Act is expected to be recovered through existing

ratemaking provisions. However, there can be no assurance that all Clean Air Act costs will be recovered.

In 1993, the Florida Legislature adopted legislation that allows a utility to petition the FPSC for recovery of prudent environmental compliance costs that are not being recovered through base rates or any other recovery mechanism. The legislation is discussed in Note 3 to the financial statements under "Environmental Cost Recovery." Substantially all of the costs for the Clean Air Act and other new environmental legislation discussed below are expected to be recovered through the Environmental Cost Recovery Clause.

In July 1997, the EPA revised the national ambient air quality standards for ozone and particulate matter. This revision made the standards significantly more stringent. In the subsequent litigation of these standards, the U.S. Supreme Court recently dismissed certain challenges but found the EPA's implementation program for the new ozone standard unlawful and remanded it to the EPA. In addition, the Federal District of Columbia Circuit Court of Appeals will address other legal challenges to these standards in mid-2001. If the standards are eventually upheld, implementation could be required by 2007 to 2010.

In September 1998, the EPA issued the final regional nitrogen oxide reduction rule to the states for implementation. Compliance is required by May 31, 2004. The final rule affects 21 states, including Georgia. See Note 5 to the financial statements under "Joint Ownership Agreements" related to the Company's ownership interest in Georgia Power's Plant Scherer Unit No. 3.

In December 2000, the EPA completed its utility study for mercury and other hazardous air pollutants (HAPS) and issued a determination that an emission control program for mercury and, perhaps, other HAPS is warranted. The program is to be developed over the next four years under the Maximum Achievable Control Technology (MACT) provisions of the Clean Air Act. This determination is being challenged in the courts. In January 2001, the EPA proposed guidance for the determination of Best Available Retrofit Technology (BART) emission controls under the Regional Haze Regulations. Installation of BART controls will likely be required around 2010. Litigation of the BART rules is probable in the near future.

Implementation of the final state rules for these initiatives could require substantial further reductions in nitrogen oxide, sulfur dioxide, mercury, and other HAPS emissions from fossil-fired generating facilities and other industries in these states. Additional compliance costs and capital expenditures resulting from the implementation of these rules and standards cannot be determined until the results of legal challenges are known, and the states have adopted their final rules. Reviews by the new administration in Washington, D.C. add to the uncertainties associated with BART guidance and the MACT determination for mercury and other HAPS.

The EPA and state environmental regulatory agencies are also reviewing and evaluating various other matters including: nitrogen oxide emission control strategies for ozone non-attainment areas; additional controls for hazardous air pollutant emissions; and hazardous waste disposal requirements. The impact of any new standards will depend on the development and implementation of applicable regulations.

On November 3, 1999, the EPA brought a civil action in the U.S. District Court against Alabama Power, Georgia Power, and the system service company. The complaint alleges violations of the prevention of significant deterioration and new source review provisions of the Clean Air Act with respect to five coal-fired generating facilities in Alabama and Georgia. The civil action requests penalties and injunctive relief, including an order requiring the installation of the best available control technology at the affected units. The EPA concurrently issued to the integrated Southeast utilities a notice of violation related to 10 generating facilities, including the five facilities mentioned previously and the Company's Plants Crist and Scherer. See Note 5 to the financial statements under "Joint Ownership Agreements" related to the Company's ownership interest in Georgia Power's Plant Scherer Unit No. 3. In early 2000, the EPA filed a motion to amend its complaint to add the violations alleged in its notice of violation, and to add Gulf Power, Mississippi Power, and Savannah Electric as defendants. The complaint and notice of violation are similar to those brought against and issued to several other electric utilities. These complaints and notices of violation allege that the utilities had failed to secure necessary permits or install additional pollution equipment when performing maintenance and construction at coal burning plants constructed or under construction prior to 1978. On August 1, 2000, the U.S. District Court granted Alabama Power's motion to dismiss for lack of jurisdiction in

Georgia and granted the system service company's motion to dismiss on the grounds that it neither owned nor operated the generating units involved in the proceedings. On January 12, 2001, the EPA re-filed its claims against Alabama Power in federal district court in Birmingham, Alabama. The EPA did not include the system service company in the new complaint. Southern Company believes that its integrated utilities complied with applicable laws and the EPA's regulations and interpretations in effect at the time the work in question took place. The Clean Air Act authorizes civil penalties of up to $27,500 per day per violation at each generating unit. Prior to January 30, 1997, the penalty was $25,000 per day. An adverse outcome of this matter could require substantial capital expenditures that cannot be determined at this time and possibly require payment of substantial penalties. This could affect future results of operations, cash flows, and possibly financial condition if such costs are not recovered through regulated rates.

The Company must comply with other environmental laws and regulations that cover the handling and disposal of hazardous waste. Under these various laws and regulations, the Company could incur substantial costs to clean up properties. The Company conducts studies to determine the extent of any required cleanup costs and has recognized in the financial statements costs to clean up known sites. For additional information, see Note 3 to the financial statements under "Environmental Cost Recovery."

Several major pieces of environmental legislation are being considered for reauthorization or amendment by Congress. These include: the Clean Air Act; the Clean Water Act; the Comprehensive Environmental Response, Compensation and Liability Act; the Resource Conservation and Recovery Act; the Toxic Substances Control Act; and the Endangered Species Act. Changes to these laws could affect many areas of the Company's operations. The full impact of any such changes cannot be determined at this time.

Compliance with possible additional legislation related to global climate change, electric and magnetic fields, and other environmental health concerns could significantly affect the Company. The impact of new legislation -- if any -- will depend on the subsequent development and implementation of applicable regulations. In addition, the potential exists for liability as the result of lawsuits alleging damages caused by electric and magnetic fields.

Sources of Capital

At December 31, 2000, the Company had approximately $4.4 million of cash and cash equivalents and $53.5 million of unused committed lines of credit with banks to meet its short-term cash needs. Refer to the Statements of Cash Flows for details related to the Company's financing activities. See Note 4 to the financial statements under "Bank Credit Arrangements" for additional information.

The Company historically has relied on issuances of first mortgage bonds and preferred stock, in addition to pollution control revenue bonds issued for its benefit by public authorities, to meet its long-term external financing requirements. Recently, the Company's financings have consisted of unsecured debt and trust preferred securities. The Company has no restrictions on the amounts of unsecured indebtedness it may incur. However, in order to issue first mortgage bonds or preferred stock, the Company is required to meet certain coverage requirements specified in its mortgage indenture and corporate charter. The Company's ability to satisfy all coverage requirements is such that it could issue new first mortgage bonds and preferred stock to provide sufficient funds for all anticipated requirements.

Cautionary Statement Regarding Forward-Looking Information

The Company's 2000 Annual Report contains forward looking and historical information. In some cases, forward-looking statements can be identified by terminology such as "may," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of these terms or other comparable terminology. The Company cautions that there are various important factors that could cause actual results to differ materially from those indicated in the forward-looking statements; accordingly, there can be no assurance that such indicated results will be realized. These factors include the impact of recent and future federal and state regulatory change, including legislative and regulatory initiatives regarding deregulation and restructuring of the electric utility industry and also changes in environmental and other laws and regulations to which the Company is subject, as well as changes in application of existing laws and regulations; current and future litigation, including the pending EPA civil action; the extent and timing of the entry of additional competition in the markets of the Company; potential business strategies, including

acquisitions or dispositions of assets or businesses, which cannot be assured to be completed or beneficial; internal restructuring or other restructuring options, that may be pursued by the registrants; state and federal rate regulation in the United States; political, legal and economic conditions and developments in the United States; financial market conditions and the results of financing efforts; the impact of fluctuations in commodity prices, interest rates and customer demand; weather and other natural phenomena; the ability of the Company to obtain additional generating capacity at competitive prices; and other factors discussed elsewhere herein and in other reports (including Form 10-K) filed from time to time by the Company with the SEC.

STATEMENTS OF INCOME

For the Years Ended December 31, 2000, 1999, and 1998
Gulf Power Company 2000 Annual Report

	2000	1999	1998
		(in thousands)	
Operating Revenues:			
Retail sales	**$562,162**	$512,760	$509,118
Sales for resale --			
Non-affiliates	**66,890**	62,354	61,893
Affiliates	**66,995**	66,110	42,642
Other revenues	**18,272**	32,875	36,865
Total operating revenues	**714,319**	674,099	650,518
Operating Expenses:			
Operation --			
Fuel	**215,744**	209,031	197,462
Purchased power --			
Non-affiliates	**73,846**	46,332	29,369
Affiliates	**8,644**	10,703	14,445
Other	**117,146**	114,670	119,011
Maintenance	**56,281**	57,83[illegible]	57,286
Depreciation and amortization	**66,873**	64,589	59,129
Taxes other than income taxes	**55,904**	51,782	51,462
Total operating expenses	**594,438**	554,937	-528,164
Operating Income	**119,881**	119,162	122,354
Other Income (Expense):			
Interest income	**1,137**	1,771	931
Other, net	**(4,126)**	(1,357)	(2,339)
Earnings Before Interest and Income Taxes	**116,892**	119,576	120,946
Interest and Other:			
Interest expense, net	**28,085**	26,861	25,556
Distributions on preferred securities of subsidiary	**6,200**	6,200	6,034
Total interest charges and other, net	**34,285**	33,061	31,590
Earnings Before Income Taxes	**82,607**	86,515	89,356
Income taxes (Note 7)	**30,530**	32,631	32,199
Net Income	**52,077**	53,884	57,157
Dividends on Preferred Stock	**234**	217	636
Net Income After Dividends on Preferred Stock	**$ 51,843**	$ 53,667	$ 56,521

The accompanying notes are an integral part of these statements

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2000, 1999, and 1998
Gulf Power Company 2000 Annual Report

	2000	1999	1998
		(in thousands)	
Operating Activities:			
Net income	$ **52,077**	$ 53,884	$ 57,157
Adjustments to reconcile net income			
to net cash provided from operating activities --			
Depreciation and amortization	**69,915**	68,721	69,633
Deferred income taxes and investment tax credits, net	**(12,516)**	(6,609)	(4,684)
Other, net	**10,686**	3,735	3,463
Changes in certain current assets and liabilities --			
Receivables, net	**(20,212)**	(10,484)	11,308
Fossil fuel stock	**13,101**	(5,656)	(4,917)
Materials and supplies	**1,055**	(2,063)	609
Accounts payable	**15,924**	(2,023)	823
Provision for rate refund	**7,203**	-	-
Other	**12,521**	7,030	(18,471)
Net cash provided from operating activities	**149,754**	106,535	114,921
Investing Activities:			
Gross property additions	**(95,807)**	(69,798)	(69,731)
Other	**(4,432)**	(8,856)	5,990
Net cash used for investing activities	**(100,239)**	(78,654)	(63,741)
Financing Activities:			
Increase (decrease) in notes payable, net	**(12,000)**	23,500	(15,500)
Proceeds --			
Other long-term debt	**-**	50,000	50,000
Preferred securities	**-**	-	45,000
Capital contributions from parent company	**12,222**	2,294	522
Retirements --			
First mortgage bonds	**-**	-	(45,000)
Other long-term debt	**(1,853)**	(27,074)	(8,326)
Preferred stock	**-**	-	(9,455)
Payment of preferred stock dividends	**(234)**	(271)	(792)
Payment of common stock dividends	**(59,000)**	(61,300)	(67,200)
Other	**(22)**	(246)	(4,167)
Net cash used for financing activities	**(60,887)**	(13,097)	(54,918)
Net Change in Cash and Cash Equivalents	**(11,372)**	14,784	(3,738)
Cash and Cash Equivalents at Beginning of Period	**15,753**	969	4,707
Cash and Cash Equivalents at End of Period	$ **4,381**	$ 15,753	$ 969
Supplemental Cash Flow Information:			
Cash paid during the period for --			
Interest (net of amount capitalized)	**$32,277**	$27,670	$28,044
Income taxes (net of refunds)	**42,252**	29,462	38,782

The accompanying notes are an integral part of these statements

BALANCE SHEETS
At December 31, 2000 and 1999
Gulf Power Company 2000 Annual Report

Assets	2000	1999
		(in thousands)
Current Assets:		
Cash and cash equivalents	**$ 4,381**	$ 15,753
Receivables --		
Customer accounts receivable	**69,820**	55,108
Other accounts and notes receivable	**2,179**	4,325
Affiliated companies	**15,026**	7,104
Accumulated provision for uncollectible accounts	**(1,302)**	(1,026)
Fossil fuel stock, at average cost	**16,768**	29,869
Materials and supplies, at average cost	**29,033**	30,088
Regulatory clauses under recovery	**2,112**	11,611
Other	**6,543**	5,354
Total current assets	**144,560**	158,186
Property, Plant, and Equipment:		
In service	**1,892,023**	1,853,664
Less accumulated provision for depreciation	**867,260**	821,970
	1,024,763	-1,031,694
Construction work in progress	**71,008**	34,164
Total property, plant, and equipment	**1,095,771**	1,065,858
Other Property and Investments	**4,510**	1,481
Deferred Charges and Other Assets:		
Deferred charges related to income taxes (Note 7)	**15,963**	25,264
Prepaid pension costs (Note 2)	**23,491**	17,734
Debt expense, being amortized	**2,392**	2,526
Premium on reacquired debt, being amortized	**15,866**	17,360
Other	**12,943**	20,086
Total deferred charges and other assets	**70,655**	82,970
Total Assets	**$1,315,496**	$1,308,495

The accompanying notes are an integral part of these balance sheets.

BALANCE SHEETS
At December 31, 2000 and 1999
Gulf Power Company 2000 Annual Report

Liabilities and Stockholder's Equity	2000	1999
		(in thousands)
Current Liabilities:		
Notes payable	**$ 43,000**	$ 55,000
Accounts payable --		
Affiliated	**17,558**	14,878
Other	**38,153**	22,581
Customer deposits	**13,474**	12,778
Taxes accrued --		
Income taxes	**3,864**	4,889
Other	**8,749**	7,707
Interest accrued	**8,324**	9,255
Provision for rate refund	**7,203**	-
Vacation pay accrued	**4,512**	4,199
Regulatory clauses over recovery	**6,848**	3,125
Other	**1,584**	1,836
Total current liabilities	**153,269**	136,248
Long-term debt (See accompanying statements)	**365,993**	367,449
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes (Note 7)	**155,074**	162,776
Deferred credits related to income taxes (Note 7)	**38,255**	49,693
Accumulated deferred investment tax credits	**25,792**	27,712
Employee benefits provisions	**34,507**	31,735
Other	**25,992**	21,333
Total deferred credits and other liabilities	**279,620**	293,249
Company obligated mandatorily redeemable preferred securities of subsidiary trusts holding company junior subordinated notes (See accompanying statements)	**85,000**	85,000
Preferred stock (See accompanying statements)	**4,236**	4,236
Common stockholder's equity (See accompanying statements)	**427,378**	422,313
Total Liabilities and Stockholder's Equity	**$1,315,496**	$1,308,495

The accompanying notes are an integral part of these balance sheets.

STATEMENTS OF CAPITALIZATION
At December 31, 2000 and 1999
Gulf Power Company 2000 Annual Report

		2000	1999	2000	1999
			(in thousands)	*(percent of total)*	
Long Term Debt:					
First mortgage bonds --					
Maturity	Interest Rates				
July 1, 2003	6.125%	**$ 30,000**	$ 30,000		
November 1, 2006	6.50%	**25,000**	25,000		
January 1, 2026	6.875%	**30,000**	30,000		
Total first mortgage bonds		**85,000**	85,000		
Long-term notes payable --					
7.50% due June 30, 2037		**20,000**	20,000		
6.70% due June 30, 2038		**48,073**	49,926		
7.05% due August 15, 2004		**50,000**	50,000		
Total long-term notes payable		**118,073**	119,926		
Other long-term debt --					
Pollution control revenue bonds --					
Collateralized:					
5.25% to 6.30% due 2006-2026		**108,700**	108,700		
Variable rates (3.70% at 1/1/00) due 2024		**-**	20,000		
Non-collateralized:					
Variable rates (5.10% to 5.30% at 1/1/01) due 2022-2024		**60,930**	40,930		
Total other long-term debt		**169,630**	169,630		
Unamortized debt premium (discount), net		**(6,710)**	(7,107)		
Total long-term debt (annual interest requirement -- $23.2 million)		**365,993**	367,449	**41.5%**	41.8%
Cumulative Preferred Stock:					
$100 par value, 4.64% to 5.44%		**4,236**	4,236		
Total (annual dividend requirement -- $0.2 million)		**4,236**	4,236	**0.5%**	0.5%
Company Obligated Mandatorily Redeemable Preferred Securities:					
$25 liquidation value --					
7.00%		**45,000**	45,000		
7.63%		**40,000**	40,000		
Total (annual distribution requirement -- $6.2 million)		**85,000**	85,000	**9.6%**	9.7%
Common Stockholder's Equity:					
Common stock, without par value --					
Authorized and outstanding - 992,717 shares in 2000 and 1999		**38,060**	38,060		
Paid-in capital		**233,476**	221,254		
Premium on preferred stock		**12**	12		
Retained earnings		**155,830**	162,987		
Total common stockholder's equity		**427,378**	422,313	**48.4%**	48.0%
Total Capitalization		**$882,607**	$878,998	**100.0%**	100.0%

The accompanying notes are an integral part of these statements.

STATEMENTS OF COMMON STOCKHOLDER'S EQUITY

For the Years Ended December 31, 2000, 1999, and 1998
Gulf Power Company 2000 Annual Report

	Common Stock	Paid-In Capital	Premium on Preferred Stock	Retained Earnings	Total
			(in thousands)		
Balance at January 1, 1998	$38,060	$218,438	$12	$172,208	$428,718
Net income after dividends on preferred stock	-	-	-	56,521	56,521
Capital contributions from parent company	-	522	-	-	522
Cash dividends on common stock	-	-	-	(57,200)	(57,200)
Other	-	-	-	(909)	(909)
Balance at December 31, 1998	38,060	218,960	12	170,620	427,652
Net income after dividends on preferred stock	-	-	-	53,667	53,667
Capital contributions from parent company	-	2,294	-	-	2,294
Cash dividends on common stock	-	-	-	(61,300)	(61,300)
Balance at December 31, 1999	38,060	221,254	12	162,987	422,313
Net income after dividends on preferred stock	-	-	-	**51,843**	**51,843**
Capital contributions from parent company	-	**12,222**	-	-	**12,222**
Cash dividends on common stock	-	-	-	**(59,000)**	**(59,000)**
Balance at December 31, 2000	**$38,060**	**$233,476**	**$12**	**$155,830**	**$427,378**

The accompanying notes are an integral part of these statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Gulf Power Company is a wholly owned subsidiary of Southern Company, which is the parent company of five integrated Southeast utilities, Southern Company Services (SCS), Southern Communications Services (Southern LINC), Southern Company Energy Solutions, Mirant Corporation (Mirant) – formerly Southern Energy, Inc., -- Southern Nuclear Operating Company (Southern Nuclear), and other direct and indirect subsidiaries. The integrated Southeast utilities -- Alabama Power, Georgia Power, Gulf Power, Mississippi Power, and Savannah Electric -- provide electric service in four states. Gulf Power Company provides electric service to the northwest panhandle of Florida. Contracts among the integrated Southeast utilities -- related to jointly owned generating facilities, interconnecting transmission lines, and the exchange of electric power --are regulated by the Federal Energy Regulatory Commission (FERC) and/or the Securities and Exchange Commission (SEC). The system service company provides, at cost, specialized services to Southern Company and subsidiary companies. Southern LINC provides digital wireless communications services to the operating companies and also markets these services to the public within the Southeast. Southern Company Energy Solutions develops new business opportunities related to energy products and services. Southern Nuclear provides services to Southern Company's nuclear power plants. Mirant acquires, develops, builds, owns, and operates power production and delivery facilities and provides a broad range of energy-related services to utilities and industrial companies in selected countries around the world. Mirant businesses include independent power projects, integrated utilities, a distribution company, and energy trading and marketing businesses outside the southeastern United States.

Southern Company is registered as a holding company under the Public Utility Holding Company Act of 1935 (PUHCA). Both Southern Company and its subsidiaries are subject to the regulatory provisions of the PUHCA. The Company is also subject to regulation by the FERC and the Florida Public Service Commission (FPSC). The Company follows accounting principles generally accepted in the United States and complies with the accounting policies and practices prescribed by the FPSC and the FERC. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires the use of estimates, and the actual results may differ from those estimates.

Certain prior years' data presented in the financial statements have been reclassified to conform with current year presentation.

Related-Party Transactions

The Company has an agreement with SCS under which the following services are rendered to the Company at cost: general and design engineering, purchasing, accounting and statistical, finance and treasury, tax, information resources, marketing, auditing, insurance and pension administration, human resources, systems and procedures, and other services with respect to business and operations and power pool operations. Costs for these services amounted to $44 million, $43 million, and $40 million during 2000, 1999, and 1998, respectively.

Regulatory Assets and Liabilities

The Company is subject to the provisions of Financial Accounting Standards Board (FASB) Statement No. 71, Accounting for the Effects of Certain Types of Regulation. Regulatory assets represent probable future revenues to the Company associated with certain costs that are expected to be recovered from customers through the ratemaking process. Regulatory liabilities represent probable future reductions in revenues associated with amounts that are expected to be credited to customers through the ratemaking process. Regulatory assets and (liabilities) reflected in the Balance Sheets at December 31 relate to the following:

	2000	1999
	(in thousands)	
Deferred income tax charges	$15,963	$25,264
Deferred loss on reacquired debt	15,866	17,360
Environmental remediation	7,638	5,745
Vacation pay	4,512	4,199
Regulatory clauses under (over) recovery, net	(4,736)	8,486
Accumulated provision for rate refunds	(7,203)	-
Accumulated provision for property damage	(8,731)	(5,528)
Deferred income tax credits	(38,255)	(49,693)
Other, net	(1,074)	(1,255)
Total	$(16,020)	$ 4,578

In the event that a portion of the Company's operations is no longer subject to the provisions of FASB Statement No. 71, the Company would be required to write off related regulatory assets and liabilities that are not specifically recoverable through regulated rates. In addition, the Company would be required to determine any impairment to other assets, including plant, and write down the assets, if impaired, to their fair value.

Revenues and Regulatory Cost Recovery Clauses

The Company currently operates as a vertically integrated utility providing electricity to retail customers within its service area located in northwest Florida and to wholesale customers in the Southeast.

Revenues are recognized as services are rendered. Unbilled revenues are accrued at the end of each fiscal period.

Fuel costs are expensed as the fuel is used. The Company's retail electric rates include provisions to annually adjust billings for fluctuations in fuel costs, the energy component of purchased power costs, and certain other costs. The Company also has similar retail cost recovery clauses for energy conservation costs, purchased power capacity costs, and environmental compliance costs. Revenues are adjusted monthly for differences between recoverable costs and amounts actually reflected in current rates.

The Company has a diversified base of customers and no single customer or industry comprises 10 percent or more of revenues. For all periods presented, uncollectible accounts averaged significantly less than 1 percent of revenues.

Depreciation and Amortization

Depreciation of the original cost of plant in service is provided primarily by using composite straight-line rates, which approximated 3.8 percent in 2000, 1999, and 1998. When property subject to depreciation is retired or otherwise disposed of in the normal course of business, its cost -- together with the cost of removal, less salvage -- is charged to the accumulated provision for depreciation. Minor items of property included in the original cost of the plant are retired when the related property unit is retired. Also, the provision for depreciation expense includes an amount for the expected cost of removal of facilities.

Income Taxes

The Company uses the liability method of accounting for income taxes and provides deferred income taxes for all significant income tax temporary differences. Investment tax credits utilized are deferred and amortized to income over the average lives of the related property. The Company is included in the consolidated federal income tax return of Southern Company.

Property, Plant, and Equipment

Property, plant, and equipment is stated at original cost. Original cost includes: materials; labor; minor items of property; appropriate administrative and general costs; payroll-related costs such as taxes, pensions, and other benefits; and the estimated cost of funds used during construction. The cost of maintenance, repairs, and replacement of minor items of property is charged to maintenance expense. The cost of replacements of property (exclusive of minor items of property) is charged to utility plant.

Cash and Cash Equivalents

Temporary cash investments are considered cash equivalents. Temporary cash investments are securities with original maturities of 90 days or less.

Financial Instruments

The Company's financial instruments for which the carrying amount did not equal fair value at December 31 were as follows:

	Carrying Amount	Fair Value
	(in thousands)	
Long-term debt:		
At December 31, 2000	**$365,993**	**$364,697**
At December 31, 1999	$367,449	$349,791
Capital trust preferred securities:		
At December 31, 2000	**$85,000**	**$80,988**
At December 31, 1999	$85,000	$69,092

The fair values for long-term debt and preferred securities were based on either closing market prices or closing prices of comparable instruments.

Materials and Supplies

Generally, materials and supplies include the cost of transmission, distribution, and generating plant materials. Materials are charged to inventory when purchased and then expensed or capitalized to plant, as appropriate, when installed.

Provision for Injuries and Damages

The Company is subject to claims and suits arising in the ordinary course of business. As permitted by regulatory authorities, the Company provides for the uninsured costs of injuries and damages by charges to income amounting to $1.2 million annually. The expense of settling claims is charged to the provision to the extent available. The accumulated provision of $1.2 million and $1.8 million at December 31, 2000 and 1999, respectively, is included in other current liabilities in the accompanying Balance Sheets.

Provision for Property Damage

The Company provides for the cost of repairing damages from major storms and other uninsured property damages. This includes the full cost of major storms and other damages to its transmission and distribution lines and the cost of uninsured damages to its generation and other property. The expense of such damages is charged to the provision account. At December 31, 2000 and 1999, the accumulated provision for property damage was $8.7 million and $5.5 million, respectively. The FPSC approved annual accrual to the accumulated provision for property damage is $3.5 million, with a target level for the accumulated provision account between $25.1 and $36.0 million. The FPSC has also given the Company the flexibility to increase its annual accrual amount above $3.5 million at the Company's discretion. The Company accrued $3.5 million in 2000, $5.5 million in 1999, and $6.5 million in 1998 to the accumulated provision for property damage. The Company charged $0.3 million, $1.6 million, and $4.2 million against the provision account in 2000, 1999, and 1998 respectively.

2. RETIREMENT BENEFITS

The Company has a defined benefit, trusteed, non-contributory pension plan that covers substantially all regular employees. The Company provides certain medical care and life insurance benefits for retired employees. Substantially all employees may become eligible for these benefits when they retire. Trusts are funded to the extent required by the Company's regulatory commissions. In late 2000, the Company adopted several pension and postretirement benefit plan changes that had the effect of increasing benefits to both current and future retirees. The effects of these changes will be to increase the Company's annual pension and postretirement benefits costs by approximately $1.2 million and $0.6 million, respectively. The measurement date for plan assets and obligations is September 30 for each year.

Pension Plan

Changes during the year in the projected benefit obligations and in the fair value of plan assets were as follows:

	Projected Benefit Obligations	
	2000	1999
	(in thousands)	
Balance at beginning of year	**$141,967**	$143,012
Service cost	**4,282**	4,490
Interest cost	**10,394**	9,440
Benefits paid	**(6,973)**	(6,862)
Actuarial gain and employee transfers, net	**(689)**	(8,113)
Balance at end of year	**$148,981**	$141,967

	Plan Assets	
	2000	1999
	(in thousands)	
Balance at beginning of year	**$241,485**	$212,934
Actual return on plan assets	**43,833**	35,971
Benefits paid	**(6,973)**	(6,862)
Employee transfers	**4,921**	(558)
Balance at end of year	**$283,266**	$241,485

The accrued pension costs recognized in the Balance Sheets were as follows:

	2000	1999
	(in thousands)	
Funded status	**$134,286**	$99,518
Unrecognized transition obligation	**(3,602)**	(4,323)
Unrecognized prior service cost	**4,121**	4,495
Unrecognized net gain	**(111,314)**	(81,956)
Prepaid asset recognized in the Balance Sheets	**$ 23,491**	$17,734

Components of the pension plan's net periodic cost were as follows:

	2000	1999	1998
Service cost	**$4,282**	$4,490	$ 4,107
Interest cost	**10,394**	9,440	9,572
Expected return on plan assets	**(17,504)**	(15,968)	(14,827)
Recognized net gain	**(2,582)**	(1,579)	(1,891)
Net amortization	**(347)**	(347)	(347)
Net pension income	**$(5,757)**	$(3,964)	$(3,386)

Postretirement Benefits

Changes during the year in the accumulated benefit obligations and in the fair value of plan assets were as follows:

	Accumulated Benefit Obligations	
	2000	1999
	(in thousands)	
Balance at beginning of year	**$48,010**	$49,303
Service cost	**896**	1,087
Interest cost	**3,515**	3,261
Benefits paid	**(1,462)**	(1,177)
Actuarial gain and employee transfers, net	**(934)**	(4,464)
Balance at end of year	**$50,025**	$48,010

	Plan Assets	
	2000	1999
	(in thousands)	
Balance at beginning of year	**$11,196**	**$ 9,603**
Actual return on plan assets	**2,079**	**1,525**
Employer contributions	**1,575**	**1,245**
Benefits paid	**(1,462)**	**(1,177)**
Balance at end of year	**$13,388**	**$11,196**

The accrued postretirement costs recognized in the Balance Sheets were as follows:

	2000	1999
	(in thousands)	
Funded status	**$ (36,638)**	**$ (36,814)**
Unrecognized transition obligation	**4,368**	**4,723**
Unrecognized prior service cost	**2,582**	**2,741**
Unrecognized net loss	**496**	**2,620**
Fourth quarter contributions	**316**	**300**
Accrued liability recognized in the Balance Sheets	**$(28,876)**	**$(26,430)**

Components of the postretirement plan's net periodic cost were as follows:

	2000	1999	1998
Service cost	**$ 896**	$ 1,087	$ 946
Interest cost	**3,515**	3,261	3,123
Expected return on plan assets	**(901)**	(794)	(717)
Transition obligation	**355**	356	356
Prior service cost	**159**	159	119
Recognized net loss	**13**	264	128
Net postretirement cost	**$ 4,037**	$ 4,333	$3,955

The weighted average rates assumed in the actuarial calculations for both the pension plan and postretirement benefits were:

	2000	1999
Discount	**7.50%**	7.50%
Annual salary increase	**5.00%**	5.00%
Long-term return on plan assets	**8.50%**	8.50%

An additional assumption used in measuring the accumulated postretirement benefit obligations was a weighted average medical care cost trend rate of 7.3 percent for 2000, decreasing gradually to 5.5 percent through the year 2005, and remaining at that level thereafter.

An annual increase or decrease in the assumed medical care cost trend rate of 1 percent would affect the accumulated benefit obligation and the service and interest cost components at December 31, 2000 as follows (in thousands):

	1 Percent Increase	1 Percent Decrease
Benefit obligation	$3,187	$2,874
Service and interest costs	$278	$247

Employee Savings Plan

The Company also sponsors a 401(k) defined contribution plan covering substantially all employees. The Company provides a 75 percent matching contribution up to 6 percent of an employee's base salary. Total matching contributions made to the plan for the years 2000, 1999, and 1998 were $2.2 million, $2.0 million, and $2.0 million, respectively.

Work Force Reduction Programs

The Company recorded costs related to work force reduction programs of $0.6 million in 2000, $0.2 million in 1999, and $2.8 million in 1998. The Company has also incurred its pro rata share for the costs of affiliated companies' programs. The costs related to these programs were $1.2 million for 2000, $0.6 million for 1999, and $0.2 million for 1998. The Company has expensed all costs related to these work force reduction programs.

3. CONTINGENCIES AND REGULATORY MATTERS

Environmental Cost Recovery

In 1993, the Florida Legislature adopted legislation for an Environmental Cost Recovery Clause (ECRC), which allows a utility to petition the FPSC for recovery of all prudent environmental compliance costs that are not being recovered through base rates or any other recovery mechanism. Such environmental costs include operation and maintenance expense, emission allowance expense, depreciation, and a return on invested capital.

In 1994, the FPSC approved the Company's initial petition under the ECRC for recovery of environmental costs. During 2000, 1999, and 1998, the Company recorded ECRC revenues of $9.9 million, $11.5 million, and $8.0 million, respectively.

At December 31, 2000, the Company's liability for the estimated costs of environmental remediation projects for known sites was $7.6 million. These estimated costs are expected to be expended from 2001 through 2006. These projects have been approved by the FPSC for recovery through the ECRC discussed above. Therefore, the Company recorded $1.2 million in current assets and current liabilities and $6.4 million in deferred assets and deferred liabilities representing the future recoverability of these costs.

Environmental Litigation

On November 3, 1999, the Environmental Protection Agency (EPA) brought a civil action in the U.S. District Court against Alabama Power, Georgia Power, and SCS. The complaint alleges violations of the prevention of significant deterioration and new source review provisions of the Clean Air Act with respect to five coal-fired generating facilities in Alabama and Georgia. The civil action requests penalties and injunctive relief, including an order requiring the installation of the best available control technology at the affected units. The Clean Air Act authorizes civil penalties of up to $27,500 per day, per violation at each generating unit. Prior to January 30, 1997, the penalty was $25,000 per day.

The EPA concurrently issued to the integrated Southeast utilities a notice of violation related to 10 generating facilities, including the five facilities mentioned previously and the Company's Plants Crist and Scherer. See Note 5 under "Joint Ownership Agreements" related to the Company's ownership interest in Georgia Power's Plant Scherer Unit No. 3. In early 2000, the EPA filed a motion to amend its complaint to add the violations alleged in its notice of violation, and to add Gulf Power, Mississippi Power, and Savannah Electric as defendants. The complaint and notice of violation are similar to those brought against and issued to several other electric utilities. These complaints and notices of violation allege that the utilities had failed to secure necessary permits or install additional pollution equipment when performing maintenance and construction at coal burning plants constructed or under construction prior to 1978. The Company believes that its integrated utilities complied with applicable laws and the EPA's regulations and interpretations in effect at the time the work in question took place.

An adverse outcome of this matter could require substantial capital expenditures that cannot be determined at this time and possibly require payment of substantial penalties. This could affect future results of

operations, cash flows, and possibly financial condition if such costs are not recovered through regulated rates.

Retail Revenue Sharing Plan

In early 1999, the FPSC staff and the Company became involved in discussions primarily related to reducing the Company's authorized rate of return. On October 1, 1999, the Office of Public Counsel, the Coalition for Equitable Rates, the Florida Industrial Power Users Group, and the Company jointly filed a petition to resolve the issues. The stipulation included a reduction to retail base rates of $10 million annually and provides for revenues to be shared within set ranges for 1999 through 2002. Customers receive two-thirds of any revenue within the sharing range and the Company retains one-third. Any revenue above this range is refunded to the customers. The stipulation also included authorization for the Company, at its discretion, to accrue up to an additional $5 million to the property insurance reserve and $1 million to amortize a regulatory asset related to the corporate office. The Company also filed a request to prospectively reduce its authorized ROE range from 11 to 13 percent to 10.5 to 12.5 percent in order to help ensure that the FPSC would approve the stipulation. The FPSC approved both the stipulation and the ROE request with an effective date of November 4, 1999. The Company is currently planning to seek additional rate relief to recover costs related to the Smith Unit 3 combined cycle facility scheduled to be placed in-service in June of 2002.

For calendar year 2000, the Company's retail revenue range for sharing was $352 million to $368 million to be shared between the Company and its retail customers on the one-third/two-thirds basis. Actual retail revenues in 2000 were $362.4 million and the Company recorded revenues subject to refund of $6.9 million. The estimated refund with interest of $0.3 million was reflected in customer billings in February 2001. In addition to the refund the Company amortized $1 million of the regulatory assets related to the corporate office. For calendar year 2001, the Company's retail revenue range for sharing is $358 million to $374 million. For calendar year 2002, there are specified sharing ranges for each month from the expected in-service date of Smith Unit 3 until the end of the year. The sharing plan will expire at the earlier of the in-service date of Smith Unit 3 or December 31, 2002.

4. FINANCING AND COMMITMENTS

Construction Program

The Company is engaged in a continuous construction program, the cost of which is currently estimated to total $279 million in 2001, $96 million in 2002, and $76 million in 2003. The construction program is subject to periodic review and revision, and actual construction costs may vary from the above estimates because of numerous factors. These factors include changes in business conditions; revised load growth estimates; changes in environmental regulations; increasing costs of labor, equipment, and materials; and cost of capital. At December 31, 2000, significant purchase commitments were outstanding in connection with the construction program. The Company has budgeted $199.2 million for the years 2001 and 2002 for the estimated cost of a 574 megawatt combined cycle gas generating unit to be located in the eastern portion of its service area. The unit is expected to have an in-service date of June 2002. The Company's remaining construction program is related to maintaining and upgrading the transmission, distribution, and generating facilities.

Bank Credit Arrangements

At December 31, 2000, the Company had $61.5 million of lines of credit with banks subject to renewal June 1 of each year, of which $53.5 million remained unused. In addition, the Company has two unused committed lines of credit totaling $61.9 million that were established for liquidity support of its variable rate pollution control bonds. In connection with these credit lines, the Company has agreed to pay commitment fees and/or to maintain compensating balances with the banks. The compensating balances, which represent substantially all of the cash of the Company except for daily working funds and like items, are not legally restricted from withdrawal. In addition, the Company has bid-loan facilities with seven major money center banks that total $130 million, of which $35 million was committed at December 31, 2000.

Assets Subject to Lien

The Company's mortgage, which secures the first mortgage bonds issued by the Company, constitutes a direct first lien on substantially all of the Company's fixed property and franchises.

Fuel Commitments

To supply a portion of the fuel requirements of its generating plants, the Company has entered into contract commitments for the procurement of fuel. In some cases, these contracts contain provisions for price escalations, minimum purchase levels, and other financial commitments. Total estimated obligations at December 31, 2000 were as follows:

Year	Fuel
	(in millions)
2001	$139
2002	91
2003	90
2004	92
2005	93
2006-2024	473
Total commitments	$978

Lease Agreements

In 1989, the Company and Mississippi Power jointly entered into a twenty-two year operating lease agreement for the use of 495 aluminum railcars. In 1994, a second lease agreement for the use of 250 additional aluminum railcars was entered into for twenty-two years. Both of these leases are for the transportation of coal to Plant Daniel. At the end of each lease term, the Company has the option to renew the lease. In 1997, three additional lease agreements for 120 cars each were entered into for three years, with a monthly renewal option for up to an additional nine months.

The Company, as a joint owner of Plant Daniel, is responsible for one half of the lease costs. The lease costs are charged to fuel inventory and are allocated to fuel expense as the fuel is used. The Company's share of the lease costs charged to fuel inventories was $2.1 million in 2000 and $2.8 million in 1999. The annual amounts for 2001 through 2005 are expected to be $1.9 million, $1.9 million, $1.9 million, $2.0 million, and $2.0 million, respectively, and after 2005 are expected to total $13.8 million.

5. JOINT OWNERSHIP AGREEMENTS

The Company and Mississippi Power jointly own Plant Daniel, a steam-electric generating plant located in Jackson County, Mississippi. In accordance with the operating agreement, Mississippi Power acts as the Company's agent with respect to the construction, operation, and maintenance of the plant.

The Company and Georgia Power jointly own Plant Scherer Unit No. 3. Plant Scherer is a steam-electric generating plant located near Forsyth, Georgia. In accordance with the operating agreement, Georgia Power acts as the Company's agent with respect to the construction, operation, and maintenance of the unit.

The Company's pro rata share of expenses related to both plants is included in the corresponding operating expense accounts in the Statements of Income.

At December 31, 2000, the Company's percentage ownership and its investment in these jointly owned facilities were as follows:

	Plant Scherer Unit No. 3 (coal-fired)	Plant Daniel (coal-fired)
	(in thousands)	
Plant In Service	**$185,778(1)**	**$232,074**
Accumulated Depreciation	**$70,207**	**$118,504**
Construction Work in Progress	**$252**	**$2,006**
Nameplate Capacity (2) (megawatts)	**205**	**500**
Ownership	**25%**	**50%**

(1) Includes net plant acquisition adjustment.
(2) Total megawatt nameplate capacity:
Plant Scherer Unit No. 3: 818
Plant Daniel: 1,000

6. LONG-TERM POWER SALES AGREEMENTS

The Company and the other operating affiliates have long-term contractual agreements for the sale of capacity to certain non-affiliated utilities located outside the system's service area. The unit power sales agreements are firm and pertain to capacity related to specific generating units. Because the energy is generally sold at cost under these agreements, profitability is primarily affected by revenues from capacity sales. The capacity revenues from these sales were $20.3 million in 2000, $19.8 million in 1999, and $22.5 million in 1998. Capacity revenues increased

slightly in 2000 due to the recovery of higher operating expenses experienced during the year.

Unit power from specific generating plants of Southern Company is currently being sold to Florida Power Corporation (FPC), Florida Power & Light Company (FP&L), and Jacksonville Electric Authority (JEA). Under these agreements, 209 megawatts of net dependable capacity were sold by the Company during 2000. Sales will increase slightly to 210 megawatts per year in 2001 and remain close to that level, unless reduced by FP&L, FPC, and JEA for the periods after 2001 with a minimum of three years notice, until the expiration of the contracts in 2010.

7. INCOME TAXES

At December 31, 2000, the tax-related regulatory assets to be recovered from customers were $16.0 million. These assets are attributable to tax benefits flowed through to customers in prior years and to taxes applicable to capitalized allowance for funds used during construction. At December 31, 2000, the tax-related regulatory liabilities to be credited to customers were $38.3 million. These liabilities are attributable to deferred taxes previously recognized at rates higher than current enacted tax law and to unamortized investment tax credits.

Details of the federal and state income tax provisions are as follows:

	2000	1999	1998
		(in thousands)	
Total provision for income taxes:			
Federal--			
Current	**$37,250**	$33,973	$31,746
Deferred	**(11,159)**	(6,107)	(4,467)
	26,091	27,866	27,279
State--			
Current	**5,796**	5,267	5,137
Deferred	**(1,357)**	(502)	(217)
	4,439	4,765	4,920
Total	**$30,530**	$32,631	$32,199

The tax effects of temporary differences between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases, which give rise to deferred tax assets and liabilities, are as follows:

	2000	1999
	(in thousands)	
Deferred tax liabilities:		
Accelerated depreciation	**$172,646**	$168,662
Other	**14,262**	24,272
Total	**186,908**	192,934
Deferred tax assets:		
Federal effect of state deferred taxes	**8,703**	9,293
Postretirement benefits	**9,205**	8,456
Other	**14,742**	12,526
Total	**32,650**	30,275
Net deferred tax liabilities	**154,258**	162,659
Less current portion, net	**(816)**	(117)
Accumulated deferred income taxes in the Balance Sheets	**$155,074**	$162,776

Deferred investment tax credits are amortized over the lives of the related property with such amortization normally applied as a credit to reduce depreciation and amortization in the Statements of Income. Credits amortized in this manner amounted to $1.9 million in 2000, 1999, and 1998. At December 31, 2000, all investment tax credits available to reduce federal income taxes payable had been utilized.

A reconciliation of the federal statutory income tax rate to the effective income tax rate is as follows:

	2000	1999	1998
Federal statutory rate	**35%**	35%	35%
State income tax, net of federal deduction	**4**	4	4
Non-deductible book depreciation	**1**	1	1
Difference in prior years' deferred and current tax rate	**(2)**	(2)	(2)
Other, net	**(1)**	-	(2)
Effective income tax rate	**37%**	38%	36%

The Company and the other subsidiaries of Southern Company file a consolidated federal tax return. Under a joint consolidated income tax agreement, each subsidiary's current and deferred tax expense is computed on a stand-alone basis.

8. COMPANY OBLIGATED MANDATORILY REDEEMABLE PREFERRED SECURITIES

In January 1997, Gulf Power Capital Trust I (Trust I), of which the Company owns all of the common securities, issued $40 million of 7.625 percent mandatorily redeemable preferred securities. Substantially all of the assets of Trust I are $41 million aggregate principal amount of the Company's 7.625 percent junior subordinated notes due December 31, 2036.

In January 1998, Gulf Power Capital Trust II (Trust II), of which the Company owns all of the common securities, issued $45 million of 7.0 percent mandatorily redeemable preferred securities. Substantially all of the assets of Trust II are $46 million aggregate principal amount of the Company's 7.0 percent junior subordinated notes due December 31, 2037.

The Company considers that the mechanisms and obligations relating to the preferred securities, taken together, constitute a full and unconditional guarantee by the Company of payment obligations with respect to the preferred securities of Trust I and Trust II. Trust I and Trust II are subsidiaries of the Company, and accordingly are consolidated in the Company's financial statements.

9. SECURITIES DUE WITHIN ONE YEAR

At December 31, 2000, the Company had an improvement fund requirement of $850,000. The first mortgage bond improvement fund requirement amounts to 1 percent of each outstanding series of bonds authenticated under the indenture prior to January 1 of each year, other than those issued to collateralize pollution control revenue bond obligations. The requirement may be satisfied by depositing cash, reacquiring bonds, or by pledging additional property equal to 1 and 2/3 times the requirement.

10. COMMON STOCK DIVIDEND RESTRICTIONS

The Company's first mortgage bond indenture contains various common stock dividend restrictions, which remain in effect as long as the bonds are outstanding. At December 31, 2000, retained earnings of $127 million were restricted against the payment of cash dividends on common stock under the terms of the mortgage indenture.

11. QUARTERLY FINANCIAL DATA (Unaudited)

Summarized quarterly financial data for 2000 and 1999 are as follows:

Quarter Ended	Operating Revenues	Operating Income	Net Income After Dividends on Preferred Stock
		(in thousands)	
March 2000	**$138,498**	**$16,007**	**$4,653**
June 2000	**182,120**	**30,505**	**12,927**
September 2000	**232,533**	**52,614**	**26,438**
December 2000	**161,168**	**20,755**	**7,825**
March 1999	$134,506	$15,665	$ 4,799
June 1999	166,815	29,253	13,226
September 1999	218,264	54,429	28,582
December 1989	154,514	19,815	7,060

The Company's business is influenced by seasonal weather conditions and the timing of rate changes, among other factors.

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SELECTED FINANCIAL AND OPERATING DATA 1996-2000

Gulf Power Company 2000 Annual Report

	2000	1999	1998	1997	1996
Operating Revenues (in thousands)	**$714,319**	$674,099	$650,518	$625,856	$634,365
Net Income after Dividends on Preferred Stock (in thousands)	**$51,843**	$53,667	$56,521	$57,610	$57,845
Cash Dividends on Common Stock (in thousands)	**$59,000**	$61,300	$57,200	$64,600	$58,300
Return on Average Common Equity (percent)	**12.20**	12.63	13.20	13.33	13.27
Total Assets (in thousands)	**$1,315,496**	$1,308,495	$1,267,901	$1,265,612	$1,308,366
Gross Property Additions (in thousands)	**$95,807**	$69,798	$69,731	$54,289	$61,386
Capitalization (in thousands):					
Common stock equity	**$427,378**	$422,313	$427,652	$428,718	$435,758
Preferred stock	**4,236**	4,236	4,236	13,691	65,102
Company obligated mandatorily redeemable preferred securities	**85,000**	85,000	85,000	40,000	-
Long-term debt	**365,993**	367,449	317,341	296,993	331,880
Total (excluding amounts due within one year)	**$882,607**	$878,998	$834,229	$779,402	$832,740
Capitalization Ratios (percent):					
Common stock equity	**48.4**	48.0	51.3	55.0	52.3
Preferred stock	**0.5**	0.5	0.5	1.8	7.8
Company obligated mandatorily redeemable preferred securities	**9.6**	9.7	10.2	5.1	-
Long-term debt	**41.5**	41.8	38.0	38.1	39.9
Total (excluding amounts due within one year)	**100.0**	100.0	100.0	100.0	100.0
Security Ratings:					
First Mortgage Bonds -					
Moody's	**A1**	A1	A1	A1	A1
Standard and Poor's	**A+**	AA-	AA-	AA-	A+
Fitch	**AA-***	AA-	AA-	AA-	AA-
Preferred Stock -					
Moody's	**a2**	a2	a2	a2	a2
Standard and Poor's	**BBB+**	A-	A	A	A
Fitch	**A***	A	A+	A+	A+
Unsecured Long-Term Debt -					
Moody's	**A2**	A2	A2	A2	
Standard and Poor's	**A**	A	A	A	
Fitch	**A+***	A+	A+	A+	
Customers (year-end):					
Residential	**321,731**	315,240	307,077	300,257	291,19(
Commercial	**47,666**	47,728	46,370	44,589	43,19(
Industrial	**280**	267	257	267	27{
Other	**442**	316	268	264	16{
Total	**370,119**	363,551	353,972	345,377	334,83{
Employees (year-end):	**1,327**	1,339	1,328	1,328	1,38{

*Effective 1/22/01 the Fitch Security Ratings for First Mortgage Bonds, Preferred Stock, and Unsecured Long-Term Debt are A+, A-, and A respectively.

SELECTED FINANCIAL AND OPERATING DATA 1996-2000 (continued)

Gulf Power Company 2000 Annual Report

	2000	1999	1998	1997	1996
Operating Revenues (in thousands):					
Residential	**$ 308,728**	$277,311	$ 276,208	$ 277,609	$ 285,498
Commercial	**181,584**	165,871	160,960	164,435	164,181
Industrial	**76,539**	67,404	69,850	77,492	78,994
Other	**(4,689)**	2,174	2,100	2,083	2,056
Total retail	**562,162**	512,760	509,118	521,619	530,729
Sales for resale - non-affiliates	**66,890**	62,354	61,893	63,697	63,201
Sales for resale - affiliates	**66,995**	66,110	42,642	16,760	17,762
Total revenues from sales of electricity	**696,047**	641,224	613,653	602,076	611,692
Other revenues	**18,272**	32,875	36,865	23,780	22,673
Total	**$714,319**	$674,099	$650,518	$625,856	$634,365
Kilowatt-Hour Sales (in thousands):					
Residential	**4,790,038**	4,471,118	4,437,558	4,119,492	4,159,924
Commercial	**3,379,449**	3,222,532	3,111,933	2,897,887	2,808,634
Industrial	**1,924,749**	1,846,237	1,833,575	1,903,050	1,808,086
Other	**18,730**	19,296	18,952	18,[illegible]1	17,815
Total retail	**10,112,966**	9,559,183	9,402,018	8,938,530	8,794,459
Sales for resale - non-affiliates	**1,705,486**	1,561,972	1,341,990	1,531,179	1,534,097
Sales for resale - affiliates	**1,916,526**	2,511,983	1,758,150	848,135	709,647
Total	**13,734,978**	13,633,138	12,502,158	11,317,844	11,038,203
Average Revenue Per Kilowatt-Hour (cents):					
Residential	**6.45**	6.20	6.22	6.74	6.86
Commercial	**5.37**	5.15	5.17	5.67	5.85
Industrial	**3.98**	3.65	3.81	4.07	4.37
Total retail	**5.56**	5.36	5.41	5.84	6.03
Sales for resale	**3.70**	3.15	3.37	3.38	3.61
Total sales	**5.07**	4.70	4.91	5.32	5.54
Residential Average Annual Kilowatt-Hour Use Per Customer	**14,992**	14,318	14,577	13,894	14,457
Residential Average Annual Revenue Per Customer	**$966.26**	$888.01	$907.35	$936.30	$992.17
Plant Nameplate Capacity Ratings (year-end) (megawatts)	**2,188**	2,188	2,188	2,174	2,174
Maximum Peak-Hour Demand (megawatts):					
Winter	**2,154**	2,085	2,040	1,844	2,136
Summer	**2,285**	2,161	2,146	2,032	1,961
Annual Load Factor (percent)	**55.4**	55.2	55.3	55.5	51.4
Plant Availability Fossil-Steam (percent):	**85.2**	87.2	87.6	91.0	91.8
Source of Energy Supply (percent):					
Coal	**87.8**	89.8	89.2	87.1	87.8
Oil and gas	**1.6**	2.5	2.0	0.4	0.5
Purchased power -					
From non-affiliates	**7.6**	5.9	5.5	3.5	2.7
From affiliates	**3.0**	1.8	3.3	9.0	9.0
Total	**100.0**	100.0	100.0	100.0	100.0

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MISSISSIPPI POWER COMPANY

FINANCIAL SECTION

MANAGEMENT'S REPORT

Mississippi Power Company 2000 Annual Report

The management of Mississippi Power Company has prepared -- and is responsible for -- the financial statements and related information included in this report. These statements were prepared in accordance with accounting principles generally accepted in the United States and necessarily include amounts that are based on best estimates and judgments of management. Financial information throughout this annual report is consistent with the financial statements.

The Company maintains a system of internal accounting controls to provide reasonable assurance that assets are safeguarded and that the accounting records reflect only authorized transactions of the Company. Limitations exist in any system of internal controls, however, based upon recognition that the cost of the system should not exceed its benefits. The Company believes its system of internal accounting controls maintains an appropriate cost/benefit relationship.

The Company's system of internal accounting controls is evaluated on an ongoing basis by the Company's internal audit staff. The Company's independent public accountants also consider certain elements of the internal control system in order to determine their auditing procedures for the purpose of expressing an opinion on the financial statements.

Dwight H. Evans
President and Chief Executive Officer

The audit committee of the board of directors, composed of four independent directors, provides a broad overview of management's financial reporting and control functions. Periodically, this committee meets with management, the internal auditors, and the independent public accountants to ensure that these groups are fulfilling their obligations and to discuss auditing, internal controls, and financial reporting matters. The internal auditors and independent public accountants have access to the members of the audit committee at any time.

Management believes that its policies and procedures provide reasonable assurance that the Company's operations are conducted according to a high standard of business ethics.

In management's opinion, the financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of Mississippi Power Company in conformity with accounting principles generally accepted in the United States.

Michael W. Southern
Vice President, Secretary, Treasurer and
Chief Financial Officer

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Mississippi Power Company:

We have audited the accompanying balance sheets and statements of capitalization of Mississippi Power Company (a Mississippi corporation and a wholly owned subsidiary of Southern Company) as of December 31, 2000 and 1999, and the related statements of income, common stockholder's equity, and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements (pages II-151 through II-166) referred to above present fairly, in all material respects, the financial position of Mississippi Power Company as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Arthur Andersen LLP

Atlanta, Georgia
February 28, 2001

RESULTS OF OPERATIONS

Earnings

Mississippi Power Company's 2000 net income after dividends on preferred stock of $55 million increased $0.2 million over 1999 earnings of $54.8 million, which were $0.3 million less than 1998 earnings of $55.1 million.

Revenues

Operating revenues for the Company in 2000 and the changes from the prior year are as follows:

	Amount	Increase (Decrease) From Prior Year	
	2000	2000	1999
		(in millions)	
Retail --			
Base Revenues	**$287,253**	$ (5,854)	$17,462
Fuel cost recovery and other	**211,298**	34,971	9,405
Total retail	**498,551**	29,117	26,867
Sales for resale --			
Non-affiliates	**145,931**	14,927	9,779
Affiliates	**27,915**	8,469	1,161
Total sales for resale	**173,846**	23,396	10,940
Other operating revenues	**15,205**	2,085	66
Operating revenues	**$687,602**	$54,598	$ 37,873
Percent change		8.6%	6.4%

Total retail revenues for 2000 increased approximately 6.2 percent when compared to 1999. The increase resulted primarily from continued growth in the service area, a positive impact of weather and additional fuel revenues. Retail revenues for 1999 reflected a 6.1 percent increase over the prior year due to the continued growth in the service area, increased fuel revenues, and a true-up of the unbilled revenue estimate.

Fuel revenues generally represent the direct recovery of fuel expense including purchased power. Therefore, changes in recoverable fuel expenses are offset with corresponding changes in fuel revenues and have no effect on net income.

Energy sales to non-affiliates include economy sales and amounts sold under short-term contracts. Sales for resale to non-affiliates are influenced by those utilities' own customer demand, plant availability, and the cost of their predominant fuels.

Included in sales for resale to non-affiliates are revenues from rural electric cooperative associations and municipalities located in southeastern Mississippi. Energy sales to these customers increased 10.9 percent in 2000 and 10.2 percent in 1999, with the related revenues rising 10.8 percent and 12.1 percent, respectively. The customer demand experienced by these utilities is determined by factors very similar to those of the Company. Revenues from other sales outside the service area increased in 2000 and 1999 primarily due to power marketing activities. These increases were offset by increases in purchased power from non-affiliates and, as a result, had no significant effect on net income.

Sales to affiliated companies within the Southern Company electric system will vary from year to year depending on demand and the availability and cost of generating resources at each company. These sales have no material impact on earnings.

Below is a breakdown of kilowatt-hour sales for 2000 and the percent change for the last two years:

	2000	Percent Change	
	KWH	**2000**	1999
	(in millions)		
Residential	**2,286**	**1.7%**	-
Commercial	**2,883**	**1.3**	8.5%
Industrial	**4,376**	**(0.7)**	18.2
Other	**41**	**2.5**	0.8
Total retail	**9,586**	**0.5**	10.4
Sales for Resale --			
Non-affiliates	**3,675**	**12.9**	3.1
Affiliates	**453**	**(16.2)**	(2.2)
Total	**13,714**	**2.8**	8.0

Total retail kilowatt-hour sales increased slightly in 2000 when compared to 1999 sales, which included an unbilled revenue true-up of approximately 3.5 percent. The increase primarily resulted from the continued growth in the service area and the positive impact of weather. Excluding the impact of the unbilled revenue true-up, all retail customer classes experienced growth in 2000 due to

the positive impact of weather, increased tourism, and continued growth in the service area. In 1999, increased tourism and strong growth impacted commercial sales, while industrial sales were impacted by increased production by several larger industrial customers, including one which was shut down in 1998 by Hurricane Georges.

Expenses

Total operating expenses were $565 million in 2000 reflecting an increase of $52 million or 10.1 percent over the prior year. The increase was due primarily to higher fuel and purchased power expenses. In 1999, total operating expenses increased by 6.9 percent over the prior year due primarily to higher fuel expenses.

Fuel costs are the single largest expense for the Company. Fuel expenses for 2000 and 1999 increased 10.7 percent and 10.3 percent, respectively. The increase for each year was due to increased generation and a higher average cost of fuel. The increased generation was due to higher demand for energy across the Southern Company electric system.

In 2000, expenses related to purchased power from non-affiliates increased 40.0 percent, while expenses related to purchased power from affiliates increased 64.7 percent which, in total, resulted in a 51 percent increase when compared to 1999. This increase consisted mostly of energy purchased for power marketing activities which was resold to non-affiliated third parties and had no significant effect on net income. Sales and purchases among the Company and its affiliates will vary from period to period depending on demand and the availability and variable production cost of each generating unit in the Southern Company electric system.

The amount and sources of generation and the average cost of fuel per net kilowatt-hour generated were as follows:

	2000	1999	1998
Total generation (millions of kilowatt hours)	**11,688**	11,599	10,610
Sources of generation (percent) --			
Coal	**83**	81	80
Gas	**17**	19	20
Average cost of fuel per net kilowatt-hour generated (cents) --	**1.80**	1.65	1.62

Other operation expenses decreased 8.2 percent in 2000 primarily due to a decrease in administrative and general expenses. In 1999, other operation expense increased 13.9 percent primarily due to the amortization of costs associated with the workforce reduction plan and higher distribution expenses. Maintenance expense in 2000 increased due to additional scheduled maintenance, while maintenance expense in 1999 decreased due to reduced scheduled maintenance. In 2000, depreciation expenses increased slightly due to growth in plant investment and a new composite depreciation rate, which became effective January 2000. Comparisons of taxes other than income taxes for 2000 and 1999 show increases of 1.7 percent and 4.2 percent, respectively, due to higher municipal franchise taxes resulting from higher retail revenues. Interest on long-term debt increased in 2000 due to higher interest rates and increased debt outstanding.

Effects of Inflation

The Company is subject to rate regulation and income tax laws that are based on the recovery of historical costs. Therefore, inflation creates an economic loss because the Company is recovering its costs of investments in dollars that have less purchasing power. While the inflation rate has been relatively low in recent years, it continues to have an adverse effect on the Company because of the large investment in utility plant with long economic lives. Conventional accounting for historical costs does not recognize this economic loss or the partially offsetting gain that arises through financing facilities with fixed-money obligations, such as long-term debt and preferred

securities. Any recognition of inflation by regulatory authorities is reflected in the rate of return allowed.

Future Earnings Potential

The results of operations for the past three years are not necessarily indicative of future earnings potential. The level of the Company's future earnings depends on numerous factors ranging from weather to energy sales growth to a less regulated and more competitive environment. Expenses are subject to constant review and cost control programs. The Company is also maximizing the utility of invested capital and minimizing the need for additional capital by refinancing, managing the size of its fuel stockpile, raising generating plant availability and efficiency, and aggressively controlling its construction budget.

The Company currently operates as a vertically integrated utility providing electricity to customers within its traditional service area located in southeastern Mississippi. Prices for electricity provided by the Company to retail customers are set by the Mississippi Public Service Commission (MPSC) under cost-based regulatory principles. The Federal Energy Regulatory Commission (FERC) regulates the Company's wholesale rate schedules, power sales contracts and transmission facilities.

Operating revenues will be affected by any changes in rates under the Performance Evaluation Plan (PEP) -- the Company's performance based ratemaking plan -- and the Environmental Compliance Overview Plan (ECO Plan). PEP has proven to be a stabilizing force on electric rates, with only moderate changes in rates taking place. The ECO Plan provides for recovery of costs (including costs of capital) associated with environmental projects approved by the MPSC, most of which are required to comply with Clean Air Act Amendments of 1990 (Clean Air Act) regulations. The ECO Plan is operated independently of PEP. Compliance costs related to the Clean Air Act could affect earnings if such costs cannot be recovered. The Company's 2000 ECO Plan filed in January 2000 was approved as filed, and resulted in a slight decrease in customer prices. The Company filed its 2001 ECO Plan in January 2001 and, if approved as filed, it will result in a slight increase in customer prices. Refer to Note 3 to the financial statements under "Litigation and Regulatory Matters" for additional information. The Clean Air Act and other important environmental items are discussed later under "Environmental Matters."

Future earnings in the near term will depend upon growth in energy sales, which is subject to a number of factors. These factors include weather, competition, changes in contracts with neighboring utilities, energy conservation practiced by customers, the elasticity of demand, and the rate of economic growth in the Company's service area. The Company anticipates somewhat slower growth in energy sales as the tourism industry stabilizes within its service area. In addition to tourism, the healthcare and retail trade sectors will provide most of the anticipated energy growth for the commercial class of customers, while shipbuilding, chemicals and the U.S. government will provide much of the basis for anticipated growth in the industrial sector.

The electric utility industry in the United States is currently undergoing a period of dramatic change as a result of regulatory and competitive factors. Among the primary agents of change has been the Energy Policy Act of 1992 (Energy Act). The Energy Act allows independent power producers (IPPs) to access a utility's transmission network in order to sell electricity to other utilities. This enhances the incentive for IPPs to build cogeneration plants for a utility's large industrial and commercial customers and sell energy generation to other utilities. Also, electricity sales for resale rates are affected by wholesale transmission access and numerous potential new energy suppliers, including power marketers and brokers.

Although the Energy Act does not permit retail transmission access, it was a major catalyst for the current restructuring and consolidation taking place within the utility industry. Numerous federal and state initiatives are in various stages to promote wholesale and retail competition. Among other things, these initiatives allow customers to choose their electricity provider. As these initiatives materialize, the structure of the utility industry could radically change. In May 2000, the MPSC ordered that its docket reviewing restructuring of the electric industry in the State of Mississippi be suspended. The MPSC found that retail competition may not be in the public interest at this time, and ordered that no further formal hearings would be held on this subject. It found that the current regulatory structure produced reliable low cost power and "should not be changed without clear and convincing demonstration that change would be in the

public interest." The MPSC will continue to monitor retail and wholesale restructuring activities throughout the United States and reserves its right to order further formal hearings on the matter should new evidence demonstrate that retail competition would be in the public interest and all customers could receive a reduction in the total cost of their electric service. If the MPSC decides to hold future restructuring hearings on this matter, enactment would require numerous issues to be resolved, including significant ones relating to transmission, prices, and recovery of any stranded costs. The inability of the Company to recover its investment, including regulatory assets, could have a material adverse effect on the financial condition of the Company.

The Company is attempting to minimize or reduce its cost exposure. The Company is subject to the provisions of Financial Accounting Standards Board (FASB) Statement No. 71, Accounting for the Effects of Certain Types of Regulation. In the event that a portion of the Company's operation is no longer subject to these provisions, the Company would be required to write off related regulatory assets and liabilities that are not specifically recoverable, and determine if any other assets have been impaired. See Note 1 to the financial statements under "Regulatory Assets and Liabilities" for additional information.

Continuing to be a low-cost producer could provide significant opportunities to increase market share and profitability in markets that evolve with changing regulation. Conversely, unless the Company remains a low-cost producer and provides quality service, the Company's energy sales growth could be limited, and this could significantly erode earnings.

On December 20, 1999, the Federal Energy Regulatory Commission (FERC) issued its final ruling on Regional Transmission Organizations (RTOs). The order encourages utilities owning transmission systems to form RTOs on a voluntary basis. After participating in regional conferences with customers and other members of the public to discuss the formation of RTOs, utilities were required to make a filing with the FERC. On October 16, 2000, Southern Company and its integrated utilities including the Company filed a proposal for the creation of an RTO. The proposal is for the formation of a for-profit company that would have control of the bulk power transmission system of the Company and any other participating utilities. Participants would have the option to either maintain their ownership or divest, sell, or lease their assets to the proposed RTO. If the FERC accepts the proposal as filed, the creation of an RTO is not expected to have a material impact on the Company's financial statements. The outcome of this matter cannot now be determined.

The Energy Act amended the Public Utility Holding Company Act of 1935 (PUHCA) to allow holding companies to form exempt wholesale generators to sell power largely free of regulation under PUHCA. These entities are able to own and operate power generating facilities and sell power to affiliates – under certain restrictions.

Southern Company is aggressively working to maintain and expand its share of wholesale sales in the southeastern power markets. In January 2001, Southern Company announced the formation of a new subsidiary – Southern Power Company. The new subsidiary will own, manage, and finance wholesale generating assets in the Southeast. Southern Power will be the primary growth engine for Southern Company's market-based energy business. Energy from its assets will be marketed to wholesale customers under the Southern Company name.

In accordance with FASB Statement No. 87, Employers' Accounting for Pensions, the Company recorded non-cash pension income of approximately $4.2 million in 2000. Pension income in 2001 is expected to be less as a result of plan amendments. Future pension income is dependent on several factors including trust earnings and changes to the plan. For more information, see Note 2.

The Company is involved in various matters being litigated. See Note 3 to the financial statements for information regarding material issues that could possibly affect future earnings.

Compliance costs related to current and future environmental laws and regulations could affect earnings if such costs are not fully recovered. The Clean Air Act and other important environmental items are discussed later under "Environmental Matters."

Exposure to Market Risks

Due to cost-based rate regulations, the Company has limited exposure to market volatility in interest rates,

commodity fuel prices, and prices of electricity. To mitigate residual risks relative to movements in electricity prices, the Company enters into fixed price contracts for the purchase and sale of electricity through the wholesale electricity market. Realized gains and losses are recognized in the income statements as incurred. At December 31, 2000, exposure from these activities was not material to the Company's financial statements. Also, based on the Company's overall interest rate exposure at December 31, 2000, a near-term 100 basis point change in interest rates would not materially affect the financial statements.

New Accounting Standard

In June 2000, FASB issued Statement No. 138, an amendment of Statement No. 133, Accounting for Derivative Instruments and Hedging Activities. Statement No. 133, as amended, establishes accounting and reporting standards for derivative instruments and for hedging activities. Statement No. 133 requires that certain derivative instruments be recorded in the balance sheet as either an asset or liability measured at fair value, and that changes in the fair value be recognized currently in earnings unless specific hedge accounting criteria are met.

Substantially all of the Company's bulk energy purchases and sales meet the definition of a derivative under Statement No. 133. In many cases, these transactions meet the normal purchase and sale exception and the related contracts will continue to be accounted for under the accrual method. Certain of these instruments qualify as cash flow hedges resulting in the deferral of related gains and losses in other comprehensive income until the hedged transactions occur. Any ineffectiveness will be recognized currently in net income. However, others will be required to be marked to market through current period income.

The Company adopted Statement No. 133 effective January 1, 2001. The impact on net income was immaterial. The application of the new rules is still evolving and further guidance from FASB is expected, which could additionally impact the Company's financial statements. Also, as wholesale energy markets mature, future transactions could result in more volatility in net income and comprehensive income.

FINANCIAL CONDITION

Overview

The principal change in the Company's financial condition during 2000 was the addition of approximately $81 million to utility plant. Funding for these additions and other capital requirements were derived primarily from operations. The Statements of Cash Flows provide additional details.

Financing Activity

In March 2000, the Company issued $100 million of floating rate senior notes due March 28, 2002. The proceeds were used to prepay bank loans of $45 million maturing in November 2001 and $5 million maturing in October 2002. The balance of the $100 million was used to repay a portion of the Company's outstanding short-term debt. The Company plans to continue, to the extent possible, a program to retire higher-cost debt and replace these securities with lower-cost capital. See the Statements of Cash Flows for further details.

Composite financing rates increased for the year 2000 when compared to 1998 and 1999. As of year-end , the composite rates were as follows:

	2000	1999	1998
Composite interest rate on long-term debt	**6.41%**	6.19%	6.14%
Composite preferred stock dividend rate	**6.33%**	6.33%	6.33%
Composite interest rate on preferred securities	**7.75%**	7.75%	7.75%

In 1999, the Company signed an Agreement for Lease and a Lease Agreement with Escatawpa Funding, Limited Partnership ("Escatawpa"), that calls for the Company to design and construct, as agent for Escatawpa, a 1,064 megawatt natural gas combined cycle facility. It is anticipated that the total project will cost approximately $400 million, and upon project completion in mid 2001, the Company intends to lease the facility for an initial term of approximately 10 years. It is anticipated that the annual lease payments will approximate $32 million during the initial term.

Capital Structure

At year-end 2000, the Company's ratio of common equity to total capitalization, excluding long-term debt due within one year, decreased from 50.2 percent in 1999, to 48.1 percent.

Capital Requirements for Construction

The Company's projected construction expenditures for the next three years total $191 million ($62 million in 2001, $60 million in 2002, and $69 million in 2003). The major emphasis within the construction program will be on the upgrade of existing facilities.

Revisions to projected construction expenditures may be necessary because of factors such as changes in business conditions, revised load projections, the availability and cost of capital, changes in environmental regulations, and alternatives such as leasing.

Other Capital Requirements

In addition to the funds required for the Company's construction program, approximately $135 million will be required by the end of 2003 for present sinking fund requirements and maturities of long-term debt. The Company plans to continue, when economically feasible, to retire higher cost debt and preferred stock and replace these obligations with lower-cost capital if market conditions permit.

Environmental Matters

On November 3, 1999, the Environmental Protection Agency (EPA), brought a civil action in the U.S. District Court against Alabama Power Company, Georgia Power Company and the system service company. The complaint alleges violations of the prevention of significant deterioration and new source review provisions of the Clean Air Act with respect to five coal-fired generating facilities in Alabama and Georgia. The civil action requests penalties and injunctive relief, including an order requiring the installation of the best available control technology at the affected units. The EPA concurrently issued to the integrated Southeast utilities a notice of violation related to 10 generating facilities, which includes the five facilities mentioned previously, and the Company's plants Watson and Greene County. In early 2000, the EPA filed a motion to amend its complaint to add the violations alleged in its notice of violation, and to add Gulf Power, Savannah Electric, and the Company as defendants. The complaint and notice of violation are similar to those brought against and issued to several other electric utilities. These complaints and notices of violation allege that the utilities had failed to secure necessary permits or install additional pollution equipment when performing maintenance and construction at coal burning plants constructed or under construction prior to 1978. On August 1, 2000, the U.S. District Court granted Alabama Power's motion to dismiss for lack of jurisdiction in Georgia and granted the system service company's motion to dismiss on the grounds that it neither owned nor operated the generating units involved in the proceedings. On January 12, 2001, the EPA re-filed its claims against Alabama Power in federal district court in Birmingham, Alabama. The EPA did not include SCS in the new complaint. The Company believes that it complied with applicable laws and the EPA's regulations and interpretations in effect at the time the work in question took place. The Clean Air Act authorizes civil penalties of up to $27,500 per day per violation at each generating unit. Prior to January 30, 1997, the penalty was $25,000 per day. An adverse outcome of this matter could require substantial capital expenditures that cannot be determined at this time and possibly require payment of substantial penalties. This could affect future results of operations, cash flows and possibly financial condition unless such costs can be recovered through regulated rates.

In November 1990, the Clean Air Act Amendments of 1990 (Clean Air Act) were signed into law. Title IV of the Clean Air Act -- the acid rain compliance provision of the law -- significantly affected Southern Company. Specific reductions in sulfur dioxide and nitrogen oxide emissions from fossil-fired generating plants were required in two phases. Phase I compliance began in 1995. As a result of a systemwide compliance strategy, some 50 generating units of Southern Company were brought into compliance with Phase I requirements.

Southern Company achieved Phase I sulfur dioxide compliance at the affected plants by switching to low-sulfur coal, which required some equipment upgrades. Construction expenditures for Phase I nitrogen oxide and sulfur dioxide emissions compliance totaled approximately $300 million for Southern Company, including approximately $65 million for the Company.

Phase II sulfur dioxide compliance was required in 2000. Southern Company used emission allowances and fuel switching to comply with Phase II requirements. Also, equipment to control nitrogen oxide emissions was installed on additional system fossil-fired units as necessary to meet Phase II limits and ozone non-attainment requirements for metropolitan Atlanta through 2000. Compliance for Phase II and initial ozone non-attainment requirements increased the Company's total construction expenditures through 2000 by approximately $100 million. Phase II compliance did not have a material impact on the Company.

The Company's ECO Plan is designed to allow recovery of costs of compliance with the Clean Air Act, as well as other environmental statutes and regulations. The MPSC reviews environmental projects and the Company's environmental policy through the ECO Plan. Under the ECO Plan, any increase in the annual revenue requirement is limited to 2 percent of retail revenues. The Company's management believes that the ECO Plan provides for recovery of the Clean Air Act costs. See Note 3 to the financial statements under "Environmental Compliance Overview Plan" for additional information.

A significant portion of costs related to the acid rain and ozone non-attainment provisions of the Clean Air Act is expected to be recovered through existing ratemaking provisions. However, there can be no assurance that all Clean Air Act costs will be recovered.

In July 1997, the EPA revised the national ambient air quality standards for ozone and fine particulate matter. This revision made the standards significantly more stringent. In the subsequent litigation of these standards, the U.S. Supreme Court recently dismissed certain challenges but found the EPA's implementation program for the new ozone standard unlawful and remanded it to the EPA. In addition, the Federal District of Columbia Circuit Court of Appeals will address other legal challenges to these standards in mid-2001. A decision is expected in the spring of 2001. If the standards are eventually upheld, implementation could be required by 2007 to 2010.

In September 1998, the EPA issued the final regional nitrogen oxide reduction rules to the states for implementation. Compliance is required by May 31, 2004. The final rules affect 21 states that at present do not include Mississippi. The EPA is presently evaluating whether or not to bring an additional 15 states including Mississippi, under this regional nitrogen oxide rule.

In December 2000, the EPA completed its utility study for mercury and other hazardous air pollutants (HAPS) and issued a determination that an emission control program for mercury and, perhaps, other HAPS is warranted. The program is to be developed over the next four years under the Maximum Achievable Control Technology (MACT) provisions of the Clean Air Act. This determination is being challenged in the courts. In January 2001, the EPA proposed guidance for the determination of Best Available Retrofit Technology (BART) emission controls under the Regional Haze Regulations. Installation of BART controls would likely be required around 2010. Litigation of the BART rules is probable in the near future.

Implementation of the final state rules for these initiatives could require substantial further reductions in nitrogen oxide, sulfur dioxide, mercury, and other HAPS emissions from fossil-fired generating facilities and other industries in these states. Additional compliance costs and capital expenditures resulting from the implementation of these rules and standards cannot be determined until the results of legal challenges are known, and the states have adopted their final rules. Reviews by the new administration in Washington, D.C. add to the uncertainties associated with BART guidance and the MACT determination for mercury and other HAPS.

The EPA and state environmental regulatory agencies are reviewing and evaluating various matters including: emission control strategies for ozone non-attainment areas; additional controls for hazardous air pollutant emissions; and hazardous waste disposal requirements. The impact of any new standards will depend on the development and implementation of applicable regulations.

The Company must comply with other environmental laws and regulations that cover the handling and disposal of hazardous waste. Under these various laws and regulations, the Company could incur costs to clean up properties currently or previously owned. Upon identifying potential sites, the Company conducts studies, when possible, to determine the extent of any required cleanup costs. Should remediation be determined to be probable, reasonable estimates of costs to clean up such

sites are developed and recognized in the financial statements.

Several major pieces of environmental legislation are being considered for reauthorization or amendment by Congress. These include: the Clean Air Act; the Clean Water Act; the Comprehensive Environmental Response, Compensation, and Liability Act; the Resource Conservation and Recovery Act; and the Endangered Species Act. Changes to these laws could affect many areas of the Company's operations. The full impact of any such changes cannot be determined at this time.

Compliance with possible additional legislation related to global climate change, electromagnetic fields, and other environmental and health concerns could significantly affect the Company. The impact of new legislation -- if any -- will depend on the subsequent development and implementation of applicable regulations. In addition, the potential exists for lawsuits alleging damages caused by electromagnetic fields or other environmental concerns. The likelihood or outcome of such potential lawsuits cannot be determined at this time.

Sources of Capital

To meet short-term cash needs and contingencies, the Company had at December 31, 2000 approximately $7.5 million of cash and cash equivalents and approximately $117 million of unused committed credit agreements. The Company had $56 million of short-term notes payable outstanding at year-end 2000.

It is anticipated that the funds required for construction and other purposes, including compliance with environmental regulations, will be derived from sources similar to those used in the past. These sources were primarily the issuance of first mortgage bonds and preferred securities, in addition to pollution control revenue bonds issued for the Company's benefit by public authorities. The Company also issued unsecured debt in 1998.

The Company has no restrictions on the amounts of unsecured indebtedness it may incur. However, the Company is required to meet certain coverage requirements specified in its mortgage indenture and corporate charter to issue new first mortgage bonds and preferred stock. The Company's coverage ratios are high enough to permit, at present interest rate levels, any foreseeable security sales. The amount of securities which the Company will be permitted to issue in the future will depend upon market conditions and other factors prevailing at that time.

Cautionary Statement Regarding Forward-Looking Information

This Annual Report includes forward-looking statements in addition to historical information. Forward-looking information includes, among other things, statements concerning projected sales growth and scheduled completion of new generation. In some cases, forward-looking statements can be identified by terminology such as "may," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential," or "continue" or the negative of these terms or other comparable terminology. The Company cautions that there are various important factors that could cause actual results to differ materially from those indicated in the forward-looking statements; accordingly, there can be no assurance that such indicated results will be realized. These factors include the impact of recent and future federal and state regulatory change, including legislative and regulatory initiatives regarding deregulation and restructuring of the electric utility industry and also changes in environmental and other laws and regulations to which the Company is subject, as well as changes in application of existing laws and regulations; current and future litigation, including the pending EPA civil action against the Company; the extent and timing of the entry of additional competition in the markets of the Company; potential business strategies, including acquisitions or dispositions of assets or businesses, which cannot be assured to be completed or beneficial; internal restructuring or other restructuring options, that may be pursued by the Company; state and federal rate regulation in the United States; political, legal and economic conditions and developments in the United States; financial market conditions and the results of financing efforts; the impact of fluctuations in commodity prices, interest rates and customer demand; weather and other natural phenomena; the ability of the Company to obtain additional generating capacity at competitive prices; and other factors discussed elsewhere herein and in other reports (including Form 10-K) filed from time to time by the Company with the SEC.

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STATEMENTS OF INCOME

For the Years Ended December 31, 2000, 1999, and 1998
Mississippi Power Company 2000 Annual Report

	2000	1999	1998
		(in thousands)	
Operating Revenues:			
Retail sales	**$498,551**	$469,434	$442,567
Sales for resale --			
Non-affiliates	**145,931**	131,004	121,225
Affiliates	**27,915**	19,446	18,285
Other revenues	**15,205**	13,120	13,054
Total operating revenues	**687,602**	633,004	595,131
Operating Expenses:			
Operation --			
Fuel	**191,127**	172,686	156,539
Purchased power --			
Non-affiliates	**56,082**	40,080	33,872
Affiliates	**51,057**	31,007	36,037
Other	**115,055**	125,291	109,993
Maintenance	**52,750**	47,085	50,404
Depreciation and amortization	**50,275**	49,206	47,450
Taxes other than income taxes	**48,686**	47,893	45,965
Total operating expenses	**565,032**	513,248	480,260
Operating Income	**122,570**	119,756	114,871
Other Income (Expense):			
Interest income	**347**	189	863
Other, net	**(647)**	1,675	2,498
Earnings Before Interest and Income Taxes	**122,270**	121,620	118,232
Interest Expense and Other:			
Interest expense, net	**28,101**	27,969	23,746
Distributions on preferred securities of subsidiary	**2,712**	2,712	2,712
Total interest charges and other, net	**30,813**	30,681	26,458
Earnings Before Income Taxes	**91,457**	90,939	91,774
Income taxes	**34,356**	34,117	34,664
Net Income	**57,101**	56,822	57,110
Dividends on Preferred Stock	**2,129**	2,013	2,005
Net Income After Dividends on Preferred Stock	**$ 54,972**	$ 54,809	$ 55,105

The accompanying notes are an integral part of these statements

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2000, 1999, and 1998
Mississippi Power Company 2000 Annual Report

	2000	1999	1998
		(in thousands)	
Operating Activities:			
Net income	**$ 57,101**	$ 56,822	$ 57,110
Adjustments to reconcile net income to net cash provided from operating activities --			
Depreciation and amortization	**54,638**	53,427	51,517
Deferred income taxes and investment tax credits, net	**752**	(4,143)	11,620
Other, net	**(1,747)**	5,531	(12,175)
Changes in certain current assets and liabilities --			
Receivables, net	**(3,231)**	(39,304)	(5,486)
Fossil fuel stock	**14,577**	(9,379)	(5,767)
Materials and supplies	**(1,056)**	(1,903)	717
Accounts payable	**1,309**	1,391	(389)
Other	**2,952**	14,206	(4,061)
Net cash provided from operating activities	**125,295**	76,648	93,086
Investing Activities:			
Gross property additions	**(81,211)**	(75,888)	(68,231)
Other	**(9,153)**	1,009	(324)
Net cash used for investing activities	**(90,364)**	(74,879)	(68,555)
Financing Activities:			
Increase (decrease) in notes payable, net	**(1,500)**	44,500	13,000
Proceeds --			
Other long-term debt	**100,000**	59,400	103,520
Capital contributions from parent company	**12,659**	2,028	85
Retirements --			
First mortgage bonds	**-**	-	(75,000)
Other long-term debt	**(81,405)**	(50,456)	(13,020)
Preferred stock	**-**	-	(87)
Payment of preferred stock dividends	**(2,129)**	(2,013)	(2,005)
Payment of common stock dividends	**(54,700)**	(56,100)	(51,700)
Other	**(498)**	(282)	(2,429)
Net cash used for financing activities	**(27,573)**	(2,923)	(27,636)
Net Change in Cash and Cash Equivalents	**7,358**	(1,154)	(3,105)
Cash and Cash Equivalents at Beginning of Period	**173**	1,327	4,432
Cash and Cash Equivalents at End of Period	**$ 7,531**	$ 173	$ 1,327
Supplemental Cash Flow Information:			
Cash paid during the period for --			
Interest (net of amount capitalized)	**$30,570**	$25,486	$26,133
Income taxes (net of refunds)	**28,418**	39,729	26,847

The accompanying notes are an integral part of these statements

BALANCE SHEETS
At December 31, 2000 and 1999
Mississippi Power Company 2000 Annual Report

Assets	2000	1999
	(in thousands)	
Current Assets:		
Cash and cash equivalents	$ 7,531	$ 173
Receivables --		
Customer accounts receivable	72,064	61,274
Other accounts and notes receivable	21,843	23,490
Affiliated companies	10,071	16,097
Accumulated provision for uncollectible accounts	(571)	(697)
Fossil fuel stock, at average cost	11,220	25,797
Materials and supplies, at average cost	21,694	20,638
Other	8,320	10,013
Total current assets	152,172	156,785
Property, Plant, and Equipment:		
In service	1,665,879	1,601,399
Less accumulated provision for depreciation	652,891	626,841
	1,012,988	974,558
Construction work in progress	60,951	68,721
Total property, plant, and equipment	1,073,939	1,043,279
Other Property and Investments	2,268	1,389
Deferred Charges and Other Assets:		
Deferred charges related to income taxes	13,860	21,557
Prepaid pension costs	6,724	2,488
Debt expense, being amortized	4,628	4,355
Premium on reacquired debt, being amortized	7,168	8,154
Other	14,312	13,129
Total deferred charges and other assets	46,692	49,683
Total Assets	$1,275,071	$1,251,136

The accompanying notes are an integral part of these balance sheets.

BALANCE SHEETS
At December 31, 2000 and 1999
Mississippi Power Company 2000 Annual Report

Liabilities and Stockholder's Equity	2000	1999
		(in thousands)
Current Liabilities:		
Securities due within one year	$ 20	$ 30,020
Notes payable	56,000	57,500
Accounts payable --		
Affiliated	10,715	17,002
Other	48,146	43,105
Customer deposits	5,274	3,749
Taxes accrued --		
Income taxes	8,769	6,865
Other	36,799	35,534
Interest accrued	4,482	6,733
Vacation pay accrued	5,701	5,218
Other	7,003	7,497
Total current liabilities	182,909	213,223
Long-term debt (See accompanying statements)	370,511	321,802
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	139,909	139,564
Deferred credits related to income taxes	25,603	34,765
Accumulated deferred investment tax credits	23,481	24,695
Employee benefits provisions	34,671	34,268
Workforce reduction plan	9,734	11,272
Other	16,546	12,770
Total deferred credits and other liabilities	249,944	257,334
Company obligated mandatorily redeemable preferred securities of subsidiary trust holding company junior subordinated notes (See accompanying statements)	35,000	35,000
Preferred stock (See accompanying statements)	31,809	31,809
Common stockholder's equity (See accompanying statements)	404,898	391,968
Total Liabilities and Stockholder's Equity	$1,275,071	$1,251,136

The accompanying notes are an integral part of these balance sheets.

STATEMENTS OF CAPITALIZATION
At December 31, 2000 and 1999
Mississippi Power Company 2000 Annual Report

		2000	1999	2000	1999
			(in thousands)	*(percent of total)*	
Long-Term Debt:					
First mortgage bonds --					
Maturity	Interest Rates				
June 1, 2023	7.45%	**$ 35,000**	$ 35,000		
March 1, 2004	6.60%	**35,000**	35,000		
December 1, 2025	6.875%	**30,000**	30,000		
Total first mortgage bonds		**100,000**	100,000		
Long-term notes payable --					
6.05% due May 1, 2003		**35,000**	35,000		
6.75% due June 30, 2038		**53,179**	54,564		
Adjustable rates (6.61% to 6.78% at 1/1/01) due 2000-2002		**100,000**	80,000		
Total long-term notes payable		**188,179**	169,564		
Other long-term debt --					
Pollution control revenue bonds --					
Collateralized:					
5.65% to 5.80% due 2007-2023		-	26,785		
Variable rates (3.90% at 1/1/01) due 2020-2025		-	10,600		
Non-collateralized:					
5.65% to 5.80% due 2007-2023		**26,765**			
Variable rates (3.90% to 5.20% at 1/1/01) due 2020-2028		**56,820**	46,220		
Total other long-term debt		**83,585**	83,605		
Unamortized debt premium (discount), net		**(1,233)**	(1,347)		
Total long-term debt (annual interest requirement -- $23.8 million)		**370,531**	351,822		
Less amount due within one year		**20**	30,020		
Long-term debt excluding amount due within one year		**$370,511**	$321,802	**43.9%**	41.2%

STATEMENTS OF CAPITALIZATION (continued)
At December 31, 2000 and 1999
Mississippi Power Company 2000 Annual Report

	2000	1999	2000	1999
		(in thousands)	*(percent of total)*	
Company Obligated Mandatorily Redeemable Preferred Securities:(Note 8)				
$25 liquidation value -- 7.75%	**$ 35,000**	$ 35,000		
Total (annual distribution requirement -- $2.7 million)	**35,000**	35,000	**4.2**	4.5
Cumulative Preferred Stock:				
$100 par value 4.40% to 7.00%	**31,809**	31,809		
Total (annual dividend requirement -- $2.0 million)	**31,809**	31,809	**3.8**	4.1
Common Stockholder's Equity:				
Common stock, without par value -- Authorized - 1,130,000 shares				
Outstanding - 1,121,000 shares in 2000 and 1999	**37,691**	37,691		
Paid-in capital	**194,161**	181,502		
Premium on preferred stock	**326**	326		
Retained earnings	**172,720**	172,449		
Total common stockholder's equity	**404,898**	391,968	**48.1**	50.2
Total Capitalization	**$842,218**	$780,579	**100.0%**	100.0%

The accompanying notes are an integral part of these statements.

STATEMENTS OF COMMON STOCKHOLDER'S EQUITY

For the Years Ended December 31, 2000, 1999, and 1998
Mississippi Power Company 2000 Annual Report

	Common Stock	Paid-In Capital	Premium on Preferred Stock	Retained Earnings	Total
			(in thousands)		
Balance at January 1, 1998	$37,691	$179,389	$327	$170,417	$387,824
Net income after dividends on preferred stock	-	-	-	55,105	55,105
Capital contributions from parent company	-	85	-	-	85
Cash dividends on common stock	-	-	-	(51,700)	(51,700)
Other	-	-	(1)	(82)	(83)
Balance at December 31, 1998	37,691	179,474	326	173,740	391,231
Net income after dividends on preferred stock	-	-	-	54,809	54,809
Capital contributions from parent company	-	2,028	-	-	2,028
Cash dividends on common stock	-	-	-	(56,100)	(56,100)
Balance at December 31, 1999	37,691	181,502	326	172,449	391,968
Net income after dividends on preferred stock	-	-	-	**54,9[illegible]**	**54,972**
Capital contributions from parent company	-	**12,659**	-	-	**12,659**
Cash dividends on common stock	-	-	-	**(54,700)**	**(54,700)**
Other	-	-	-	**(1)**	**(1)**
Balance at December 31, 2000	**$37,691**	**$194,161**	**$326**	**$172,720**	**$404,898**

The accompanying notes are an integral part of these statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Mississippi Power Company is a wholly owned subsidiary of Southern Company, which is the parent company of five integrated Southeast utilities, a system service company (SCS), Southern Communications Services (Southern LINC), Southern Company Energy Solutions, Southern Nuclear Operating Company (Southern Nuclear), Mirant Corporation -- formerly Southern Energy, Inc. -- and other direct and indirect subsidiaries. The integrated Southeast utilities -- Alabama Power Company, Georgia Power Company, Gulf Power Company, Mississippi Power Company, and Savannah Electric and Power Company -- provide electric service in four states. Contracts among the integrated Southeast utilities -- related to jointly owned generating facilities, interconnecting transmission lines, and the exchange of electric power -- are regulated by the Federal Energy Regulatory Commission (FERC) and/or the Securities and Exchange Commission (SEC). SCS provides, at cost, specialized services to Southern Company and subsidiary companies. Southern LINC provides digital wireless communications services to the integrated Southeast utilities and also markets these services to the public within the Southeast. Southern Company Energy Solutions develops new business opportunities related to energy products and services. Southern Nuclear provides services to Southern Company's nuclear power plants. Mirant acquires, develops, builds, owns, and operates power production and delivery facilities and provides a broad range of energy-related services to utilities and industrial companies in selected countries around the world. Mirant businesses include independent power projects, integrated utilities, a distribution company, and energy trading and marketing businesses outside the southeastern United States.

Southern Company is registered as a holding company under the Public Utility Holding Company Act of 1935 (PUHCA). Both the Company and its subsidiaries are subject to the regulatory provisions of the PUHCA. The Company is also subject to regulation by the FERC and the Mississippi Public Service Commission (MPSC). The Company follows accounting principles generally accepted in the United States and complies with the accounting policies and practices prescribed by the respective commissions. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires the use of estimates, and the actual results may differ from those estimates.

Prior years' data presented in the financial statements have been reclassified to conform with the current year presentation.

Related-Party Transactions

The Company has an agreement with SCS under which the following services are rendered to the Company at cost: general and design engineering, purchasing, accounting and statistical, finance and treasury, tax, information resources, marketing, auditing, insurance and pension administration, human resources, systems and procedures, and other services with respect to business and operations and power pool operations. Costs for these services amounted to $46.2 million, $45.5 million, and $43.9 million during 2000, 1999, and 1998, respectively.

Regulatory Assets and Liabilities

The Company is subject to the provisions of Financial Accounting Standards Board (FASB) Statement No. 71, Accounting for the Effects of Certain Types of Regulation. Regulatory assets represent probable future revenues to the Company associated with certain costs that are expected to be recovered from customers through the ratemaking process. Regulatory liabilities represent probable future reductions in revenues associated with amounts that are expected to be credited to customers through the ratemaking process. Regulatory assets and (liabilities) reflected in the Balance Sheets at December 31 relate to the following:

	2000	1999
	(in thousands)	
Deferred income tax charges	$ 13,860	$ 21,557
Vacation pay	5,701	5,218
Premium on reacquired debt	7,168	8,154
Property damage reserve	(3,519)	(3,082)
Deferred income tax credits	(25,603)	(34,765)
Other, net	(505)	(349)
Total	$ (2,898)	$ (3,267)

In the event that a portion of the Company's operations is no longer subject to the provisions of FASB Statement No. 71, the Company would be required to write off related regulatory assets and liabilities that are not specifically recoverable through regulated rates. In addition, the Company would be required to determine if any impairment to other assets exists, including plant, and write down the assets, if impaired, to their fair value.

Revenues and Fuel Costs

The Company currently operates as a vertically integrated utility providing electricity to retail customers within its traditional service area located within the state of Mississippi, and to wholesale customers in the Southeast.

Revenues are recognized as services are rendered. Unbilled revenues are accrued at the end of each fiscal period. The Company's retail and wholesale rates include provisions to adjust billings for fluctuations in fuel costs, the energy component of purchased power costs, and certain other costs. Retail rates also include provisions to adjust billings for fluctuations in costs for ad valorem taxes and certain qualifying environmental costs. Revenues are adjusted for differences between actual allowable amounts and the amounts included in rates.

The Company has a diversified base of customers. No single customer or industry comprises 10 percent or more of revenues. For all periods presented, uncollectible accounts continued to average less than 1 percent of revenues.

Depreciation

Depreciation of the original cost of plant in service is provided primarily by using composite straight-line rates, which approximated 3.5 percent in 2000 and 3.3 percent in 1999 and 1998. When property subject to depreciation is retired or otherwise disposed of in the normal course of business, its original cost -- together with the cost of removal, less salvage -- is charged to accumulated depreciation. Minor items of property included in the original cost of the plant are retired when the related property unit is retired. Depreciation expense includes an amount for the expected cost of removal of facilities.

Income Taxes

The Company uses the liability method of accounting for deferred income taxes and provides deferred income taxes for all significant income tax temporary differences. Investment tax credits utilized are deferred and amortized to income over the average lives of the related property.

Property, Plant and Equipment

Property, plant, and equipment is stated at original cost. Original cost includes: materials; labor; minor items of property; appropriate administrative and general costs; payroll-related costs such as taxes, pensions, and other benefits; and the estimated cost of funds used during construction, if applicable. The cost of maintenance, repairs, and replacement of minor items of property is charged to maintenance expense except for the maintenance of coal cars and a portion of the railway track maintenance, which are charged to fuel stock. The cost of replacements of property -- exclusive of minor items of property -- is capitalized.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, temporary cash investments are considered cash equivalents. Temporary cash investments are securities with original maturities of 90 days or less.

Financial Instruments

The Company's financial instruments for which the carrying amount did not equal fair value at December 31 were as follows:

	Carrying Amount	Fair Value
	(in millions)	
Long-term debt:		
At December 31, 2000	**$371**	**$362**
At December 31, 1999	$353	$334
Capital trust preferred securities:		
At December 31, 2000	**$35**	**$34**
At December 31, 1999	$35	$30

The fair values for long-term debt and preferred securities were based on either closing market price or closing price of comparable instruments.

Materials and Supplies

Generally, materials and supplies include the cost of transmission, distribution, and generating plant materials. Materials are charged to inventory when purchased and then expensed or capitalized to plant, as appropriate, when used or installed.

Provision for Property Damage

The Company is self-insured for the cost of storm, fire, and other uninsured casualty damage to its property, including transmission and distribution facilities. As permitted by regulatory authorities, the Company accrues for the cost of such damage by charging expense and crediting an accumulated provision. The cost of repairing damage resulting from such events that individually exceed $50 thousand is charged to the accumulated provision. In 1999, an order from the MPSC increased the maximum Property Damage Reserve from $18 million to $23 million and allows an annual accrual of up to $4.6 million. In 2000, the Company provided for such costs by charges to income of $3.5 million. In 1999 and 1998, the Company provided for such costs by charges to income of $4.4 million and $1.5 million, respectively. As of December 31, 2000, the accumulated provision amounted to $3.5 million.

2. RETIREMENT BENEFITS

The Company has defined benefit, trusteed, pension plans that cover substantially all employees. The Company provides certain medical care and life insurance benefits for retired employees. Substantially all these employees may become eligible for such benefits when they retire. The Company funds trusts to the extent deductible under federal income tax regulations or the extent required by regulatory authorities. In late 2000, the Company adopted several pension and postretirement benefits plan changes that had the effect of increasing benefits to both current and future retirees. The effects of these changes will be to increase annual pension and postretirement benefits costs by approximately $1.3 and $0.4 million, respectively. The measurement date for plan assets and obligations is September 30 for each year.

Pension Plan

Changes during the year in the projected benefit obligations and in the fair value of plan assets were as follows:

	Projected Benefit Obligations	
	2000	1999
	(in thousands)	
Balance at beginning of year	**$139,930**	$142,807
Service cost	**4,272**	4,415
Interest cost	**10,196**	9,377
Benefits paid	**(7,593)**	(8,050)
Actuarial gain and employee transfers	**(1,419)**	(8,619)
Balance at end of year	**$145,386**	$139,930

	Plan Assets	
	2000	1999
	(in thousands)	
Balance at beginning of year	**$221,487**	$198,100
Actual return on plan assets	**39,737**	33,216
Benefits paid	**(7,593)**	(8,050)
Employee transfers	**3,017**	(1,779)
Balance at end of year	**$256,648**	$221,487

The accrued pension costs recognized in the Balance Sheets were as follows:

	2000	1999
	(in thousands)	
Funded status	**$111,263**	$ 81,557
Unrecognized transition obligation	**(3,269)**	(3,814)
Unrecognized prior service cost	**4,577**	4,991
Unrecognized net gain	**(105,847)**	(80,246)
Prepaid asset recognized in the Balance Sheets	**$ 6,724**	$ 2,488

Components of the plans' net periodic cost were as follows:

	2000	1999	1998
	(in thousands)		
Service cost	**$ 4,272**	$ 4,415	$ 3,848
Interest cost	**10,196**	9,377	9,613
Expected return on plan assets	**(15,910)**	(14,681)	(13,817)
Recognized net gain	**(2,663)**	(1,721)	(1,956)
Net amortization	**(131)**	(131)	(131)
Net pension income	**$ (4,236)**	$ (2,741)	$(2,443)

Postretirement Benefits

Changes during the year in the accumulated benefit obligations and in the fair value of plan assets were as follows:

	Accumulated Benefit Obligations	
	2000	1999
	(in thousands)	
Balance at beginning of year	**$45,390**	$47,260
Service cost	**830**	982
Interest cost	**3,309**	3,105
Benefits paid	**(2,628)**	(2,256)
Actuarial gain and employee transfers	**(1,949)**	(3,701)
Balance at end of year	**$44,952**	$45,390

	Plan Assets	
	2000	1999
	(in thousands)	
Balance at beginning of year	**$14,998**	$12,779
Actual return on plan assets	**2,511**	1,818
Employer contributions	**2,961**	2,657
Benefits paid	**(2,627)**	(2,256)
Balance at end of year	**$17,843**	$14,998

The accrued postretirement costs recognized in the Balance Sheets were as follows:

	2000	1999
	(in thousands)	
Funded status	**$(27,109)**	$(30,392)
Unrecognized transition obligation	**4,275**	4,621
Unrecognized net gain	**(6,632)**	(3,406)
Fourth quarter contributions	**1,065**	931
Accrued liability recognized in the Balance Sheets	**$(28,401)**	$(28,246)

Components of the plans' net periodic cost were as follows:

	2000	1999	1998
	(in thousands)		
Service cost	**$ 830**	$ 981	$ 806
Interest cost	**3,309**	3,105	3,162
Expected return on plan assets	**(1,235)**	(1,100)	(989)
Net amortization	**346**	346	346
Net postretirement cost	**$3,250**	$ 3,332	$ 3,325

The weighted average rates assumed in the actuarial calculations for both the pension plans and postretirement benefits were:

	2000	1999
Discount	**7.50%**	7.50%
Annual salary increase	**5.00**	5.00
Long-term return on plan assets	**8.50**	8.50

An additional assumption used in measuring the accumulated postretirement benefit obligation was a weighted average medical care cost trend rate of 7.29 percent for 2000, decreasing gradually to 5.50 percent through the year 2005 and remaining at that level thereafter. An annual increase or decrease in the assumed medical care cost trend rate of 1 percent would affect the accumulated benefit obligation and the service and interest cost components at December 31, 2000 as follows:

	1 Percent Increase	1 Percent Decrease
	(in thousands)	
Benefit obligation	**$2,669**	$2,396
Service and interest costs	**242**	215

Workforce Reduction Program

In 1997, approximately one hundred employees of the Company accepted the terms of a workforce reduction plan. The cost incurred in connection with this voluntary plan was approximately $18 million. The MPSC approved the deferral and amortization of these program costs over a period not to exceed 60 months beginning no later than July 1998. As of December 31, 1999, the cost was fully amortized.

Employee Savings Plan

The Company also sponsors a 401(k) defined contribution plan covering substantially all employees. The Company provides a 75 percent matching contribution up to 6 percent of an employee's base salary. Total matching contributions made to the plan for the years 2000, 1999, and 1998 were $2.3 million, $2.2 million, and $2.1 million, respectively.

3. LITIGATION AND REGULATORY MATTERS

Environmental Litigation

On November 3, 1999, the Environmental Protection Agency (EPA) brought a civil action in the U.S. District Court against Alabama Power Company, Georgia Power Company and SCS. The complaint alleges violations of the prevention of significant deterioration and new source review provisions of the Clean Air Act with respect to five coal-fired generating facilities in Alabama and Georgia. The civil action requests penalties and injunctive relief, including an order requiring the installation of the best available control technology at the affected units. The Clean Air Act authorizes civil penalties of up to $27,500 per day per violation at each generating unit. Prior to January 30, 1997, the penalty was $25,000 per day.

The EPA concurrently issued to the integrated Southeast utilities a notice of violation related to 10 generating facilities, which includes the five facilities mentioned previously, and the Company's plants Watson and Greene County. In early 2000, the EPA filed a motion to amend its complaint to add the violations alleged in its notice of violation, and to add Gulf Power, Savannah Electric and the Company as defendants. The complaint and notice of violation are similar to those brought against and issued to several other electric utilities. These complaints and notices of violation allege that the utilities had failed to secure necessary permits or install additional pollution equipment when performing maintenance and construction at coal burning plants constructed or under construction prior to 1978. On August, 1, 2000, the U.S. District Court granted Alabama Power's motion to dismiss for lack of jurisdiction in Georgia and granted SCS's motion to dismiss on the grounds that it neither owned nor operated the generating units involved in the proceedings. On January 12, 2001, the EPA re-filed its claims against Alabama Power in federal district court in Birmingham, Alabama. The EPA did not include SCS in the new complaint. The Company believes that it complied with applicable laws and the EPA's regulations and interpretations in effect at the time the work in question took place. An adverse outcome of this matter could require substantial capital expenditures that cannot be determined at this time and possibly require payment of substantial penalties. This could affect future results of operations, cash flows and possibly financial condition unless such costs can be recovered through regulated rates.

Retail Rate Adjustment Plans

The Company's retail base rates are set under a Performance Evaluation Plan (PEP) approved by the MPSC in 1994. PEP was designed with the objective that the plan would reduce the impact of rate changes on the customer and provide incentives for the Company to keep customer prices low. PEP includes a mechanism for sharing rate adjustments based on the Company's ability to maintain low rates for customers and on the Company's performance as measured by three indicators that

emphasize price and service to the customer. PEP provides for semiannual evaluations of the Company's performance-based return on investment. Any change in rates is limited to 2 percent of retail revenues per evaluation period. PEP will remain in effect until the MPSC modifies or terminates the plan. There were no PEP retail revenue changes for 2000, 1999, or 1998.

Environmental Compliance Overview Plan

The MPSC approved the Company's Environmental Compliance Overview Plan (ECO Plan) in 1992. The ECO Plan establishes procedures to facilitate the MPSC's overview of the Company's environmental strategy and provides for recovery of costs (including costs of capital) associated with environmental projects approved by the MPSC. Under the ECO Plan, any increase in the annual revenue requirement is limited to 2 percent of retail revenues. However, the ECO Plan also provides for carryover of any amount over the 2 percent limit into the next year's revenue requirement. The Company conducts studies, when possible, to determine the extent of any required environmental remediation. Should such remediation be determined to be probable, reasonable estimates of costs to clean up such sites are developed and recognized in the financial statements. The Company recovers such costs under the ECO Plan as they are incurred, as provided for in the Company's 1995 ECO Plan Order. The Company filed its 2001 ECO Plan in January and, if approved as filed, it will result in a slight increase in customer prices.

Approval for New Capacity

In January 1998, the Company was granted a Certificate of Public Convenience and Necessity by the MPSC to build approximately 1,064 megawatts of combined cycle generation at the Company's Plant Daniel site, to be placed in service by June 2001. In December 1998, the Company requested approval to transfer the ownership rights under the certificate to Escatawpa Funding, Limited Partnership ("Escatawpa"), which will lease the facility to the Company (see Note 4, Financing and Commitments). In September 2000, the Company and the Mississippi Public Utilities Staff entered, and the MPSC in October 2000 approved, a new stipulation that modifies a January 1999 stipulation and order covering cost allocation. The 1999 stipulation and MPSC order would have excluded the new capacity from retail ratebase and would have assigned the Company's existing generating facilities entirely to the retail jurisdiction. The new stipulation and MPSC order allocates a pro-rata share of the new capacity along with the Company's existing generating capacity to the retail jurisdiction.

4. FINANCING AND COMMITMENTS

Construction Program

The Company is engaged in continuous construction programs, the costs of which are currently estimated to total $62 million in 2001, $60 million in 2002, and $69 million in 2003. The construction program is subject to periodic review and revision, and actual construction costs may vary from the above estimates because of numerous factors. These factors include changes in business conditions; revised load growth estimates; changes in environmental regulations; increasing costs of labor, equipment and materials; and cost of capital. Significant construction will continue related to transmission and distribution facilities, and the upgrading of generating plants.

Financing

In 1999, the Company signed an Agreement for Lease and a Lease Agreement with Escatawpa, that calls for the Company to design and construct, as agent for Escatawpa, a 1,064 megawatt natural gas combined cycle facility. It is anticipated that the total project will cost approximately $400 million, and upon project completion in mid 2001, the Company intends to lease the facility for an initial term of approximately 10 years. It is anticipated that the annual lease payments will approximate $32 million during the initial term.

Bank Credit Arrangements

At December 31, 2000, the Company had total committed credit agreements with banks for approximately $117 million. At year-end 2000, the unused portion of these committed credit agreements was approximately $117 million. These credit agreements expire at various dates in 2001. Some of these agreements allow short-term borrowings to be converted into term loans, payable in 12 equal quarterly installments, with the first installment due at the end of the first calendar quarter after the applicable termination date or at an earlier date at the Company's option. In connection with these credit arrangements, the Company agrees to pay commitment fees based on the

unused portions of the commitments or to maintain compensating balances with the banks. At December 31, 2000, the Company had $56 million of short-term borrowings outstanding.

Assets Subject to Lien

The Company's mortgage indenture dated as of September 1, 1941, as amended and supplemented, which secures the first mortgage bonds issued by the Company, constitutes a direct first lien on substantially all of the Company's fixed property and franchises.

Lease Agreements

In 1984, the Company and Entergy Corp. (formerly Gulf States Utilities) entered into a forty-year transmission facilities agreement whereby Entergy began paying a use fee to the Company covering all expenses relative to ownership and operation and maintenance of a 500 kV line, including amortization of its original $57 million cost. For the three years ended 2000, use fees collected under this agreement, net of related expenses, amounted to approximately $3 million each year, and are included within Other Income in the Statements of Income.

In 1989, the Company entered into a twenty-two year operating lease agreement for the use of 495 aluminum railcars. In 1994, a second lease agreement for the use of 250 additional aluminum railcars was also entered into for twenty-two years. The Company has the option to purchase the 745 railcars at the greater of lease termination value or fair market value, or to renew the leases at the end of the lease term. In 1997, a third lease agreement for the use of 360 railcars was also entered into for three years, with a monthly renewal option for up to an additional nine months. All of these leases, totaling 1,105 railcars, were for the transport of coal to Plant Daniel.

Gulf Power, as joint owner of Plant Daniel, is responsible for one half of the lease cost. The Company's share (50%) of the leases, charged to fuel stock, was $2.1 million in 2000, $2.8 million in 1999, and $2.8 million in 1998. The Company's annual lease payments for 2001 through 2005 will average approximately $2.0 million and after 2005, lease payments total in aggregate approximately $14 million.

Fuel

To supply a portion of the fuel requirements of its generating plants, the Company has entered into various long-term commitments for the procurement of fuel. In most cases, these contracts contain provisions for price escalations, minimum production levels, and other financial commitments.

Total estimated obligations at December 31, 2000 were as follows:

Year	Fuel (in millions)
2001	$ 294
2002	332
2003	313
2004	137
2005	[redacted] 95
2006 - 2024	131
Total commitments	$1,302

Additional commitments for fuel will be required in the future to supply the Company's fuel needs.

5. JOINT OWNERSHIP AGREEMENTS

The Company and Alabama Power own as tenants in common Units 1 and 2 at Plant Greene County located in Alabama. Additionally, the Company and Gulf Power own as tenants in common Units 1 and 2 at Plant Daniel located in Mississippi.

At December 31, 2000, the Company's percentage ownership and investment in these jointly owned facilities were as follows:

Generating Plant	Total Capacity (Megawatts)	Percent Ownership	Company's Gross Investment (in thousands)	Accumulated Depreciation (in thousands)
Greene County Units 1 and 2	500	40%	$63,346	$32,762
Daniel Units 1 and 2	1,000	50%	$230,853	$115,472

The Company's share of plant operating expenses is included in the corresponding operating expenses in the Statements of Income.

6. LONG-TERM CAPACITY SALES AND LEASE AGREEMENTS

The Company and the other utility affiliates of Southern Company have long-term contractual agreements for the sale of capacity and energy to certain non-affiliated utilities located outside the system's service area. Because the energy is generally sold at cost under these agreements, profitability is primarily affected by revenues from capacity sales. The Company's capacity revenues under these agreements were not material during the periods reported.

During 2000, the Company entered into a 10 year capacity lease that begins in mid 2001. The minimum capacity lease revenue that the Company will receive will average approximately $21 million per year over the 10 year period.

7. INCOME TAXES

At December 31, 2000, the tax-related regulatory assets and liabilities were $14 million and $26 million, respectively. These assets are attributable to tax benefits flowed through to customers in prior years and to taxes applicable to capitalized interest. These liabilities are attributable to deferred taxes previously recognized at rates higher than current enacted tax law and to unamortized investment tax credits.

Details of the federal and state income tax provisions are shown below:

	2000	1999	1998
		(in thousands)	
Total provision for income taxes			
Federal --			
Current	**$28,934**	$33,379	$20,500
Deferred	**622**	(3,973)	9,442
	29,556	29,406	29,942
State --			
Current	**4,670**	4,881	2,544
Deferred	**130**	(170)	2,178
	4,800	4,711	4,722
Total	**$34,356**	$34,117	$34,664

The tax effects of temporary differences between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases, which give rise t deferred tax assets and liabilities are as follows:

	2000	1999
		(in thousands)
Deferred tax liabilities:		
Accelerated depreciation	**$151,278**	$154,698
Basis differences	**8,559**	8,967
Other	**24,136**	23,108
Total	**183,973**	186,773
Deferred tax assets:		
Other property basis differences	**17,147**	21,003
Pension and other benefits	**9,528**	9,608
Property insurance	**3,558**	3,419
Unbilled fuel	**5,727**	4,846
Other	**9[illegible]**	11,071
Total	**45,629**	49,947
Net deferred tax liabilities	**138,344**	136,826
Portion included in current assets, net	**1,565**	2,738
Accumulated deferred income taxes in the Balance Sheets	**$139,909**	$139,564

Deferred investment tax credits are amortized over the lives of the related property with such amortization normally applied as a credit to reduce depreciation in the Statements of Income. Credits amortized in this manner amounted to $1.2 million in 2000, 1999, and 1998. At December 31, 2000, all investment tax credits available to reduce federal income taxes payable had been utilized.

A reconciliation of the federal statutory income tax rate to the effective income tax rate is as follows:

	2000	1999	1998
Federal statutory rate	**35.0%**	35.0%	35.0
State income tax, net of federal deduction	**3.4**	3.4	3.3
Non-deductible book depreciation	**.6**	.7	.5
Other	**(1.5)**	(1.6)	(1.0
Effective income tax rate	**37.5%**	37.5%	37.8

Southern Company files a consolidated federal income tax return. Under a joint consolidated income tax agreement, each subsidiary's current and deferred tax expense is computed on a stand-alone basis.

8. COMPANY OBLIGATED MANDATORILY REDEEMABLE PREFERRED SECURITIES

In February 1997, Mississippi Power Capital Trust I (Trust I), of which the Company owns all the common securities, issued $35 million of 7.75 percent mandatorily redeemable preferred securities. Substantially all of the assets of Trust I are $36 million aggregate principal amount of the Company's 7.75 percent junior subordinated notes due February 15, 2037.

The Company considers that the mechanisms and obligations relating to the preferred securities, taken together, constitute a full and unconditional guarantee by the Company of the Trusts' payment obligations with respect to the preferred securities.

Trust I is a subsidiary of the Company, and accordingly is consolidated in the Company's financial statements.

9. LONG-TERM DEBT DUE WITHIN ONE YEAR

A summary of the improvement fund requirements and scheduled maturities and redemptions of long-term debt due within one year is as follows:

	2000	1999
	(in thousands)	
Bond improvement fund requirement	**$1,000**	$1,000
Less: Portion to be satisfied by certifying property additions	**1,000**	1,000
Cash sinking fund requirement	**-**	-
Current portion of other long-term debt	**-**	30,000
Pollution control bond cash sinking fund requirements	**20**	20
Total	**$20**	$30,020

The first mortgage bond improvement fund requirement is one percent of each outstanding series authenticated under the indenture of the Company prior to January 1 of each year, other than first mortgage bonds issued as collateral security for certain pollution control obligations. The requirement must be satisfied by June 1 of each year by depositing cash or reacquiring bonds, or by pledging additional property equal to 166-2/3 percent of such requirement.

10. COMMON STOCK DIVIDEND RESTRICTIONS

The Company's first mortgage bond indenture and the corporate charter contain various common stock dividend restrictions. At December 31, 2000, approximately $118 million of retained earnings was restricted against the payment of cash dividends on common stock under the most restrictive terms of the mortgage indenture or corporate charter.

11. QUARTERLY FINANCIAL DATA (UNAUDITED)

Summarized quarterly financial data for 2000 and 1999 are as follows:

Quarter Ended	Operating Revenues	Operating Income	Net Income After Dividends On Preferred Stock
		(in thousands)	
March 2000	**$134,705**	**$18,593**	**$6,722**
June 2000	**176,028**	**28,130**	**12,232**
September 2000	**220,119**	**53,943**	**28,762**
December 2000	**156,750**	**21,904**	**7,256**
March 1999	$122,435	$18,122	$7,193
June 1999	158,590	31,289	14,953
September 1999	201,594	51,609	27,313
December 1999	150,385	18,736	5,350

The Company's business is influenced by seasonal weather conditions and the timing of rate changes.

SELECTED FINANCIAL AND OPERATING DATA 1996-2000

Mississippi Power Company 2000 Annual Report

	2000	1999	1998	1997	1996
Operating Revenues (in thousands)*	**$687,602**	$633,004	$595,131	$543,588	$544,029
Net Income after Dividends on Preferred Stock (in thousands)	**$54,972**	$54,809	$55,105	$54,010	$52,723
Cash Dividends on Common Stock (in thousands)	**$54,700**	$56,100	$51,700	$49,400	$43,900
Return on Average Common Equity (percent)	**13.80**	14.00	14.15	14.00	13.90
Total Assets (in thousands)	**$1,275,071**	$1,251,136	$1,189,605	$1,166,829	$1,142,327
Gross Property Additions (in thousands)	**$81,211**	$75,888	$68,231	$55,375	$61,314
Capitalization (in thousands):					
Common stock equity	**$404,898**	$391,968	$391,231	$387,824	$383,734
Preferred stock	**31,809**	31,809	31,809	31,896	74,414
Company obligated mandatorily redeemable preferred securities	**35,000**	35,000	35,000	35,000	-
Long-term debt	**370,511**	321,802	292,744	291,665	326,379
Total (excluding amounts due within one year)	**$842,218**	$780,579	$750,784	$746,385	$784,527
Capitalization Ratios (percent):					
Common stock equity	**48.1**	50.2	52.1	52.0	48.9
Preferred stock	**3.8**	4.1	4.2	4.3	9.5
Company obligated mandatorily redeemable preferred securities	**4.2**	4.5	4.7	4.7	-
Long-term debt	**43.9**	41.2	39.0	39.0	41.6
Total (excluding amounts due within one year)	**100.0**	100.0	100.0	100.0	100.0
Security Ratings:					
First Mortgage Bonds -					
Moody's	**Aa3**	Aa3	Aa3	Aa3	Aa3
Standard and Poor's	**A+**	AA-	AA-	AA-	A+
Fitch	**AA-**	AA-	AA-	AA-	AA-
Preferred Stock -					
Moody's	**a1**	a1	a1	a1	a1
Standard and Poor's	**BBB+**	A-	A	A	A
Fitch	**A**	A	A+	A+	A+
Customers (year-end):					
Residential	**158,253**	157,592	156,530	156,650	154,630
Commercial	**32,372**	31,837	31,319	31,667	30,366
Industrial	**517**	546	587	642	639
Other	**206**	202	200	200	200
Total	**191,348**	190,177	188,636	189,159	185,835
Employees (year-end):	**1,319**	1,328	1,230	1,245	1,361

* 1999 data includes the true-up of the unbilled revenue estimates.

SELECTED FINANCIAL AND OPERATING DATA 1996-2000 (continued)

Mississippi Power Company 2000 Annual Report

	2000	1999	1998	1997	1996
Operating Revenues (in thousands)*:					
Residential	**$ 170,729**	$159,945	$157,642	$138,608	$137,055
Commercial	**163,552**	153,936	145,677	134,208	131,734
Industrial	**159,705**	151,244	135,039	140,233	141,324
Other	**4,565**	4,309	4,209	4,193	4,013
Total retail	**498,551**	469,434	442,567	417,242	414,126
Sales for resale - non-affiliates	**145,931**	131,004	121,225	105,141	99,596
Sales for resale - affiliates	**27,915**	19,446	18,285	10,143	21,830
Total revenues from sales of electricity	**672,397**	619,884	582,077	532,526	535,552
Other revenues	**15,205**	13,120	13,054	11,062	8,477
Total	**$687,602**	$633,004	$595,131	$543,588	$544,029
Kilowatt-Hour Sales (in thousands)*:					
Residential	**2,286,143**	2,248,255	2,248,915	2,039,042	2,079,611
Commercial	**2,883,197**	2,847,342	2,623,276	2,407,520	2,315,860
Industrial	**4,376,171**	4,407,445	3,729,166	3,981,875	3,960,243
Other	**41,153**	40,091	39,772	40,508	39,297
Total retail	**9,586,664**	9,543,133	8,641,129	8,468,945	8,395,011
Sales for resale - non-affiliates	**3,674,621**	3,256,175	3,157,837	2,895,182	2,726,993
Sales for resale - affiliates	**452,611**	539,939	552,142	478,884	693,510
Total	**13,713,896**	13,339,247	12,351,108	11,843,011	11,815,514
Average Revenue Per Kilowatt-Hour (cents)*:					
Residential	**7.47**	7.11	7.01	6.80	6.59
Commercial	**5.67**	5.41	5.55	5.57	5.69
Industrial	**3.65**	3.43	3.62	3.52	3.57
Total retail	**5.20**	4.92	5.12	4.93	4.93
Sales for resale	**4.21**	3.96	3.76	3.42	3.55
Total sales	**4.90**	4.65	4.71	4.50	4.53
Residential Average Annual Kilowatt-Hour Use Per Customer *	**14,445**	14,301	14,376	13,132	13,469
Residential Average Annual Revenue Per Customer *	**$1,078.76**	$1,017.42	$1,007.68	$892.68	$887.66
Plant Nameplate Capacity Ratings (year-end) (megawatts)	**2,086**	2,086	2,086	2,086	2,086
Maximum Peak-Hour Demand (megawatts):					
Winter	**2,305**	2,125	1,740	1,922	2,030
Summer	**2,593**	2,439	2,339	2,209	2,117
Annual Load Factor (percent)	**59.3**	59.6	58.0	59.1	60.7
Plant Availability Fossil-Steam (percent):	**92.6**	91.0	90.0	92.4	91.8
Source of Energy Supply (percent):					
Coal	**67.8**	69.4	66.5	70.5	70.4
Oil and gas	**13.5**	15.9	14.5	12.5	12.0
Purchased power -					
From non-affiliates	**7.7**	6.2	8.0	3.0	6.5
From affiliates	**11.0**	8.5	11.0	14.0	11.1
Total	**100.0**	100.0	100.0	100.0	100.0

* 1999 data includes the true-up of the unbilled revenue estimates.

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SAVANNAH ELECTRIC AND POWER COMPANY

FINANCIAL SECTION

MANAGEMENT'S REPORT

Savannah Electric and Power Company 2000 Annual Report

The management of Savannah Electric and Power Company has prepared--and is responsible for--the financial statements and related information included in this report. These statements were prepared in accordance with accounting principles generally accepted in the United States and necessarily include amounts that are based on the best estimates and judgments of management. Financial information throughout this annual report is consistent with the financial statements.

The Company maintains a system of internal accounting controls to provide reasonable assurance that assets are safeguarded and that accounting records reflect only authorized transactions of the Company. Limitations exist in any system of internal controls, however, based on a recognition that the cost of the system should not exceed its benefits. The Company believes its system of internal accounting controls maintains an appropriate cost/benefit relationship.

The Company's system of internal accounting controls is evaluated on an ongoing basis by the Company's internal audit staff. The Company's independent public accountants also consider certain elements of the internal control system in order to determine their auditing procedures for the purpose of expressing an opinion on the financial statements.

The audit committee of the board of directors, composed of five independent directors who are not employees, provides a broad overview of management's financial reporting and control functions. Periodically, this committee meets with management, the internal auditors and the independent public accountants to ensure that these groups are fulfilling their obligations and to discuss auditing, internal controls and financial reporting matters. The internal auditors and the independent public accountants have access to the members of the audit committee at any time.

Management believes that its policies and procedures provide reasonable assurance that the Company's operations are conducted according to a high standard of business ethics.

In management's opinion, the financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of Savannah Electric and Power Company in conformity with accounting principles generally accepted in the United States.

G. Edison Holland, Jr.
President
and Chief Executive Officer

K. R. Willis
Vice President,
Treasurer, Chief Financial Officer
and Assistant Secretary

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Savannah Electric and Power Company:

We have audited the accompanying balance sheets and statements of capitalization of Savannah Electric and Power Company (a Georgia corporation and a wholly owned subsidiary of Southern Company) as of December 31, 2000 and 1999, and the related statements of income, common stockholder's equity, and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements (pages II-179 through II-193) referred to above present fairly, in all material respects, the financial position of Savannah Electric and Power Company as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Arthur Andersen LLP

Atlanta, Georgia
February 28, 2001

RESULTS OF OPERATIONS

Earnings

Savannah Electric and Power Company's net income after dividends on preferred stock for 2000 totaled $23.0 million, representing no significant change from the prior year.

In 1999, earnings were $23.1 million, representing a $0.6 million, or 2.4 percent decrease from the prior year. This was principally due to lower non-operating revenues.

Revenues

Total operating revenues for 2000 were $295.7 million, reflecting a 17.5 percent increase when compared to 1999. The following table summarizes the factors affecting operating revenues for the past two years:

	Amount 2000	Increase (Decrease) From Prior Year 2000	1999
		(in thousands)	
Retail --			
Base Revenues	$161,807	$ 9,272	$ 376
Fuel cost recovery and other	120,815	31,085	(438)
Total retail	282,622	40,357	(62)
Sales for resale --			
Non-affiliates	4,748	1,353	(1,153)
Affiliates	4,974	823	1,135
Total sales for resale	9,722	2,176	(18)
Other operating revenues	3,374	1,591	(2,781)
Total operating revenues	$295,718	$44,124	$(2,861)
Percent change		17.5%	(1.1)%

Retail revenues increased 16.7 percent or $40.4 million in 2000 as compared to 1999. The primary contributors to the increase were continued growth in the Company's service territory, the positive impact of weather on energy sales, and an increase in fuel revenues.

Electric rates include provisions to adjust billings for fluctuations in fuel costs, the energy component of purchased power costs, and certain other costs. Under these fuel recovery provisions, fuel revenues generally equal fuel expenses--including the fuel component of purchased energy--and do not affect net income. However, cash flow is affected by the economic loss from untimely recovery of these receivables. The Company currently plans to make a filing with the Georgia Public Service Commission (GPSC) in early 2001 to establish a new fuel rate in order to better reflect current fuel cost and to collect the current under-recovered balance.

Revenues from sales to utilities outside the service area under long-term contracts consist of capacity and energy components. Revenues from these sales were not material to the financial statements.

Sales to affiliated companies within the Southern electric system vary from year to year depending on demand and the availability and cost of generating resources at each company. These energy sales do not have a significant impact on earnings.

Energy Sales

Changes in revenues are influenced heavily by the amount of energy sold each year. Kilowatt-hour (KWH) sales for 2000 and the percent change by year were as follows:

	KWH 2000 (in millions)	Percent Change 2000	1999
Residential	1,671	5.8%	2.6%
Commercial	1,369	6.3	4.2
Industrial	800	12.2	(20.7)
Other	137	2.5	1.1
Total retail	3,977	7.1	(2.5)
Sales for resale --			
Non-affiliates	77	50.3	(3.3)
Affiliates	89	15.1	31.8
Total	4,143	7.8%	(2.0)%

Total retail energy sales in 2000 reflected increases in all customer classes. Industrial energy sales increased 12.2 percent reflecting the re-opening of an industrial facility under new ownership. Residential and commercial sales also increased reflecting weather related demand and customer growth.

In 1999, total retail energy sales were down by 2.5 percent from the prior year reflecting reduced energy sales of 20.7 percent to industrial customers due to the

shut-down of one industrial customer's facilities in late 1998 and completed construction of a steam turbine unit by another industrial customer. These reductions were partially mitigated by increased energy sales of 2.6 percent and 4.2 percent to residential and commercial customers, respectively.

Expenses

Total operating expenses for 2000 were $245.0 million, an increase of $42.0 million from the prior year due primarily to increases in purchased power from both affiliates and non-affiliates and generation fuel expense. The increase in fuel expense is attributable to an increase in generation and higher fuel costs. Purchased power increased due principally to higher energy costs. Other operation expense was higher reflecting increased benefit expenses. Maintenance expense increased from 1999 reflecting higher power delivery and power generation maintenance costs to support improved customer reliability and unit availability, respectively. Depreciation and amortization increased reflecting additional depreciation charges related to the GPSC accounting order. See Note 3 to the financial statements for additional information on the GPSC's 1998 accounting order.

In 1999, total operating expenses were $203.0 million reflecting a slight increase of $1.4 million from the prior year. This increase was due primarily to increases in purchased power from non-affiliates and depreciation and amortization. Purchased power from non-affiliates increased due principally to higher demand for energy and increased costs associated with these power purchases. Depreciation and amortization increased reflecting additional depreciation charges related to the GPSC's accounting order.

Fuel and purchased power costs constitute the single largest expense for the Company. The mix of energy supply is determined primarily by system load, the unit cost of fuel consumed, and the availability of units.

The amount and sources of energy supply and the total average cost of energy supply were as follows:

	2000	1999	1998
Total energy supply (millions of KWHs)	**4,286**	4,039	4,182
Sources of energy supply (percent) --			
Coal	**52**	45	42
Oil	**2**	2	1
Gas	**5**	10	12
Purchased Power	**41**	43	45
Total average cost of energy supply (cents)	**3.09**	2.44	2.35

Effects of Inflation

The Company is subject to rate regulation and income tax laws that are based on the recovery of historical costs. Therefore, inflation creates an economic loss because the Company is recovering its costs of investments in dollars that have less purchasing power. While the inflation rate has been relatively low in recent years, it continues to have an adverse effect on the Company because of the large investment in utility plant with long economic lives. Conventional accounting for historical cost does not recognize this economic loss nor the partially offsetting gain that arises through financing facilities with fixed-money obligations such as long-term debt and trust preferred securities. Any recognition of inflation by regulatory authorities is reflected in the rate of return allowed.

Future Earnings Potential

The results of operations for the past three years are not necessarily indicative of future earnings potential. The level of future earnings depends on numerous factors ranging from energy sales growth to a less regulated, more competitive environment.

The Company currently operates as a vertically integrated utility providing electricity to customers within the traditional service area of southeastern Georgia. Prices for electricity provided by the Company to retail customers are set by the GPSC. Prices for electricity relating to jointly owned generating facilities, interconnecting transmission lines, and the exchange of electric power are set by the Federal Energy Regulatory Commission (FERC).

Future earnings in the near term will depend upon growth in energy sales, which is subject to a number of factors. These factors include weather, competition, new short and long-term contracts with neighboring utilities, energy conservation practiced by customers, the elasticity of demand, and the rate of economic growth in the Company's service area.

Georgia Power is currently constructing two 566 megawatt combined cycle units at Plant Wansley to begin operation in 2002. The GPSC has certified the Company's purchase of capacity from these units to serve its retail customers for approximately seven years.

The electric utility industry in the United States is currently undergoing a period of dramatic change as a result of regulatory and competitive factors. Among the primary agents of change has been the Energy Policy Act of 1992 (Energy Act). The Energy Act allows independent power producers (IPPs) to access the Company's transmission network in order to sell electricity to other utilities. This enhances the incentive for IPPs to build cogeneration plants for industrial and commercial customers and sell energy generation to other utilities. Also, electricity sales for resale rates are affected by wholesale transmission access and numerous potential new energy suppliers, including power marketers and brokers. The Company is positioning the business to meet the challenge of this major change in the traditional practice of selling electricity.

Although the Energy Act does not permit retail customer access, it was a major catalyst for the current restructuring and consolidation taking place within the utility industry. Numerous federal and state initiatives are in varying stages to promote wholesale and retail competition. Among other things, these initiatives allow customers to choose their electricity provider. As these initiatives materialize, the structure of the utility industry could radically change. Some states have approved initiatives that result in a separation of the ownership and/or operation of generating facilities from the ownership and/or operation of transmission and distribution facilities. While the GPSC has held workshops to discuss retail competition and industry restructuring, there has been no proposed or enacted legislation to date in Georgia. Enactment would require numerous issues to be resolved, including significant ones relating to transmission pricing and recovery of costs. The GPSC continues its assessment of the range of potential stranded costs. The inability of the Company to recover its investments, including the regulatory assets described in Note 1 to the financial statements, could have a material adverse effect on the financial condition and results of operation. The Company is attempting to minimize or reduce its cost exposure.

Continuing to be a low-cost producer could provide opportunities to increase market share and profitability in markets that evolve with changing regulation. Conversely, if the Company does not remain a low-cost producer and provide quality service, then energy sales growth could be limited, and this could significantly erode earnings.

Rates to retail customers served by the Company are regulated by the GPSC. As part of the Company's rate settlement in 1992, it was informally agreed that the Company's earned rate of return on common equity should be 12.95 percent. In 1998, the GPSC issued a four-year accounting order settling its review of the Company's earnings. See Note 3 to the financial statements for additional information.

On December 20, 1999, FERC issued its final rule on Regional Transmission Organizations (RTOs). The order encouraged utilities owning transmission systems to form RTOs on a voluntary basis. After participating in regional conferences with customers and other members of the public to discuss the formation of RTOs, utilities were required to make a filing. On October 16, 2000, Southern Company and its integrated utility subsidiaries, including the Company, filed with FERC a proposal for the creation of an RTO. The proposal is for the formation of a for-profit company that would have control of the bulk power transmission system of Southern Company and any other participating utilities. Participants would have the option to maintain their ownership, ~~divest~~, sell, or lease their assets to the proposed RTO. If the FERC accepts the proposal as filed, the creation of an RTO is not expected to have a material impact on Southern Company's financial statements. The outcome of this matter cannot now be determined.

The Energy Act amended the Public Utility Holding Company Act of 1935 (PUCHA) to allow holding companies to form exempt wholesale generators to sell power largely free of regulation under PUCHA. These entities are able to own and operate power generating

facilities and sell power to affiliates--under certain restrictions.

Southern Company is aggressively working to maintain and expand its share of wholesale sales in the southeastern power markets. In January 2001, Southern Company announced formation of a new subsidiary--Southern Power Company. The new subsidiary will own, manage, and finance wholesale generating assets in the Southeast. Energy from its assets will be marketed to wholesale customers under the Southern Company name.

Compliance costs related to current and future environmental laws and regulations could affect earnings if such costs are not fully recovered. The Clean Air Act and other important environmental items are discussed under "Environmental Matters."

The Company is subject to the provisions of Financial Accounting Standards Board (FASB) Statement No. 71, Accounting for the Effects of Certain Types of Regulation. In the event that a portion of the Company's operations is no longer subject to these provisions, the Company would be required to write off related regulatory assets and liabilities that are not specifically recoverable, and determine if any other assets have been impaired. See Note 1 to the financial statements under "Regulatory Assets and Liabilities" for additional information.

New Accounting Standard

In June 2000, FASB issued Statement No. 138, an amendment of Statement No. 133, Accounting for Derivative Instruments and Hedging Activities. Statement No. 133, as amended, establishes accounting and reporting standards for derivative instruments and for hedging activities. Statement No. 133 requires that certain derivative instruments be recorded in the balance sheet as either an asset or liability measured at fair value, and that changes in the fair value be recognized currently in earnings unless specific hedge accounting criteria are met.

The Company enters into commodity related forward contracts to limit exposure to changing prices on electricity purchases and sales.

Substantially all of the Company's bulk energy purchases and sales meet the definition of a derivative under Statement No. 133. In many cases, these transactions meet the normal purchase and sale exception and the related contracts will continue to be accounted for under the accrual method. Certain of these instruments qualify as cash flow hedges resulting in the deferral of related gains and losses in other comprehensive income until the hedged transactions occur. Any ineffectiveness will be recognized currently in net income. However, others will be required to be marked to market through current period income.

The Company adopted Statement No. 133 effective January 1, 2001. The impact on net income was immaterial to the Company. The application of the new rules is still evolving and further guidance from FASB is expected, which could further impact the Company's financial statements. Also, as wholesale energy markets mature, future transactions could result in more volatility in net income and comprehensive income.

FINANCIAL CONDITION

Overview

The principal change in the Company's financial condition in 2000 was the addition of $27.3 million to utility plant. The funds needed for gross property additions are currently provided from operating activities, principally from earnings and non-cash charges to income such as depreciation and deferred income taxes and from financing activities. See Statements of Cash Flows for additional information.

Exposure to Market Risks

Due to cost-based regulation, the Company has limited exposure to market volatility in interest rate, commodity fuel prices, and prices of electricity. To mitigate residual risks relative to movements in electricity prices, the Company enters into fixed price contracts for the purchase and sale of electricity through the wholesale electricity market. At December 31, 2000, exposure from these activities was not material to the Company's financial statements. Also, based on the Company's overall interest rate exposure at December 31, 2000, a near-term 100 basis point change in interest rates would not materially affect the financial statements.

Capital Structure

As of December 31, 2000, the Company's capital structure consisted of 52.7 percent common stockholders' equity, 12.1 percent trust preferred securities, and 35.2 percent long-term debt, excluding amounts due within one year. The Company's long-term financial objective for capitalization ratios is to maintain a capital structure of common stockholders' equity at 48 percent, preferred securities at 10 percent and debt at 42 percent.

Maturities and retirements of long-term debt were $0.4 million in 2000, $16.2 million in 1999, and $30.4 million in 1998.

Included in the 1999 maturities and retirements is the purchase by the Company of all $15 million outstanding of its 7 7/8% Series First Mortgage Bonds due May 1, 2025.

The composite interest rates and dividend rates for the years 1998 through 2000 as of year-end were as follows:

	2000	1999	1998
Composite interest rates on long-term debt	**6.6%**	6.4%	6.5%
Trust preferred securities dividend rate	**6.9%**	6.9%	6.9%

Capital Requirements for Construction

The Company's projected construction expenditures for the next three years total $95.9 million ($32.5 million in 2001, $31.5 million in 2002, and $31.9 million in 2003). Actual construction costs may vary from this estimate because of factors such as changes in: business conditions; environmental regulations; load projections; the cost and efficiency of construction labor, equipment and materials; and the cost of capital. In addition, there can be no assurance that costs related to capital expenditures will be fully recovered. Construction and upgrading of new and existing transmission and distribution facilities and upgrading of generating plants will be continuing.

Other Capital Requirements

In addition to the funds needed for the construction program, approximately $51.8 million will be needed by the end of 2003 for maturities of long-term debt and present sinking fund requirements.

Environmental Matters

On November 3, 1999, the Environmental Protection Agency (EPA) brought a civil action in the U.S. District Court against Alabama Power, Georgia Power, and the system service company. The complaint alleges violations of the prevention of significant deterioration and new source review provisions of the Clean Air Act with respect to five coal-fired generating facilities in Alabama and Georgia. The civil action requests penalties and injunctive relief, including an order requiring the installation of the best available control technology at the affected units. The EPA concurrently issued to Southern Company's integrated Southeast utilities a notice of violation related to 10 generating facilities, which includes the five facilities mentioned previously and the Company's Plant Kraft. In early 2000, the EPA filed a motion to amend its complaint to add the violations alleged in its notice of violation, and to add Gulf Power, Mississippi Power, and Savannah Electric as defendants. The complaint and notice of violation are similar to those brought against and issued to several other electric utilities. These complaints and notices of violation allege that the utilities had failed to secure necessary permits or install additional pollution equipment when performing maintenance and construction at coal burning plants constructed or under construction prior to 1978. On August 1, 2000, the U.S. District Court granted Alabama Power's motion to dismiss for lack of jurisdiction in Georgia and granted the system service company's motion to dismiss on the grounds that it neither owned nor operated the generating units involved in the proceedings. On January 12, 2001, the EPA re-filed its claims against Alabama Power in federal district court in Birmingham, Alabama. The EPA did not include the system service company in the new complaint. Southern Company believes that its integrated utilities complied with applicable laws and the EPA's regulations and interpretations in effect at the time the work in question took place. The Clean Air Act authorizes civil penalties of up to $27,500 per day per violation at each generating unit. Prior to

January 30, 1997, the penalty was $25,000 per day. An adverse outcome of this matter could require substantial capital expenditures that cannot be determined at this time and possibly require payment of substantial penalties. This could affect future results of operations, cash flows, and possibly financial condition if such costs are not recovered through regulated rates.

In November 1990, the Clean Air Act Amendments of 1990 (Clean Air Act) were signed into law. Title IV of the Clean Air Act--the acid rain compliance provision of the law--significantly affected the Company and other subsidiaries of Southern Company. Specific reductions in sulfur dioxide and nitrogen oxide emissions from fossil-fired generating plants were required in two phases. Phase I compliance began in 1995 and some 50 generating units of Southern Company were brought into compliance with Phase I requirements.

Southern Company achieved Phase I sulfur dioxide compliance at the affected plants by switching to low-sulfur coal, which required some equipment upgrades. The construction expenditures for Phase I nitrogen oxide and sulfur dioxide emissions compliance totaled approximately $2 million for Savannah Electric.

Phase II sulfur dioxide compliance was required in 2000. Southern Company used emission allowances and fuel switching to comply with Phase II requirements. No significant dollars for Phase II compliance have been spent by Savannah Electric.

A significant portion of costs related to the acid rain and ozone non-attainment provisions of the Clean Air Act is expected to be recovered through existing ratemaking provisions. However, there can be no assurance that all Clean Air Act costs will be recovered.

In July 1997, the EPA revised the national ambient air quality standards for ozone and particulate matter. This revision made the standards significantly more stringent. In the subsequent litigation of these standards, the U.S. Supreme Court recently dismissed certain challenges but found the EPA's implementation program for the new ozone standard unlawful and remanded it to the EPA. In addition, the Federal District of Columbia Circuit Court of Appeals will address other legal challenges to these standards in mid-2001. If the standards are eventually upheld, implementation could be required by 2007 to 2010.

In September 1998, the EPA issued the final regional nitrogen oxide reduction rules to the states for implementation. Compliance is required by May 31, 2004. The final rule affects 21 states, including Georgia. This rule remains involved in litigation in the federal courts.

In December 2000, the EPA completed its utility studies for mercury and other hazardous air pollutants (HAPS) and issued a determination that an emission control program for mercury and, perhaps, other HAPS is warranted. The program is to be developed over the next four years under the Maximum Achievable Control Technology (MACT) provisions of the Clean Air Act. This determination is being challenged in the courts. In January 2001, the EPA proposed guidance for the determination of Best Available Retrofit Technology (BART) emission controls under the Regional Haze Regulations. Installation of BART controls is expected to take place around 2010. Litigation of the BART rules is probable in the near future.

Implementation of the final state rules for these initiatives could require substantial further reductions in nitrogen oxide, sulfur dioxide, mercury, and other HAPS emissions from fossil-fired generating facilities and other industries in these states. Additional compliance costs and capital expenditures resulting from the implementation of these rules and standards cannot be determined until the results of legal challenges are known, and the states have adopted their final rules. Reviews by the new administration in Washington, D.C. add to the uncertainties associated with BART guidance and the MACT determination for mercury and other HAPS.

The EPA and state environmental regulatory agencies are reviewing and evaluating various other matters including: control strategies to reduce regional haze; limits on pollutant discharges to impaired waters; water intake restrictions; and hazardous waste disposal requirements. The impact of any new standards will depend on the development and implementation of applicable regulations.

The Company must comply with other environmental laws and regulations that cover the

handling and disposal of hazardous waste. Under these various laws and regulations, the Company could incur substantial costs to clean up properties. The Company conducts studies to determine the extent of any required cleanup costs and will recognize in the financial statements costs to clean up known sites.

Several major pieces of environmental legislation are being considered for reauthorization or amendment by Congress. These include: the Clean Air Act; the Clean Water Act; the Comprehensive Environmental Response, Compensation, and Liability Act; the Resource Conservation and Recovery Act; the Toxic Substances Control Act; and the Endangered Species Act. Changes to these laws could affect many areas of the Company's operations. The full impact of any such changes cannot be determined at this time.

Compliance with possible additional legislation related to global climate change, electromagnetic fields, and other environmental and health concerns could significantly affect the Company. The impact of new legislation--if any--will depend on the subsequent development and implementation of applicable regulations. In addition, the potential exists for liability as the result of lawsuits alleging damages caused by electromagnetic fields.

Sources of Capital

At December 31, 2000, the Company had $50.1 million of unused short-term and revolving credit arrangements with banks to meet its short-term cash needs and to provide additional interim funding for the Company's construction program. Revolving credit arrangements total $20 million, of which $10 million expires April 30, 2003 and $10 million expires December 31, 2003.

It is anticipated that the funds required for construction and other purposes, including compliance with environmental regulation, will be derived from sources similar to those used in the past. These sources were primarily from the issuances of first mortgage bonds, other long-term debt, and preferred stock, in addition to pollution control revenue bonds issued for the Company's benefit by public authorities, to meet long-term external financing requirements. Recently, the Company's financings have consisted of unsecured debt and trust preferred securities. The Company is required to meet certain earnings coverage requirements specified in its mortgage indenture and corporate charter to issue new first mortgage bonds and preferred stock. The Company's coverage ratios are sufficiently high to permit, at present interest rate levels, any foreseeable security sales. There are no restrictions on the amount of unsecured indebtedness allowed. The amount of securities which the Company will be permitted to issue in the future will depend upon market conditions and other factors prevailing at that time.

Cautionary Statement Regarding Forward-Looking Information

This Annual Report includes forward-looking statements in addition to historical information. In some cases, forward-looking statements can be identified by terminology such as "may," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of these terms or other comparable terminology. The Company cautions that there are various important factors that could cause actual results to differ materially from those indicated in the forward-looking statements; accordingly, there can be no assurance that such indicated results will be realized. These factors include the impact of recent and future federal and state regulatory change, including legislative and regulatory initiatives regarding deregulation and restructuring of the electric utility industry and also changes in environmental and other laws and regulations to which the Company is subject, as well as changes in application of existing laws and regulations; current and future litigation, including the pending EPA civil action against the Company; the extent and timing of the entry of additional competition in the markets of the Company; potential business strategies, including acquisitions or dispositions of assets or businesses, which cannot be assured to be completed or beneficial; internal restructuring or other restructuring options that may be pursued by the Company; state and federal rate regulation in the United States; political, legal and economic conditions and developments in the United States; financial market conditions and the results of financing efforts; the impact of fluctuations in commodity prices, interest rates and customer demand; weather and other natural phenomena; the ability of the Company to obtain additional generating capacity at competitive prices; and other factors discussed elsewhere herein and in other reports (including Form 10-K) filed from time to time by the Company with the SEC.

STATEMENTS OF INCOME

For the Years Ended December 31, 2000, 1999, and 1998
Savannah Electric and Power Company 2000 Annual Report

	2000	1999	1998
		(in thousands)	
Operating Revenues:			
Retail sales	**$282,622**	$242,265	$242,327
Sales for resale --			
Non-affiliates	**4,748**	3,395	4,548
Affiliates	**4,974**	4,151	3,016
Other revenues	**3,374**	1,783	4,564
Total operating revenues	**295,718**	251,594	254,455
Operating Expenses:			
Operation --			
Fuel	**57,177**	50,530	53,021
Purchased power --			
Non-affiliates	**25,229**	14,398	9,460
Affiliates	**50,111**	33,398	35,687
Other	**54,829**	51,802	50,321
Maintenance	**19,334**	16,333	18,711
Depreciation and amortization (Note 3)	**25,240**	23,841	22,032
Taxes other than income taxes	**13,116**	12,690	12,342
Total operating expenses	**245,036**	202,992	201,574
Operating Income	**50,682**	48,602	52,881
Other Income (Expense):			
Interest income	**252**	169	384
Other, net	**1,086**	798	(432)
Earnings Before Interest and Income Taxes	**52,020**	49,569	52,833
Interest and Other:			
Interest expense, net	**12,737**	11,938	11,855
Distributions on preferred securities of subsidiary	**2,740**	2,740	167
Total interest and other, net	**15,477**	14,678	12,022
Earnings Before Income Taxes	**36,543**	34,891	40,811
Income taxes (Note 5)	**13,574**	11,808	15,101
Net Income	**22,969**	23,083	25,710
Dividends on Preferred Stock	**-**	-	2,066
Net Income After Dividends on Preferred Stock	**$ 22,969**	$ 23,083	$ 23,644

The accompanying notes are an integral part of these statements.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2000, 1999, and 1998

Savannah Electric and Power Company 2000 Annual Report

	2000	1999	1998
		(in thousands)	
Operating Activities:			
Net income	**$22,969**	$23,083	$25,710
Adjustments to reconcile net income			
to net cash provided from operating activities --			
Depreciation and amortization	**26,639**	25,454	23,531
Deferred income taxes and investment tax credits, net	**728**	(3,353)	7,011
Other, net	**3,835**	(47)	(89)
Changes in certain current assets and liabilities --			
Receivables, net	**(23,260)**	(5,999)	(9,875)
Fossil fuel stock	**(31)**	(2,125)	221
Materials and supplies	**(542)**	(1,906)	484
Accounts payable	**8,881**	1,133	470
Other	**(4,674)**	1,731	(4,859)
Net cash provided from operating activities	**34,545**	37,971	42,604
Investing Activities:			
Gross property additions	**(27,290)**	(29,833)	(18,071)
Other	**(1,835)**	(1,715)	1,617
Net cash used for investing activities	**(29,125)**	(31,548)	(16,454)
Financing Activities:			
Increase in notes payable, net	**11,100**	34,300	-
Proceeds --			
Other long-term debt	**-**	-	30,000
Preferred securities	**-**	-	40,000
Capital contributions from parent company	**1,478**	1,099	-
Retirements --			
First mortgage bonds	**-**	(15,800)	(30,000)
Other long-term debt	**(251)**	(481)	(478)
Preferred stock	**-**	-	(35,000)
Payment of preferred stock dividends	**-**	-	(2,556)
Payment of common stock dividends	**(24,300)**	(25,200)	(23,500)
Other	**-**	250	(4,798)
Net cash used for financing activities	**(11,973)**	(5,832)	(26,332)
Net Change in Cash and Cash Equivalents	**(6,553)**	591	(182)
Cash and Cash Equivalents at Beginning of Period	**6,553**	5,962	6,144
Cash and Cash Equivalents at End of Period	**$ -**	$ 6,553	$ 5,962
Supplemental Cash Flow Information:			
Cash paid during the period for --			
Interest (net of amount capitalized)	**$13,329**	$14,212	$12,198
Income taxes (net of refunds)	**19,939**	12,647	9,666

The accompanying notes are an integral part of these statements

BALANCE SHEETS
At December 31, 2000 and 1999
Savannah Electric and Power Company 2000 Annual Report

Assets	2000	1999
		(in thousands)
Current Assets:		
Cash and cash equivalents	**$ -**	$ 6,553
Receivables --		
Customer accounts receivable	**28,189**	20,752
Unrecovered retail fuel clause revenue	**39,632**	21,089
Other accounts and notes receivable	**1,412**	3,505
Affiliated companies	**738**	1,195
Accumulated provision for uncollectible accounts	**(407)**	(237)
Fossil fuel stock, at average cost	**7,140**	7,109
Materials and supplies, at average cost	**8,944**	8,402
Prepaid taxes	**8,651**	2,434
Other	**377**	435
Total current assets	**94,676**	71,237
Property, Plant, and Equipment:		
In service (Note 7)	**829,270**	804,096
Less accumulated provision for depreciation	**382,030**	360,639
	447,240	443,457
Construction work in progress	**6,782**	6,561
Total property, plant, and equipment	**454,022**	450,018
Other Property and Investments	**2,066**	1,506
Deferred Charges and Other Assets:		
Deferred charges related to income taxes (Note 5)	**12,404**	16,063
Cash surrender value of life insurance for deferred compensation plans	**17,954**	16,305
Prepaid pension costs (Note 2)	**-**	1,201
Debt expense, being amortized	**3,003**	3,155
Premium on reacquired debt, being amortized	**7,575**	8,385
Other	**2,527**	2,348
Total deferred charges and other assets	**43,463**	47,457
Total Assets	**$594,227**	$570,218

The accompanying notes are an integral part of these balance sheets.

BALANCE SHEETS
At December 31, 2000 and 1999
Savannah Electric and Power Company 2000 Annual Report

Liabilities and Stockholder's Equity	2000	1999
		(in thousands)
Current Liabilities:		
Securities due within one year (Note 7)	**$ 30,698**	$ 704
Notes payable	**45,400**	34,300
Accounts payable --		
Affiliated	**16,153**	4,632
Other	**7,738**	11,118
Customer deposits	**5,696**	5,426
Taxes accrued --		
Income taxes	**3,450**	3,046
Other	**1,435**	3,013
Interest accrued	**4,541**	3,237
Vacation pay accrued	**2,276**	2,142
Other	**7,973**	5,742
Total current liabilities	**125,360**	73,360
Long-term debt (See accompanying statements)	**116,902**	147,147
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes (Note 5)	**79,756**	80,318
Deferred credits related to income taxes (Note 5)	**16,038**	19,687
Accumulated deferred investment tax credits (Note 5)	**10,616**	11,280
Deferred compensation plans	**11,968**	10,624
Employee benefits provisions (Note 2)	**8,127**	7,805
Other	**10,466**	5,150
Total deferred credits and other liabilities	**136,971**	134,864
Company obligated mandatorily redeemable preferred securities of subsidiary trusts holding company junior subordinated notes (See accompanying statements) (Note 6)	**40,000**	40,000
Common stockholder's equity (See accompanying statements)	**174,994**	174,847
Total Liabilities and Stockholder's Equity	**$594,227**	$570,218

The accompanying notes are an integral part of these balance sheets.

STATEMENTS OF CAPITALIZATION

At December 31, 2000 and 1999

Savannah Electric and Power Company 2000 Annual Report

		2000	1999	2000	1999
			(in thousands)	*(percent of total)*	
Long-Term Debt (Note 7):					
First mortgage bonds --					
Maturity	Interest Rates				
July 1, 2003	6.375%	**$ 20,000**	$ 20,000		
May 1, 2006	6.90%	**20,000**	20,000		
July 1, 2023	7.40%	**24,200**	24,200		
Total first mortgage bonds		**64,200**	64,200		
Long-term notes payable --					
6.88% due June 1, 2001		**10,000**	10,000		
6.625% due March 17, 2015		**30,000**	30,000		
Adjustable rates (6.71% to 6.86% at 1/1/01) due 2001		**20,000**	20,000		
Total long-term notes payable		**60,000**	60,000		
Other long-term debt --					
Pollution control revenue bonds --					
Non-collateralized:					
Variable rates (5.10% at 1/1/01) due 2016-2037		**17,955**	17,955		
Total other long-term debt		**17,955**	17,955		
Capitalized lease obligations		**5,445**	5,696		
Total long-term debt (annual interest requirement -- $9.8 million)		**147,600**	147,851		
Less amount due within one year (Note 7)		**30,698**	704		
Long-term debt excluding amount due within one year		**116,902**	147,147	**35.2%**	40.7%
Company Obligated Mandatorily Redeemable Preferred Securities (Note 6):					
$25 liquidation value --					
6.85%		**40,000**	40,000		
Total (annual distribution requirement -- $2.7 million)		**40,000**	40,000	**12.1**	11.0
Common Stockholder's Equity (Note 8):					
Common stock, par value $5 per share --					
Authorized - 16,000,000 shares					
Outstanding - 10,844,635 shares in 2000 and 1999					
Par value		**54,223**	54,223		
Paid-in capital		**11,265**	9,787		
Retained earnings		**109,506**	110,837		
Total common stockholder's equity		**174,994**	174,847	**52.7**	48.3
Total Capitalization		**$331,896**	$361,994	**100.0%**	100.0%

The accompanying notes are an integral part of these statements.

STATEMENTS OF COMMON STOCKHOLDER'S EQUITY

For the Years Ended December 31, 2000, 1999, and 1998
Savannah Electric and Power Company 2000 Annual Report

	Common Stock	Paid-In Capital	Retained Earnings	Total
		(in thousands)		
Balance at January 1, 1998	$54,223	$8,688	$112,720	$175,631
Net income after dividends on preferred stock	-	-	23,644	23,644
Cash dividends on common stock	-	-	(23,500)	(23,500)
Other	-	-	90	90
Balance at December 31, 1998	54,223	8,688	112,954	175,865
Net income after dividends on preferred stock	-	-	23,083	23,083
Capital contributions from parent company	-	1,099	-	1,099
Cash dividends on common stock	-	-	(25,200)	(25,200)
Balance at December 31, 1999	54,223	9,787	110,837	174,847
Net income after dividends on preferred stock	-	-	**22,969**	**22,969**
Capital contributions from parent company	-	**1,478**	-	**1,478**
Cash dividends on common stock	-	-	**(24,300)**	**(24,300)**
Balance at December 31, 2000 (Note 8)	**$54,223**	**$11,265**	**$109,506**	**$174,994**

The accompanying notes are an integral part of these statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Savannah Electric and Power Company (the Company) is a wholly owned subsidiary of Southern Company, which is the parent company of five integrated Southeast utilities, a system service company (SCS), Southern Communications Services (Southern LINC), Southern Company Energy Solutions, Southern Nuclear Operating Company (Southern Nuclear), Mirant Corporation--formerly Southern Energy, Inc.--and other direct and indirect subsidiaries. The integrated Southeast utilities provide electric service in four states. Contracts among the integrated Southeast utilities--related to jointly owned generating facilities, interconnecting transmission lines, and the exchange of electric power--are regulated by the Federal Energy Regulatory Commission (FERC) and/or the Securities and Exchange Commission. SCS provides, at cost, specialized services to Southern Company and subsidiary companies. Southern LINC provides digital wireless communications services to the integrated Southeast utilities and also markets these services to the public within the Southeast. Southern Company Energy Solutions develops new business opportunities related to energy products and services. Southern Nuclear provides services to Southern Company's nuclear power plants. Mirant acquires, develops, builds, owns and operates power production and delivery facilities, and provides a broad range of energy-related services to utilities and industrial companies in selected countries around the world. Mirant businesses include independent power projects, integrated utilities, a distribution company, and energy trading and marketing businesses outside the southeastern United States.

Southern Company is registered as a holding company under the Public Utility Holding Company Act of 1935 (PUHCA). Both Southern Company and its subsidiaries are subject to the regulatory provisions of the PUHCA. The Company also is subject to regulation by the FERC and the Georgia Public Service Commission (GPSC). The Company follows accounting principles generally accepted in the United States and complies with the accounting policies and practices prescribed by the GPSC. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires the use of estimates, and the actual results may differ from those estimates.

Certain prior years' data presented in the financial statements has been reclassified to conform with the current year presentation.

Related-Party Transactions

The Company has an agreement with SCS under which the following services are rendered to the Company at cost: general and design engineering, purchasing, accounting and statistical, finance and treasury, tax, information resources, marketing, auditing, insurance and pension, human resources, systems and procedures, and other administrative services with respect to business and operations and power pool operations. Costs for these services amounted to $15.1 million, $16.0 million, and $15.3 million during 2000, 1999, and 1998, respectively.

Regulatory Assets and Liabilities

The Company is subject to the provisions of Financial Accounting Standards Board (FASB) Statement No. 71, Accounting for the Effects of Certain Types of Regulation. Regulatory assets represent probable future revenues to the Company associated with certain costs that are expected to be recovered from customers through the ratemaking process. Regulatory liabilities represent probable future reductions in revenues associated with amounts that are expected to be credited to customers through the ratemaking process. Regulatory assets and (liabilities) reflected in the Balance Sheets at December 31 relate to:

	2000	1999
	(in thousands)	
Deferred income tax charges	**$12,404**	$ 16,063
Premium on reacquired debt	**7,575**	8,385
Deferred income tax credits	**(16,038)**	(19,687)
Storm damage reserves	**(2,733)**	(1,392)
Accelerated depreciation	**(5,500)**	(3,000)
Total	**$ (4,292)**	$ 369

In the event that a portion of the Company's operations is no longer subject to the provisions of FASB Statement No. 71, the Company would be required to write off related regulatory assets and liabilities that are not specifically recoverable through regulated rates. In addition, the Company would be required to determine if any impairment to other assets exists, including plant, and write down the assets, if impaired, to their fair value.

Revenues and Fuel Costs

The Company currently operates as a vertically integrated utility providing electricity to retail customers within its traditional service area of southeastern Georgia and to wholesale customers in the Southeast.

Revenues are recognized as services are rendered. Unbilled revenues are accrued at the end of each fiscal period. Fuel costs are expensed as the fuel is used. Electric rates for the Company include provisions to adjust billings for fluctuations in fuel costs, the energy component of purchased power costs, and certain other costs. Revenues are adjusted for differences between recoverable fuel costs and amounts actually recovered in current regulated rates.

The Company has a diversified base of customers. No single customer or industry comprises 10 percent or more of revenues. For all periods presented, uncollectible accounts averaged less than 1 percent of revenues.

In 2000, the GPSC approved an increase of slightly over one-third of a cent per kilowatt hour in the Company's fuel cost recovery rate. An increase of slightly over three-tenths of a cent per kilowatt-hour was approved in 1999.

The Company currently plans to make a filing with the GPSC in early 2001 to establish a new fuel rate in order to better reflect current fuel costs and to collect the current under-recovered balance.

Depreciation and Amortization

Depreciation of the original cost of plant in service is provided primarily by using composite straight-line rates, which approximated 3.0 percent in 2000 and 1999, and 2.9 percent in 1998. When property subject to depreciation is retired or otherwise disposed of in the normal course of business, its cost--together with the cost of removal, less salvage--is charged to the accumulated provision for depreciation. Minor items of property included in the original cost of the plant are retired when the related property unit is retired. Depreciation expense includes an amount for the expected cost of removal of certain facilities. In 1998, 1999 and 2000, the Company recorded accelerated depreciation of $1.0 million, $2.0 million and $2.5 million respectively, in accordance with the GPSC's 1998 rate order. See Note 3 to the financial statements for more information.

Income Taxes

The Company, which is included in the consolidated federal income tax return filed by Southern Company, uses the liability method of accounting for deferred income taxes and provides deferred income taxes for all significant income tax temporary differences. Investment tax credits utilized are deferred and amortized to income over the average lives of the related property.

Allowance for Funds Used During Construction (AFUDC)

AFUDC represents the estimated debt and equity costs of capital funds that are necessary to finance the construction of new facilities. While c[redacted]is not realized currently from such allowance, it increases the revenue requirement over the service life of the plant through a higher rate base and higher depreciation expense. The composite rates used by the Company to calculate AFUDC were 6.87 percent in 2000, 6.26 percent in 1999 and 8.00 percent in 1998.

Property, Plant and Equipment

Property, plant and equipment is stated at original cost less regulatory disallowances and impairments. Original cost includes: materials; labor; minor items of property; appropriate administrative and general costs; payroll-related costs such as taxes, pensions, and other benefits, and the estimated cost of funds used during construction. The cost of maintenance, repairs, and replacement of minor items of property is charged to maintenance expense. The cost of replacements of property exclusive of minor items of property is capitalized.

Cash and Cash Equivalents

For purposes of the financial statements, temporary cash investments are considered cash equivalents. Temporary cash investments are securities with original maturities of 90 days or less.

Materials and Supplies

Generally, materials and supplies include the costs of transmission, distribution, and generating plant materials. Materials are charged to inventory when purchased and

then expensed or capitalized to plant, as appropriate, when installed.

Financial Instruments

The Company's financial instruments for which the carrying amounts did not equal fair value at December 31 were as follows:

	Carrying Amount	Fair Value
	(in millions)	
Long-term debt:		
At December 31, 2000	**$142**	**$140**
At December 31, 1999	$142	$136
Trust preferred securities:		
At December 31, 2000	**$40**	**$36**
At December 31, 1999	$40	$31

The fair values for long-term debt and trust preferred securities were based on either closing market prices or closing prices of comparable instruments.

2. RETIREMENT BENEFITS

The Company has defined benefit, trusteed, non-contributory pension plans that cover substantially all employees. The Company provides certain medical care and life insurance benefits for retired employees. Substantially all these employees may become eligible for such benefits when they retire. The Company funds trusts to the extent required by the GPSC. The measurement date for plan assets and obligations is September 30 of each year.

In late 2000, the Company adopted several pension and postretirement benefit plan changes that had the effect of increasing benefits to both current and future retirees. The effects of these changes will be to increase annual pension and postretirement benefits costs by approximately $0.5 million and $0.3 million, respectively.

Pension Plans

Changes during the year in the projected benefit obligations and in the fair value of plan assets were as follows:

	Projected Benefit Obligations	
	2000	1999
	(in thousands)	
Balance at beginning of year	**$59,961**	$59,207
Service cost	**1,742**	1,746
Interest cost	**4,380**	3,893
Benefits paid	**(3,210)**	(3,414)
Actuarial (gain) loss and employee transfers	**1,802**	(1,856)
Amendments	**219**	385
Balance at end of year	**$64,894**	$59,961

	Plan Assets	
	2000	1999
	(in thousands)	
Balance at beginning of year	**$54,480**	$49,630
Actual return on plan assets	**10,493**	8,168
Benefits paid	**(3,210)**	(3,414)
Employee transfers	**117**	96
Balance at end of year	**$61,880**	$54,480

The accrued pension costs recognized in the Balance Sheets were as follows:

	2000	1999
	(in thousands)	
Funded status	**$(3,014)**	$(5,481)
Unrecognized transition obligation	**89**	178
Unrecognized prior service cost	**2,929**	2,996
Unrecognized net loss (gain)	**(1,127)**	3,508
(Accrued liability) prepaid asset recognized in the Balance Sheets	**$(1,123)**	$1,201

Components of the plans' net periodic cost were as follows:

	2000	1999	1998
		(in thousands)	
Service cost	**$1,742**	$1,746	$1,495
Interest cost	**4,380**	3,893	3,806
Expected return on plan assets	**(4,174)**	(4,063)	(3,992)
Recognized net loss	**-**	152	2
Net amortization	**376**	352	334
Net pension cost	**$2,324**	$2,080	$1,645

Postretirement Benefits

Changes during the year in the accumulated benefit obligations and in the fair value of plan assets were as follows:

	Accumulated Benefit Obligations	
	2000	1999
	(in thousands)	
Balance at beginning of year	**$22,904**	$23,556
Service cost	**376**	404
Interest cost	**1,865**	1,549
Benefits paid	**(963)**	(756)
Actuarial gain and employee transfers	**(1,367)**	(1,849)
Amendments	**3,309**	-
Balance at end of year	**$26,124**	$ 22,904

	Plan Assets	
	2000	1999
	(in thousands)	
Balance at beginning of year	**$5,254**	$3,803
Actual return on plan assets	**606**	476
Employer contributions	**2,013**	1,731
Benefits paid	**(963)**	(756)
Balance at end of year	**$6,910**	$5,254

The accrued postretirement costs recognized in the Balance Sheets were as follows:

	2000	1999
	(in thousands)	
Funded status	**$(19,214)**	$(17,650)
Unrecognized transition obligation	**5,925**	6,419
Unamortized prior service cost	**3,185**	-
Unrecognized net loss	**1,701**	3,311
Fourth quarter contributions	**1,493**	1,336
Accrued liability recognized in the Balance Sheets	**$(6,910)**	$(6,584)

Components of the postretirement plans' net periodic cost were as follows:

	2000	1999	1998
		(in thousands)	
Service cost	**$ 376**	$ 404	$ 348
Interest cost	**1,865**	1,549	1,528
Expected return on plan assets	**(429)**	(345)	(276)
Recognized net loss	**66**	152	104
Net amortization	**618**	494	494
Net postretirement cost	**$2,496**	$2,254	$2,198

The weighted average rates assumed in the actuarial calculations for both the pension and postretirement benefit plans were:

	2000	1999
Discount	**7.50%**	7.50%
Annual salary increase	**5.00**	5.00
Long-term return on plan assets	**8.50**	8.50

An additional assumption used in measuring the accumulated postretirement benefit obligations was a weighted average medical care cost trend rate of 7.29 percent for 2000, decreasing gradually to 5.50 percent through the year 2005, and remaining at that level thereafter. An annual increase or decrease in the assumed medical care cost trend rate of 1 percent would affect the accumulated benefit obligation and the service and interest cost components at December 31, 2000 as follows:

	1 Percent Increase	1 Percent Decrease
	(in thousands)	
Benefit obligation	**$1,417**	**$1,598**
Service and interest costs	**110**	**140**

The Company has a supplemental retirement plan for certain executive employees. The plan is unfunded and payable from the general funds of the Company. The Company has purchased life insurance on participating executives, and plans to use these policies to satisfy this obligation.

Employee Savings Plan

The Company also sponsors a 401(k) defined contribution plan covering substantially all employees. The Company provides a 75 percent matching contribution up to 6 percent of an employee's base salary. Total matching contributions made to the plan for the years 2000, 1999, and 1998 were $0.9 million, $0.9 million, and $0.8 million, respectively.

3. CONTINGENCIES AND REGULATORY MATTERS

Environmental Litigation

On November 3, 1999, the EPA brought a civil action in the U.S. District Court against Alabama Power, Georgia Power, and the system service company. The complaint alleges violations of the prevention of significant deterioration and new source review provisions of the Clean Air Act with respect to five coal-fired generating facilities in Alabama and Georgia. The civil action requests penalties and injunctive relief, including an order requiring the installation of the best available control technology at the affected units. The Clean Air Act authorizes civil penalties of up to $27,500 per day, per violation at each generating unit. Prior to January 30, 1997, the penalty was $25,000 per day.

The EPA concurrently issued to the integrated Southeast utilities a notice of violation related to 10 generating facilities, which includes the five facilities mentioned previously and the Company's Plant Kraft. In early 2000, the EPA filed a motion to amend its complaint to add the violations alleged in its notice of violation, and to add Gulf Power, Mississippi Power, and Savannah Electric as defendants. The complaint and notice of violation are similar to those brought against and issued to several other electric utilities. These complaints and notices of violation allege that the utilities had failed to secure necessary permits or install additional pollution equipment when performing maintenance and construction at coal burning plants constructed or under construction prior to 1978. On August 1, 2000, the U.S. District Court granted Alabama Power's motion to dismiss for lack of jurisdiction in Georgia and granted the system service company's motion to dismiss on the grounds that it neither owned nor operated the generating units involved in the proceedings. On January 12, 2001, the EPA re-filed its claims against Alabama Power in federal district court in Birmingham, Alabama. The EPA did not include the system service company in the new complaint. Southern Company believes that its integrated utilities complied with applicable laws and the EPA's regulations and interpretations in effect at the time the work in question took place.

An adverse outcome of this matter could require substantial capital expenditures that cannot be determined at this time and possibly require payment of substantial penalties. This could affect future results of operations, cash flows, and possibly financial condition if such costs are not recovered through regulated rates.

Retail Regulatory Matters

Rates to retail customers served by the Company are regulated by the GPSC. As part of the Company's rate settlement in 1992, it was informally agreed that the Company's earned rate of return on common equity should be 12.95 percent.

In 1998, the GPSC approved a four-year accounting order for the Company. Under this order, the Company will reduce the electric rates of its small business customers by approximately $11 million over four years. The Company will also expense an additional $1.95 million in storm damage accruals and accrue an additional $8 million in depreciation on generating assets over the term of the order. The additional depreciation will be accumulated in a regulatory liability account to be available to mitigate any potential stranded costs. In addition, the Company has discretionary authority to

provide up to an additional $0.3 million per year in storm damage accruals and up to an additional $4.0 million in depreciation expense over the four years. Total storm damages accrued under the order were $1.5 million in both 2000 and 1999 and $0.75 million in 1998. No discretionary depreciation was recorded in the last three years. Over the term of the order, the Company is precluded from asking for a rate increase except upon significant changes in economic conditions, new laws, or regulations. There is a quarterly monitoring of the Company's earnings performance.

4. COMMITMENTS

Construction Program

The Company is engaged in a continuous construction program, currently estimated to total $32.5 million in 2001, $31.5 million in 2002, and $31.9 million in 2003. The construction program is subject to periodic review and revision, and actual construction costs may vary from the above estimates because of numerous factors. These factors include: changes in business conditions; revised load growth estimates; changes in environmental regulations; increasing costs of labor, equipment, and materials; and changes in cost of capital. The Company does not have any traditional baseload generating plants under construction. However, construction related to new and upgrading of existing transmission and distribution facilities and the upgrading of generating plants will continue.

To the extent possible, the Company's construction program is expected to be financed from internal sources and from the issuance of additional long-term debt and capital contributions from Southern Company.

The amounts of long-term debt and trust preferred securities that can be issued in the future will be contingent on market conditions, the maintenance of adequate earnings levels, regulatory authorizations, and other factors.

Bank Credit Arrangements

At the end of 2000, unused credit arrangements with four banks totaled $50.1 million and expire at various times during 2001.

The Company has revolving credit arrangements of $20 million, of which $10 million expires April 30, 2003 and $10 million expires December 31, 2003. One of these agreements allows short-term borrowings to be converted into term loans, payable in 12 equal quarterly installments, with the first installment due at the end of the first calendar quarter after the applicable termination date or at an earlier date at the Company's option.

In connection with these credit arrangements, the Company agrees to pay commitment fees based on the unused portions of the commitments.

Assets Subject to Lien

As amended and supplemented, the Company's Indenture of Mortgage, which secures the first mortgage bonds issued by the Company, constitutes a direct first lien on substantially all of the Company's fixed property and franchises. A second lien for $10 million of bank debt is secured by a portion of the Plant Kraft property and a second lien for $34 million in bank notes is secured by a portion of the Plant McIntosh property.

Fuel and Purchased Power Commitments

To supply a portion of the fuel requirements of its generating plants, the Company has entered into long-term commitments for the procurement of fuel. In most cases, these contracts contain provisions for price escalations, minimum purchase levels, and other financial commitments. The Company has fuel commitments of $44 million and $8 million for 2001 and 2002, respectively.

The company has entered into various long-term commitments for the purchase of electricity. Estimated total long-term obligations at December 31, 2000 were as follows:

Year	Commitments (in thousands)
2001	$ 0
2002	9,627
2003	13,245
2004	13,261
2005	13,277
2006 and beyond	53,283
Total commitments	$102,693

Operating Leases

The Company has rental agreements with various terms and expiration dates. Rental expenses totaled $0.4 million for 2000, $0.5 million for 1999, and $1.1 million for 1998.

At December 31, 2000, estimated future minimum lease payments for noncancelable operating leases were as follows:

	Rental Commitments
	(in thousands)
2001	$433
2002	433
2003	433
2004	433
2005	433
2006 and thereafter	$5,379

5. INCOME TAXES

At December 31, 2000, tax-related regulatory assets and liabilities were $12.4 million and $16.0 million, respectively. The assets are attributable to tax benefits flowed through to customers in prior years and to taxes applicable to capitalized interest. The liabilities are attributable to deferred taxes previously recognized at rates higher than current enacted tax law and to unamortized investment tax credits.

Details of income tax provisions are as follows:

	2000	1999	1998
	(in thousands)		
Total provision for income taxes			
Federal --			
Currently payable	**$11,102**	$12,968	$ 6,763
Deferred	**75**	(3,329)	5,812
	11,177	9,639	12,575
State --			
Currently payable	**1,744**	2,193	1,327
Deferred	**653**	(24)	1,199
	2,397	2,169	2,526
Total	**$13,574**	$11,808	$15,101

The tax effects of temporary differences between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases, which give rise to deferred tax assets and liabilities, are as follows:

	2000	1999
	(in thousands)	
Deferred tax liabilities:		
Accelerated depreciation	**$76,901**	$76,282
Property basis differences	**5,904**	6,917
Other	**17,807**	12,031
Total	**100,612**	95,230
Deferred tax assets:		
Pension and other benefits	**9,744**	6,965
Other	**7,662**	5,777
Total	**17,406**	12,742
Net deferred tax liabilities	**83,206**	82,488
Portions included in current assets, net	**(3,450)**	(2,170)
Accumulated deferred income taxes in the Balance Sheets	**$79,756**	$80,318

Deferred investment tax credits are amortized over the lives of the related property with such amortization normally applied as a credit to reduce depreciation in the Statements of Income. Credits amortized in this manner amounted to $ 0.7 million in 2000, 1999 and 1998. At December 31, 2000, all investment tax credits available to reduce federal income taxes payable had been utilized.

A reconciliation of the federal statutory income tax rate to the effective income tax rate is as follows:

	2000	1999	1998
Federal statutory tax rate	**35%**	35%	35%
State income tax, net of federal income tax benefit	**4**	4	4
Other	**(2)**	(5)	(2)
Effective income tax rate	**37%**	34%	37%

Southern Company files a consolidated federal income tax return. Under a joint consolidated income tax agreement, each subsidiary's current and deferred tax expense is computed on a stand-alone basis.

6. TRUST PREFERRED SECURITIES

In December 1998, Savannah Electric Capital Trust I, of which the Company owns all of the common securities, issued $40 million of 6.85% mandatorily redeemable preferred securities. Substantially all of the assets of the Trust are $40 million aggregate principal amount of the Company's 6.85% junior subordinated notes due December 31, 2028.

The Company considers that the mechanisms and obligations relating to the trust preferred securities, taken together, constitute a full and unconditional guarantee by the Company of payment obligations with respect to the preferred securities of Savannah Electric Capital Trust I.

Savannah Electric Capital Trust I is a subsidiary of the Company, and accordingly is consolidated in the Company's financial statements.

7. LONG-TERM DEBT AND LONG-TERM DEBT DUE WITHIN ONE YEAR

The Company's Indenture related to its First Mortgage Bonds is unlimited as to the authorized amount of bonds which may be issued, provided that required property additions, earnings and other provisions of such Indenture are met.

Maturities and retirements of long-term debt were $0.4 million in 2000, $16.2 million in 1999 and $30.4 million in 1998. Included in the 1999 maturities and retirements is the purchase by the Company of all $15 million outstanding of its 7 7/8% Series First Mortgage Bonds due May 1, 2025.

Assets acquired under capital leases are recorded as utility plant in service, and the related obligation is classified as other long-term debt. Leases are capitalized at the net present value of the future lease payments. However, for ratemaking purposes, these obligations are treated as operating leases, and as such, lease payments are charged to expense as incurred.

A summary of the sinking fund requirements and scheduled maturities and redemptions of long-term debt due within one year at December 31 is as follows:

	2000	1999
	(in thousands)	
Bond sinking fund requirement	$ 642	$650
Less:		
Portion to be satisfied by certifying property additions	642	650
Cash sinking fund requirement	-	-
Other long-term debt maturities	30,698	704
Total	$30,698	$704

The first mortgage bond improvement (sinking) fund requirements amount to 1 percent of each outstanding series of bonds authenticated under the Indenture prior to January 1 of each year, other than those issued to collateralize pollution control and other obligations. The requirements may be satisfied by depositing cash or reacquiring bonds, or by pledging additional property equal to 1 2/3 times the requirements.

The sinking fund requirements of first mortgage bonds were satisfied by certifying property additions in 2000 and by cash redemptions in 1999. It is anticipated that the 2001 requirement will be satisfied by certifying property additions. Sinking fund requirements and/or maturities through 2005 applicable to long-term debt are as follows: $30.7 million in 2001; $0.6 million in 2002; $20.5 million in 2003; $0.5 million in 2004; and $0.4 million in 2005.

8. COMMON STOCK DIVIDEND RESTRICTIONS

The Company's Indenture contains certain limitations on the payment of cash dividends on common stock. At December 31, 2000, approximately $68 million of retained earnings was restricted against the payment of cash dividends on common stock under the terms of the Indenture.

9. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

Summarized quarterly financial data for 2000 and 1999 are as follows (in thousands):

Quarter Ended	Operating Revenues	Operating Income	Net Income After Dividends on Preferred Stock
March 2000	**$52,390**	**$ 6,583**	**$ 1,643**
June 2000	**72,780**	**14,100**	**6,287**
September 2000	**98,849**	**24,060**	**12,351**
December 2000	**71,699**	**5,939**	**2,688**
March 1999	$47,098	$ 5,315	$ 1,209
June 1999	61,692	12,173	5,268
September 1999	91,849	26,759	13,705
December 1999	50,955	4,355	2,901

The Company's business is influenced by seasonal weather conditions and a seasonal rate structure, among other factors.

The quarterly operating income information above has been reclassified to reflect the Company's current presentation of income tax expense.

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SELECTED FINANCIAL AND OPERATING DATA 1996-2000

Savannah Electric and Power Company 2000 Annual Report

	2000	1999	1998	1997	1996
Operating Revenues (in thousands)	**$295,718**	$251,594	$254,455	$226,277	$234,074
Net Income after Dividends on Preferred Stock (in thousands)	**$22,969**	$23,083	$23,644	$23,847	$23,940
Cash Dividends on Common Stock (in thousands)	**$24,300**	$25,200	$23,500	$20,500	$19,600
Return on Average Common Equity (percent)	**13.13**	13.16	13.45	13.71	14.08
Total Assets (in thousands)	**$594,227**	$570,218	$555,799	$547,352	$544,900
Gross Property Additions (in thousands)	**$27,290**	$29,833	$18,071	$18,846	$28,950
Capitalization (in thousands):					
Common stock equity	**$174,994**	$174,847	$175,865	$175,631	$172,284
Preferred stock	**-**	-	-	35,000	35,000
Company obligated mandatorily redeemable preferred securities	**40,000**	40,000	40,000	-	-
Long-term debt	**116,902**	147,147	163,443	142,846	164,406
Total (excluding amounts due within one year)	**$331,896**	$361,994	$379,308	$353,477	$371,690
Capitalization Ratios (percent):					
Common stock equity	**52.7**	48.3	46.4	49.7	46.4
Preferred stock	**-**	-	-	9.9	9.4
Company obligated mandatorily redeemable preferred securities	**12.1**	11.0	10.5	-	-
Long-term debt	**35.2**	40.7	43.1	40.4	44.2
Total (excluding amounts due within one year)	**100.0**	100.0	100.0	100.0	100.0
Security Ratings:					
First Mortgage Bonds -					
Moody's	**A1**	A1	A1	A1	A1
Standard and Poor's	**A+**	AA-	AA-	AA-	A+
Preferred Stock -					
Moody's	**a2**	a2	a2	a2	a2
Standard and Poor's	**BBB+**	A-	A	A	A
Customers (year-end):					
Residential	**115,646**	112,891	110,437	109,092	106,657
Commercial	**15,727**	15,433	15,328	14,233	13,877
Industrial	**75**	67	63	64	65
Other	**444**	417	377	1,129	1,097
Total	**131,892**	128,808	126,205	124,518	121,696
Employees (year-end):	**554**	533	542	535	571

SELECTED FINANCIAL AND OPERATING DATA 1996-2000 (continued)

Savannah Electric and Power Company 2000 Annual Report

	2000	1999	1998	1997	1996
Operating Revenues (in thousands):					
Residential	**$129,520**	$112,371	$109,393	$ 96,587	$101,607
Commercial	**102,116**	88,449	86,231	78,949	80,494
Industrial	**40,839**	32,233	37,865	35,301	37,077
Other	**10,147**	9,212	8,838	8,621	8,804
Total retail	**282,622**	242,265	242,327	219,458	227,982
Sales for resale - non-affiliates	**4,748**	3,395	4,548	3,467	1,998
Sales for resale - affiliates	**4,974**	4,151	3,016	2,052	3,130
Total revenues from sales of electricity	**292,344**	249,811	249,891	224,977	233,110
Other revenues	**3,374**	1,783	4,564	1,300	964
Total	**$295,718**	$251,594	$254,455	$226,277	$234,074
Kilowatt-Hour Sales (in thousands):					
Residential	**1,671,089**	1,579,068	1,539,792	1,428,337	1,456,651
Commercial	**1,369,448**	1,287,832	1,236,337	1,156,078	1,141,218
Industrial	**800,150**	713,448	900,012	881,261	838,753
Other	**135,824**	132,555	131,142	124,490	126,215
Total retail	**3,976,511**	3,712,903	3,807,283	3,590,166	3,562,837
Sales for resale - non-affiliates	**77,481**	51,548	53,294	94,280	91,610
Sales for resale - affiliates	**88,646**	76,988	58,415	54,509	41,808
Total	**4,142,638**	3,841,439	3,918,992	3,738,955	3,696,255
Average Revenue Per Kilowatt-Hour (cents):					
Residential	**7.75**	7.12	7.10	6.76	6.98
Commercial	**7.46**	6.87	6.97	6.83	7.05
Industrial	**5.10**	4.52	4.21	4.01	4.42
Total retail	**7.11**	6.52	6.36	6.11	6.40
Sales for resale	**5.85**	5.87	6.77	3.71	3.84
Total sales	**7.06**	6.50	6.38	6.02	6.31
Residential Average Annual Kilowatt-Hour Use Per Customer	**14,593**	14,100	14,061	13,231	13,771
Residential Average Annual Revenue Per Customer	**$1,131.08**	$1,003.39	$998.94	$894.73	$960.58
Plant Nameplate Capacity Ratings (year-end) (megawatts)	**788**	788	788	788	788
Maximum Peak-Hour Demand (megawatts):					
Winter	**724**	719	582	625	666
Summer	**878**	875	846	802	811
Annual Load Factor (percent)	**53.4**	51.2	54.9	54.3	53.1
Plant Availability Fossil-Steam (percent):	**78.5**	72.8	72.9	93.7	77.6
Source of Energy Supply (percent):					
Coal	**51.6**	44.6	41.6	34.4	27.7
Oil and gas	**6.9**	12.3	12.9	5.2	3.1
Purchased power -					
From non-affiliates	**7.7**	5.3	3.4	1.4	2.1
From affiliates	**33.8**	37.8	42.1	59.0	67.1
Total	**100.0**	100.0	100.0	100.0	100.0

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PART III

Items 10, 11, 12 and 13 for SOUTHERN are incorporated by reference to ELECTION OF DIRECTORS in SOUTHERN's definitive Proxy Statement relating to the 2001 Annual Meeting of Stockholders.

Additionally, Items 10, 11, 12 and 13 for ALABAMA, GEORGIA, GULF and MISSISSIPPI are incorporated by reference to the Information Statements of ALABAMA, GEORGIA, GULF and MISSISSIPPI relating to each of their respective 2001 Annual Meetings of Shareholders.

The ages of directors and executive officers in Item 10 set forth below are as of December 31, 2000.

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Identification of directors of SAVANNAH.

G. Edison Holland, Jr.
President and Chief Executive Officer
Age 48
Served as Director since 7-15-97

Gus H. Bell (1)
Age 63
Served as Director since 7-20-99

Archie H. Davis (1)
Age 59
Served as Director since 2-18-97

Walter D. Gnann (1)
Age 65
Served as Director since 5-17-83

Robert B. Miller, III (1)
Age 55
Served as Director since 5-17-83

Arnold M. Tenenbaum (1)
Age 64
Served as Director since 5-17-77

(1) *No position other than Director*

Each of the above is currently a director of SAVANNAH, serving a term running from the last annual meeting of SAVANNAH's stockholder (May 17, 2000) for one year until the next annual meeting or until a successor is elected and qualified.

There are no arrangements or understandings between any of the individuals listed above and any other person pursuant to which he or she was or is to be selected as a director or nominee, other than any arrangements or understandings with directors or officers of SAVANNAH acting solely in their capacities as such.

Identification of executive officers of SAVANNAH.

G. Edison Holland, Jr.
President, Chief Executive Officer and Director
Age 48
Served as Executive Officer since 7-[redacted]7

Anthony R. James
Vice President – Power Generation
Age 50
Served as Executive Officer since 7-27-00

W. Miles Greer
Vice President – Customer Operations and External Affairs
Age 57
Served as Executive Officer since 11-20-85

Kirby R. Willis
Vice President, Treasurer, Chief Financial Officer and Assistant Corporate Secretary
Age 49
Served as Executive Officer since 1-1-94

Each of the above is currently an executive officer of SAVANNAH, serving a term running from the meeting of the directors held on July 27, 2000 for the ensuing year.

There are no arrangements or understandings between any of the individuals listed above and any other person pursuant to which he was or is to be selected as an officer, other than any arrangements or understandings with officers of SAVANNAH acting solely in their capacities as such.

Identification of certain significant employees.

None.

Family relationships.

None.

Business experience.

G. Edison Holland, Jr. - President and Chief Executive Officer since 1997. He previously served as Vice President of Power Generation/Transmission and Corporate Counsel of GULF from 1995 to 1997. Served as a partner in the law firm of Beggs & Lane from 1979 to 1997. Director of SunTrust Bank of Savannah.

Gus H. Bell, III – President and Chief Executive Officer of Hussey, Gay, Bell and DeYoung, Inc., (specializing in environmental, industrial, structural, architectural and civil engineering), Savannah, Georgia. Director of SunTrust Bank of Savannah.

Archie H. Davis - President and Chief Executive Officer of The Savannah Bancorp and The Savannah Bank, N.A., Savannah, Georgia. Member of the Board of Directors of Thomaston Mills, Thomaston, Georgia.

Walter D. Gnann - President of Walt's TV, Appliance and Furniture Co., Inc., Springfield, Georgia.

Robert B. Miller, III - President of American Building Systems, Inc., Savannah, Georgia.

Arnold M. Tenenbaum - President and Director of Chatham Steel Corporation. Director of First Union Bank of Georgia, First Union Bank of Savannah and Cerulean Corporation.

W. Miles Greer - Vice President – Customer Operations and External Affairs since 1998. He previously served as Vice President of Marketing and Customer Service from 1994 to 1998. Responsible for customer services, transmission and distribution, engineering, system operation and external affairs.

Anthony R. James – Vice President – Power Generation and Senior Production Officer since 2000. He also serves as Central Cluster Manager at GEORGIA's Plant Scherer. Responsible for operations and maintenance of Plants Kraft, Riverside and McIntosh.

Kirby R. Willis – Vice President, Treasurer and Chief Financial Officer since 1994 and Assistant Corporate Secretary effective 1998. Responsible primarily for accounting, financial, labor relations, corporate services, corporate compliance, environmental and safety activities.

Involvement in certain legal proceedings.

None

Section 16(a) Beneficial Ownership Reporting Compliance.

No late filers.

ITEM 11. EXECUTIVE COMPENSATION

Summary Compensation Table. The following table sets forth information concerning any Chief Executive Officer and the four most highly compensated executive officers of SAVANNAH serving during 2000.

		ANNUAL COMPENSATION			LONG-TERM COMPENSATION		
Name and Principal Position	Year	Salary($)	Bonus($)	Other Annual Compensation ($)[1]	Number of Securities Underlying Stock Options (Shares)	Long-Term Incentive Payouts ($)[2]	All Other Compensation ($)[3]
G. Edison Holland, Jr.							
President,	2000	295,812	243,263	24,438	25,667	-	15,453
Chief Executive	1999	254,914	42,626	21,588	8,375	166,052	13,392
Officer, Director	1998	233,330	26,019	17,309	7,951	128,608	8,246
Anthony R. James[4]	2000	175,048	161,442	-	12,752	-	7,582
Vice President,	1999	-	-	-	-	-	-
	1998	-	-	-	-	-	-
W. Miles Greer	2000	177,013	100,923	601	13,416	-	16,982
Vice President	1999	168,713	21,322	1,874	6,130	79,476	15,150
	1998	160,207	16,054	13	4,901	69,000	13,179
Kirby R. Willis							
Vice President,	2000	162,279	97,394	4,908	8,785	-	12,159
Chief Financial	1999	156,068	19,546	259	5,028	79,476	11,767
Officer, Treasurer	1998	155,236	15,554	13	4,748	69,000	10,581
Lewis A. Jeffers[5]	2000	142,850	96,835	2,856	7,543	-	7,245
Vice President	1999	134,538	19,023	379	3,809	63,146	6,972
	1998	-	-	-	-	-	-

1 Tax reimbursement by SAVANNAH on certain personal benefits, including membership fees of $11,669 for Mr. Holland, Jr. in 1998.

2 Payouts made in 1999 and 2000 for the four-year performance periods ending December 31, 1998 and 1999, respectively.

3 SAVANNAH contributions to the Employee Savings Plan (ESP), Employee Stock Ownership Plan (ESOP), Supplemental Benefit Plan (SBP) or Above-market earnings on deferred compensation (AME) and tax sharing benefits paid to participants who elected receipt of dividends on SOUTHERN's common stock held in the ESP are as follows:

Name	ESP	ESOP	SBP or AME	ESP Tax Benefit Sharing
G. Edison Holland, Jr.	$6,853	$810	$7,790	$489
Anthony R. James	6,772	810	-	-
W. Miles Greer	7,525	810	8,647	-
Kirby R. Willis	5,954	810	5,395	-
Lewis A. Jeffers	6,435	810	-	-

4 Mr. James was named an executive officer effective July 27, 2000.

5 Mr. Jeffers was named an executive officer of SAVANNAH effective November 2, 1999 and transferred to ALABAMA effective June 24, 2000.

STOCK OPTION GRANTS IN 2000

Stock Option Grants. The following table sets forth all stock option grants to the named executive officers of SAVANNAH during the year ending December 31, 2000.

	Individual Grants				Grant Date Value
Name	# of Securities Underlying Options Granted[6]	% of Total Options Granted to Employees in Fiscal Year[7]	Exercise or Base Price ($/Sh)[6]	Expiration Date[6]	Grant Date Present Value($)[8]
SAVANNAH					
G. Edison Holland, Jr.	25,667	0.4	23.25	02/18/2010	147,842
Anthony R. James	12,752	0.2	23.25	02/18/2010	73,452
W. Miles Greer	13,416	0.2	23.25	02/18/2010	77,276
Kirby R. Willis	8,785	0.1	23.25	02/18/2010	50,602
Lewis A. Jeffers	7,543	0.1	23.25	02/18/2010	43,448

6 Performance Stock Plan grants were made on February 18, 2000, and vest annually at a rate of one-third on the anniversary date of the grant. Grants fully vest upon termination as a result of death, total disability, or retirement and expire five years after retirement, three years after death or total disability, or their normal expiration date if earlier. The exercise price is the average of the high and low fair market value of SOUTHERN's common stock on the date granted. Options may be transferred to family members, family trusts, and family limited partnerships.

7 A total of 6,977,038 stock options were granted in 2000.

8 Value was calculated using the Black-Scholes option valuation model. The actual value, if any, ultimately realized depends on the market value of SOUTHERN's common stock at a future date. Significant assumptions are shown below:

	Volatility	Risk-free rate of return	Dividend opportunity	Term	Discount for forfeiture risk: before vesting	after vesting
Black-Scholes Assumptions	22.14%	6.52%	50%	10 years	7.79%	12.40%

These assumptions reflect the effects of cash dividend equivalents paid to participants under the Performance Dividend Plan assuming targets are met.

AGGREGATED STOCK OPTION EXERCISES IN 2000 AND YEAR-END OPTION VALUES

Aggregated Stock Option Exercises. The following table sets forth information concerning options exercised during the year ending December 31, 2000 by the named executive officers and the value of unexercised options held by them as of December 31, 2000.

Name	Shares Acquired on Exercise (#)	Value Realized($)[10]	Number of Securities Underlying Unexercised Options at Fiscal Year-End (#) Exercisable/ Unexercisable	Value of Unexercised In-the-Money Options at Fiscal Year-End($)[9] Exercisable/ Unexercisable
SAVANNAH				
G. Edison Holland, Jr.	18,323	220,862	32,261/33,900	325,274/310,486
Anthony R. James	-	-	8,456/17,259	77,991/157,055
W. Miles Greer	8,654	76,354	10,235/19,136	93,074/171,[illegible]
Kirby R. Willis	4,038	37,604	13,574/13,720	128,819/120,111
Lewis A. Jeffers	-	-	1,270/10,082	8,493/92,410

9 This column represents the excess of the fair market value of SOUTHERN's common stock of $33.25 per share, as of December 31, 2000, above the exercise price of the options. The Exercisable column reports the "value" of options that are vested and therefore could be exercised. The Unexercisable column reports the "value" of options that are not vested and therefore could not be exercised as of December 31, 2000.

10 The "Value Realized" is ordinary income, before taxes, and represents the amount equal to the excess of the fair market value of the shares at the time of exercise above the exercise price.

DEFINED BENEFIT OR ACTUARIAL PLAN DISCLOSURE

Pension Plan Table. The following table sets forth the estimated annual pension benefits payable at normal retirement age under SOUTHERN's qualified Pension Plan, as well as non-qualified supplemental benefits, based on the stated compensation and years of service with the SOUTHERN system for Messrs. Holland, James and Jeffers. Compensation for pension purposes is limited to the average of the highest three of the final 10 years' compensation — base salary plus the excess of annual and long-term incentive compensation over 25 percent of base salary (reported under column titled "Salary", "Bonus", and "Long-Term Incentive Payouts" in the Summary Compensation Table on page III-3).

The amounts shown in the table were calculated according to the final average pay formula and are based on a single life annuity without reduction for joint and survivor annuities (although married employees are required to have their pension benefits paid in one of various joint and survivor annuity forms, unless the employee elects otherwise with the spouse's consent) or computation of the Social Security offset which would apply in most cases. This offset amounts to one-half of the estimated Social Security benefit (primary insurance amount) in excess of $3,900 per year times the number of years of accredited service, divided by the total possible years of accredited service to normal retirement age.

	Years of Accredited Service					
Remuneration	**15**	**20**	**25**	**30**	**35**	**40**
$ 100,000	$ 25,500	$ 34,000	$ 42,500	$ 51,000	$ 59,500	$ 68,000
300,000	76,500	102,000	127,500	153,000	178,500	204,000
500,000	127,500	170,000	212,500	255,000	297,500	340,000
700,000	178,500	238,000	297,500	357,000	416,500	476,000
900,000	229,500	306,000	382,500	459,000	535,500	612,000
1,100,000	280,500	374,000	467,500	561,000	654,500	748,000
1,300,000	331,500	442,000	552,500	663,000	773,500	884,000

As of December 31, 2000, the applicable compensation levels and years of accredited service for SAVANNAH's named executives are presented in the following table:

Name	Compensation Level	Accredited Years of Service
G. Edison Holland, Jr.[11]	$431,348	17
Anthony R. James	246,604	21
W. Miles Greer[12]	237,392	16
Kirby R. Willis	225,952	26
Lewis A. Jeffers	197,400	21

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11 The number of accredited years of service includes 9 years and 3 months credited to Mr. Holland pursuant to a supplemental pension agreement.

12 The number of accredited years of service includes 7 years and 6 months credited to Mr. Greer pursuant to a supplemental pension agreement.

Effective January 1, 1998, SAVANNAH merged its pension plan into the SOUTHERN Pension Plan. SAVANNAH also has in effect a supplemental executive retirement plan for certain of its executive employees. The plan is designed to provide participants with a supplemental retirement benefit, which, in conjunction with social security and benefits under SOUTHERN's qualified pension plan, will equal 70 percent of the highest three of the final 10 years' average annual earnings (excluding incentive compensation).

The following table sets forth the estimated combined annual pension benefits under SOUTHERN's pension and SAVANNAH's supplemental executive retirement plans in effect during 2000 which are payable to Messrs Greer and Willis, upon retirement at the normal retirement age after designated periods of accredited service and at a specified compensation level.

	Years of Accredited Service		
Remuneration	**15**	**25**	**35**
$150,000	105,000	105,000	105,000
180,000	126,000	126,000	126,000
210,000	147,000	147,000	147,000
260,000	182,000	182,000	182,000
280,000	196,000	196,000	196,000
300,000	210,000	210,000	210,000
350,000	245,000	245,000	245,000
400,000	280,000	280,000	280,000
430,000	301,000	301,000	301,000
460,000	322,000	322,000	322,000

Compensation of Directors.

Standard Arrangements. The following table presents compensation paid to the directors during 2000 for service as a member of the board of directors and any board committee(s), except that employee directors received no fees or compensation for service as a member of the board of directors or any board committee. At the election of the director, all or a portion of the cash retainer may be payable in SOUTHERN's common stock, and all or a portion of the total fees may be deferred under the Deferred Compensation Plan until membership on the board is terminated.

Cash Retainer Fee	$10,000
Stock Retainer Fee	50 shares per quarter

Meeting Fees:
$750 for each Board or Committee meeting attended

Effective January 1, 1997, the Outside Directors Pension Plan (the "Plan") was terminated and benefits payable under the Plan were frozen. Non-employee directors serving as of January 1, 1997 were given a one-time election to receive a Plan benefit buy-out equal to the actuarial present value of future Plan benefits or receive benefits under the terms of the Plan at the annual retainer rate in effect on December 31, 1996. Directors who elected to receive the benefit buy-out were required to defer receipt of that amount under the Deferred Compensation Plan until termination from board membership. Directors who elected to continue to participate under the terms of the Plan are entitled to benefits upon retirement from the board on the retirement date designated in the respective companies' by-laws. The annual benefit payable is based upon length of service and varies from 75 percent of the annual retainer in effect on December 31, 1996 if the participant has at least 60 months of service on the board of one or more system companies, to 100 percent if the participant has at least 120 months of such service. Payments will continue for the greater of the lifetime of the participant or 10 years.

Other Arrangements. No director received other compensation for services as a director during the year ending December 31, 2000 in addition to or in lieu of that specified by the standard arrangements specified above.

Employment Contracts and Termination of Employment and Change in Control Arrangements.

SAVANNAH has adopted SOUTHERN's Change in Control Plan which is applicable to certain of its officers, and has entered into individual change in control agreements with its most highly compensated executive officers. If an executive is involuntarily terminated, other than for cause, within two years following a change in control of SOUTHERN the agreements provide for:

- lump sum payment of two or three times annual compensation,
- up to five years' coverage under group health and life insurance plans,
- immediate vesting of all stock options, stock appreciation rights, and restricted stock previously granted,
- payment of any accrued long-term and short-term bonuses and dividend equivalents, and
- payment of any excise tax liability incurred as a result of payments made under any individual agreements.

A SOUTHERN change in control is defined under the agreements as:

- acquisition of at least 20 percent of the SOUTHERN's stock,
- a change in the majority of the members of the SOUTHERN's board of directors,
- a merger or other business combination that results in SOUTHERN's shareholders immediately before the merger owning less than 65 percent of the voting power after the merger, or
- a sale of substantially all the assets of SOUTHERN.

A change in control of SAVANNAH is defined under the agreements as:

- acquisition of at least 50 percent of SAVANNAH's stock,
- a merger or other business combination unless SOUTHERN controls the surviving entity or
- a sale of substantially all the assets of SAVANNAH.

If a change in control affects only a subsidiary of SOUTHERN, these payments would only be made to executives of the affected subsidiary who are involuntarily terminated as a result of that change in control.

SOUTHERN also has amended its short- and long-term incentive plans to provide for pro-rata payments at not less than target-level performance if a change in control occurs and the plans are not continued or replaced with comparable plans.

Report on Repricing of Options.

None.

Compensation Committee Interlocks and Insider Participation.

None.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Security Ownership of Certain Beneficial Owners. SOUTHERN is the beneficial owner of 100% of the outstanding common stock of SAVANNAH.

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Common Stock	The Southern Company 270 Peachtree Street, N.W. Atlanta, Georgia 30303		100%
	Registrant: SAVANNAH	10,844,635	

Security Ownership of Management. The following table shows the number of shares of SOUTHERN common stock owned by the SAVANNAH's directors, nominees and executive officers as of December 31, 2000. It is based on information furnished by the directors, nominees and executive officers. The shares owned by all directors, nominees and executive officers as a group constitute less than one percent of the total number of shares outstanding on December 31, 2000.

Name of Directors, Nominees and Executive Officers	**Title of Class**	**Number of Shares Beneficially Owned (1) (2)**
Gus H. Bell, III	SOUTHERN Common	246
Archie H. Davis	SOUTHERN Common	495
Walter D. Gnann	SOUTHERN Common	2,689
G. Edison Holland, Jr.	SOUTHERN Common	43,848
Robert B. Miller, III	SOUTHERN Common	1,770
Arnold M. Tenenbaum	SOUTHERN Common	1,124
Anthony R. James	SOUTHERN Common	25,065
W. Miles Greer	SOUTHERN Common	18,605
Kirby R. Willis	SOUTHERN Common	23,240
The directors, nominees and executive officers as a group	SOUTHERN Common	117,083

(1) As used in this table, "beneficial ownership" means the sole or shared power to vote, or to direct the voting of, a security and/or investment power with respect to a security (i.e., the power to dispose of, or to direct the disposition of, a security).

(2) The shares shown include shares of SOUTHERN common stock of which certain directors and executive officers have the right to acquire beneficial ownership within 60 days pursuant to the Executive Stock Plan and/or Performance Stock Plan, as follows: Mr. Greer, 14,707 shares; Mr. Holland, 40,817 shares; Mr. James 12,707 shares, and Mr. Willis, 16,503 shares.

Changes in control. SOUTHERN and SAVANNAH know of no arrangements which may at a subsequent date result in any change in control.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Transactions with management and others.

Mr. Archie Davis is President of The Savannah Bank, N.A., Savannah, Georgia. During 2000, this bank furnished a number of regular banking services in the ordinary course of business to SAVANNAH. SAVANNAH intends to maintain normal banking relations with the aforesaid bank in the future.

Certain business relationships.

None.

Indebtedness of management.

None.

Transactions with promoters.

None.

PART IV

Item 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) The following documents are filed as a part of this report on this Form 10-K:

(1) Financial Statements:

Reports of Independent Public Accountants on the financial statements for SOUTHERN and Subsidiary Companies, ALABAMA, GEORGIA, GULF, MISSISSIPPI and SAVANNAH are listed under Item 8 herein.

The financial statements filed as a part of this report for SOUTHERN and Subsidiary Companies, ALABAMA, GEORGIA, GULF, MISSISSIPPI and SAVANNAH are listed under Item 8 herein.

(2) Financial Statement Schedules:

Reports of Independent Public Accountants as to Schedules for SOUTHERN and Subsidiary Companies, ALABAMA, GEORGIA, GULF, MISSISSIPPI and SAVANNAH are included herein on pages IV-12 through IV-17.

Financial Statement Schedules for SOUTHERN and Subsidiary Companies, ALABAMA, GEORGIA, GULF, MISSISSIPPI and SAVANNAH are listed in the Index to the Financial Statement Schedules at page S-1.

(3) Exhibits:

Exhibits for SOUTHERN, ALABAMA, GEORGIA, GULF, MISSISSIPPI and SAVANNAH are listed in the Exhibit Index at page E-1.

(b) Reports on Form 8-K during the fourth quarter of 2000 were as follows:

SOUTHERN filed Current Reports on Form 8-K:

Date of event:	November 27, 2000
Items reported:	Items 5 and 7

Date of event:	December 6, 2000
Items reported:	Items 5 and 7

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof.

THE SOUTHERN COMPANY

By: H. Allen Franklin, President and Chief Executive Officer

By: Wayne Boston (Wayne Boston, Attorney-in-fact)

Date: March 28, 2001

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated. The signature of each of the undersigned shall be deemed to relate only to matters having reference to the above-named company and any subsidiaries thereof.

H. Allen Franklin
President and
Chief Executive Officer
(Principal Executive Officer)

Gale E. Klappa
Financial Vice President, Chief Financial Officer and Treasurer
(Principal Financial Officer)

W. Dean Hudson
Vice President, Comptroller and Chief Accounting Officer
(Principal Accounting Officer)

Directors:

Daniel P. Amos	*L. G. Hardman III*
Dorrit J. Bern	*Donald M. James*
Thomas F. Chapman	*Zack T. Pate*
H. Allen Franklin	*Gerald J. St. Pe'*

By: Wayne Boston (Wayne Boston, Attorney-in-fact)

Date: March 28, 2001

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof.

ALABAMA POWER COMPANY

By: Elmer B. Harris, President and Chief Executive Officer

By: Wayne Boston (Wayne Boston, Attorney-in-fact)

Date: March 28, 2001

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated. The signature of each of the undersigned shall be deemed to relate only to matters having reference to the above-named company and any subsidiaries thereof.

Elmer B. Harris
President, Chief Executive Officer and Director
(Principal Executive Officer)

William B. Hutchins, III
Executive Vice President, Chief Financial Officer and Treasurer
(Principal Financial Officer)

Art P. Beattie
Vice President and Comptroller
(Principal Accounting Officer)

Directors:

Whit Armstrong	*John T. Porter*
H. Allen Franklin	*Robert D. Powers*
R. Kent Henslee	*Andreas Renschler*
Carl E. Jones, Jr.	*C. Dowd Ritter*
James K. Lowder	*James H. Sanford*
Wallace D. Malone, Jr.	*John Cox Webb, IV*
Thomas C. Meredith	*James W. Wright*
William V. Muse	

By: Wayne Boston (Wayne Boston, Attorney-in-fact)

Date: March 28, 2001

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof.

GEORGIA POWER COMPANY

By: David M. Ratcliffe, President and Chief Executive Officer

By: Wayne Boston (Wayne Boston, Attorney-in-fact)

Date: March 28, 2001

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated. The signature of each of the undersigned shall be deemed to relate only to matters having reference to the above-named company and any subsidiaries thereof.

David M. Ratcliffe
President, Chief Executive Officer and Director
(Principal Executive Officer)

Thomas A. Fanning
Executive Vice President, Chief Financial Officer and Treasurer
(Principal Financial Officer)

Cliff S. Thrasher
Vice President, Comptroller and Chief Accounting Officer
(Principal Accounting Officer)

Directors:

Daniel P. Amos	*James R. Lientz, Jr.*
Juanita P. Baranco	*G. Joseph Prendergast*
William A. Fickling, Jr.	*William Jerry Vereen*
H. Allen Franklin	*Carl Ware*
L. G. Hardman III	*E. Jenner Wood, III*

By: Wayne Boston (Wayne Boston, Attorney-in-fact)

Date: March 28, 2001

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof.

GULF POWER COMPANY

By: Travis J. Bowden, President and Chief Executive Officer

By: Wayne Boston (Wayne Boston, Attorney-in-fact)

Date: March 28, 2001

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated. The signature of each of the undersigned shall be deemed to relate only to matters having reference to the above-named company and any subsidiaries thereof.

Travis J. Bowden
President, Chief Executive Officer and Director
(Principal Executive Officer)

Ronnie R. Labrato
Comptroller and Chief Financial Officer
(Principal Financial and Accounting Officer)

Directors:

Fred C. Donovan, Sr.	*W. Deck Hull, Jr.*
H. Allen Franklin	*Barbara H. Thames*

By: Wayne Boston (Wayne Boston, Attorney-in-fact)

Date: March 28, 2001

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof.

MISSISSIPPI POWER COMPANY

By: Dwight H. Evans, President and Chief Executive Officer

By: Wayne Boston (Wayne Boston, Attorney-in-fact)

Date: March 28, 2001

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated. The signature of each of the undersigned shall be deemed to relate only to matters having reference to the above-named company and any subsidiaries thereof.

Dwight H. Evans
President, Chief Executive Officer and Director
(Principal Executive Officer)

Michael W. Southern
Vice President, Secretary, Treasurer and Chief Financial Officer
(Principal Financial and Accounting Officer)

Directors:

Robert S. Gaddis	*George A. Schloegel*
Linda T. Howard	*Philip J. Terrell*
Aubrey K. Lucas	*Gene Warr*
Malcolm Portera	

By: Wayne Boston (Wayne Boston, Attorney-in-fact)

Date: March 28, 2001

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof.

SAVANNAH ELECTRIC AND POWER COMPANY

By: G. Edison Holland, Jr., President and Chief Executive Officer

By: Wayne Boston (Wayne Boston, Attorney-in-fact)

Date: March 28, 2001

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated. The signature of each of the undersigned shall be deemed to relate only to matters having reference to the above-named company and any subsidiaries thereof.

G. Edison Holland, Jr.
President, Chief Executive Officer and Director
(Principal Executive Officer)

Kirby R. Willis
Vice President, Treasurer and Chief Financial Officer
(Principal Financial and Accounting Officer)

Directors:

Gus H. Bell, III	*Robert B. Miller, III*
Archie H. Davis	*Arnold M. Tenenbaum*
Walter D. Gnann	

By: Wayne Boston (Wayne Boston, Attorney-in-fact)

Date: March 28, 2001

Exhibit 21. Subsidiaries of the Registrants.*

Name of Company	Jurisdiction of Organization
The Southern Company	Delaware
Southern Company Capital Trust I	Delaware
Southern Company Capital Trust II	Delaware
Southern Company Capital Trust III	Delaware
Southern Company Capital Trust IV	Delaware
Southern Company Capital Trust V	Delaware
Southern Company Capital Trust VI	Delaware
Southern Company Capital Trust VII	Delaware
Southern Company Capital Trust VIII	Delaware
Southern Company Capital Trust IX	Delaware
Alabama Power Company	Alabama
Alabama Power Capital Trust I	Delaware
Alabama Power Capital Trust II	Delaware
Alabama Power Capital Trust III	Delaware
Alabama Power Capital Trust IV	Delaware
Alabama Power Capital Trust V	Delaware
Alabama Property Company	Alabama
Southern Electric Generating Company	Alabama
Georgia Power Company	Georgia
Georgia Power Capital Trust I	Delaware
Georgia Power Capital Trust II	Delaware
Georgia Power Capital Trust III	Delaware
Georgia Power Capital Trust IV	Delaware
Georgia Power Capital Trust V	Delaware
Georgia Power Capital Trust VI	Delaware
Georgia Power L.P. Holdings Corp.	Georgia
Georgia Power Capital, L.P.	Delaware
Piedmont-Forrest Corporation	Georgia
Southern Electric Generating Company	Alabama
Gulf Power Company	Maine
Gulf Power Capital Trust I	Delaware
Gulf Power Capital Trust II	Delaware
Gulf Power Capital Trust III	Delaware
Mississippi Power Company	Mississippi
Mississippi Power Capital Trust I	Delaware
Mississippi Power Capital Trust II	Delaware
Mississippi Power Capital Trust III	Delaware
Savannah Electric and Power Company	Georgia
Savannah Electric Capital Trust I	Delaware

*This information is as of December 31, 2000. In addition, the list omits certain subsidiaries pursuant to paragraph (b)(21)(ii) of Regulation S-K Item 601.

ARTHUR ANDERSEN

Exhibit 23(a)

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports dated February 28, 2001 on the financial statements of The Southern Company and its subsidiaries and the related financial statement schedule, included in this Form 10-K, into The Southern Company's previously filed Registration Statement File Nos. 2-78617, 33-3546, 33-30171, 33-54415, 33-57951, 33-58371, 33-60427, 333-09077, 333-44127, 333-44261, 333-64871 and 333-31808.

Arthur Andersen LLP

Atlanta, Georgia
March 22, 2001

ARTHUR ANDERSEN

Exhibit 23(b)

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports dated February 28, 2001 on the financial statements of Alabama Power Company and the related financial statement schedule, included in this Form 10-K, into Alabama Power Company's previously filed Registration Statement File No. 333-67453.

Arthur Andersen LLP

Birmingham, Alabama
March 22, 2001

ARTHUR ANDERSEN

Exhibit 23(c)

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports dated February 28, 2001 on the financial statements of Georgia Power Company and the related financial statement schedule, included in this Form 10-K, into Georgia Power Company's previously filed Registration Statement File No. 333-75193.

Arthur Andersen LLP

Atlanta, Georgia
March 22, 2001

ARTHUR ANDERSEN

Exhibit 23(d)

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports dated February 28, 2001 on the financial statements of Gulf Power Company and the related financial statement schedule, included in this Form 10-K, into Gulf Power Company's previously filed Registration Statement File Nos. 33-50165 and 333-42033.

Arthur Andersen LLP

Atlanta, Georgia
March 22, 2001

ARTHUR ANDERSEN

Exhibit 23(e)

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports dated February 28, 2001 on the financial statements of Mississippi Power Company and the related financial statement schedule, included in this Form 10-K, into Mississippi Power Company's previously filed Registration Statement File No. 333-45069.

Arthur Andersen LLP

Atlanta, Georgia
March 22, 2001

ARTHUR ANDERSEN

Exhibit 23(f)

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports dated February 28, 2001 on the financial statements of Savannah Electric and Power Company and the related financial statement schedule, included in this Form 10-K, into Savannah Electric and Power Company's previously filed Registration Statement File No. 333-46171.

Arthur Andersen LLP

Atlanta, Georgia
March 22, 2001

ARTHUR ANDERSEN

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS AS TO SCHEDULE

To The Southern Company:

We have audited in accordance with auditing standards generally accepted in the United States, the consolidated financial statements of The Southern Company and its subsidiaries included in this Form 10-K; and have issued our report thereon dated February 28, 2001. Our audits were made for the purpose of forming an opinion on those statements taken as a whole. The schedule listed under Item 14(a)(2) herein as it relates to The Southern Company and its subsidiaries (page S-2) is the responsibility of The Southern Company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic consolidated financial statements. This schedule has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

Arthur Andersen LLP

Atlanta, Georgia
February 28, 2001

ARTHUR ANDERSEN

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS AS TO SCHEDULE

To Alabama Power Company:

We have audited in accordance with auditing standards generally accepted in the United States, the financial statements of Alabama Power Company included in this Form 10-K, and have issued our report thereon dated February 28, 2001. Our audits were made for the purpose of forming an opinion on those statements taken as a whole. The schedule listed under Item 14(a)(2) herein as it relates to Alabama Power Company (page S-3) is the responsibility of Alabama Power Company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

Arthur Andersen LLP

Birmingham, Alabama
February 28, 2001

ARTHUR ANDERSEN

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS AS TO SCHEDULE

To Georgia Power Company:

We have audited in accordance with auditing standards generally accepted in the United States, the financial statements of Georgia Power Company included in this Form 10-K, and have issued our report thereon dated February 28, 2001. Our audits were made for the purpose of forming an opinion on those statements taken as a whole. The schedule listed under Item 14(a)(2) herein as it relates to Georgia Power Company (page S-4) is the responsibility of Georgia Power Company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

Arthur Andersen LLP

Atlanta, Georgia
February 28, 2001

ARTHUR ANDERSEN

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS AS TO SCHEDULE

To Gulf Power Company:

We have audited in accordance with auditing standards generally accepted in the United States, the financial statements of Gulf Power Company included in this Form 10-K, and have issued our report thereon dated February 28, 2001. Our audits were made for the purpose of forming an opinion on those statements taken as a whole. The schedule listed under Item 14(a)(2) herein as it relates to Gulf Power Company (page S-5) is the responsibility of Gulf Power Company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

Arthur Andersen LLP

Atlanta, Georgia
February 28, 2001

ARTHUR ANDERSEN

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS AS TO SCHEDULE

To Mississippi Power Company:

We have audited in accordance with auditing standards generally accepted in the United States, the financial statements of Mississippi Power Company included in this Form 10-K, and have issued our report thereon dated February 28, 2001. Our audits were made for the purpose of forming an opinion on those statements taken as a whole. The schedule listed under Item 14(a)(2) herein as it relates to Mississippi Power Company (page S-6) is the responsibility of Mississippi Power Company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

Arthur Andersen LLP

Atlanta, Georgia
February 28, 2001

ARTHUR ANDERSEN

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS AS TO SCHEDULE

To Savannah Electric and Power Company:

We have audited in accordance with auditing standards generally accepted in the United States, the financial statements of Savannah Electric and Power Company included in this Form 10-K, and have issued our report thereon dated February 28, 2001. Our audits were made for the purpose of forming an opinion on those statements taken as a whole. The schedule listed under Item 14(a)(2) herein as it relates to Savannah Electric and Power Company (page S-7) is the responsibility of Savannah Electric and Power Company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

Arthur Andersen LLP

Atlanta, Georgia
February 28, 2001

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INDEX TO FINANCIAL STATEMENT SCHEDULES

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Schedules I through V not listed above are omitted as not applicable or not required. Columns omitted from schedules filed have been omitted because the information is not applicable or not required.

THE SOUTHERN COMPANY AND SUBSIDIARY COMPANIES
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998
(Stated in Thousands of Dollars)

Description	Balance at Beginning of Period	Additions: Charged to Income	Additions: Charged to Other Accounts	Deductions	Balance at End of Period
Provision for uncollectible accounts					
2000	$21,834	$31,329	$39	$31,403 (Note)	$21,799
1999	11,268	35,476	-	24,910 (Note)	21,834
1998	9,613	31,707	-	30,052 (Note)	11,268

Note: *Represents write-off of accounts considered to be uncollectible, less recoveries of amounts previously written off.*

ALABAMA POWER COMPANY
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998
(Stated in Thousands of Dollars)

Description	Balance at Beginning of Period	Additions: Charged to Income	Additions: Charged to Other Accounts	Deductions	Balance at End of Period
Provision for uncollectible accounts					
2000	$4,117	$9,093	$-	$ 6,973 (Note)	$6,237
1999	1,855	13,995	-	11,733 (Note)	4,117
1998	2,272	7,702	-	8,119 (Note)	1,855

Note: *Represents write-off of accounts considered to be uncollectible, less recoveries of amounts previously written off.*

GEORGIA POWER COMPANY
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998
(Stated in Thousands of Dollars)

Description	Balance at Beginning of Period	Additions: Charged to Income	Additions: Charged to Other Accounts	Deductions	Balance at End of Period
Provision for uncollectible accounts					
2000	$7,000	$10,794	$-	$12,694 (Note)	$5,100
1999	5,500	14,406	-	12,906 (Note)	7,000
1998	3,000	17,856	-	15,356 (Note)	5,500

Note: *Represents write-off of accounts considered to be uncollectible, less recoveries of amounts previously written off.*

GULF POWER COMPANY
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998
(Stated in Thousands of Dollars)

Description	Balance at Beginning of Period	Additions: Charged to Income	Additions: Charged to Other Accounts	Deductions	Balance at End of Period
Provision for uncollectible accounts					
2000	$1,026	$2,702	$-	$2,426 (Note)	$1,302
1999	996	2,230	-	2,200(Note)	1,026
1998	796	2,288	-	2,088 (Note)	996

Note: *Represents write-off of accounts considered to be uncollectible, less recoveries of amounts previously written off.*

MISSISSIPPI POWER COMPANY
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998
(Stated in Thousands of Dollars)

Description	Balance at Beginning of Period	Additions: Charged to Income	Additions: Charged to Other Accounts	Deductions	Balance at End of Period
Provision for uncollectible accounts					
2000	$697	$1,156	$14	$1,296 (Note)	$571
1999	621	1,964	-	1,888 (Note)	697
1998	698	1,510	31	1,618 (Note)	621

Note: *Represents write-off of accounts considered to be uncollectible, less recoveries of amounts previously written off.*

SAVANNAH ELECTRIC AND POWER COMPANY
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998
(Stated in Thousands of Dollars)

Description	Balance at Beginning of Period	Additions: Charged to Income	Additions: Charged to Other Accounts	Deductions	Balance at End of Period
Provision for uncollectible accounts					
2000	$237	$999	$-	$829 (Note)	$407
1999	284	594	-	641 (Note)	237
1998	354	417	-	487 (Note)	284

Note: *Represents write-off of accounts receivable considered to be uncollectible, less recoveries of amounts previously written off.*

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EXHIBIT INDEX

The following exhibits indicated by an asterisk preceding the exhibit number are filed herewith. The balance of the exhibits have heretofore been filed with the SEC, respectively, as the exhibits and in the file numbers indicated and are incorporated herein by reference. The exhibits marked with a pound sign are management contracts or compensatory plans or arrangements required to be filed herewith and required to be identified as such by Item 14 of Form 10-K. Reference is made to a duplicate list of exhibits being filed as a part of this Form 10-K, which list, prepared in accordance with Item 601 of Regulation S-K of the SEC, immediately precedes the exhibits being physically filed with this Form 10-K.

(1) Underwriting Agreements

GEORGIA

(c) - Distribution Agreement dated November 29, 1995 between GEORGIA and Lehman Brothers Inc.; Donaldson, Lufkin & Jenrette Securities Corporation; J. P. Morgan Securities Inc.; Salomon Brothers Inc and Smith Barney Inc. relating to $300,000,000 First Mortgage Bonds Secured Medium-Term Notes. (Designated in GEORGIA's Form 10-K for the year ended December 31, 1995, as Exhibit 1(c).)

(3) Articles of Incorporation and By-Laws

SOUTHERN

(a) 1 - Composite Certificate of Incorporation of SOUTHERN, reflecting all amendments thereto through January 5, 1994. (Designated in Registration No. 33-3546 as Exhibit 4(a), in Certificate of Notification, File No. 70-7341, as Exhibit A and in Certificate of Notification, File No. 70-8181, as Exhibit A.)

(a) 2 - By-laws of SOUTHERN as amended effective October 21, 1991, and as presently in effect. (Designated in Form U-1, File No. 70-8181, as Exhibit A-2.)

ALABAMA

(b) 1 - Charter of ALABAMA and amendments thereto through August 10, 1998. (Designated in Registration Nos. 2-59634 as Exhibit 2(b), 2-60209 as Exhibit 2(c), 2-60484 as Exhibit 2(b), 2-70838 as Exhibit 4(a)-2, 2-85987 as Exhibit 4(a)-2, 33-25539 as Exhibit 4(a)-2, 33-43917 as Exhibit 4(a)-2, in Form 8-K dated February 5, 1992, File No. 1-3164, as Exhibit 4(b)-3, in Form 8-K dated July 8, 1992, File No. 1-3164, as Exhibit 4(b)-3, in Form 8-K dated October 27, 1993, File No. 1-3164, as Exhibits 4(a) and 4(b), in Form 8-K dated November 16, 1993, File No. 1-3164, as Exhibit 4(a), in Certificate of Notification, File No. 70-8191, as Exhibit A, in ALABAMA's Form 10-K for the year ended December 31, 1997, File No. 1-3164, as Exhibit 3(b)2 and Form 8-K dated August 10, 1998, File No. 1-3164, as Exhibit 4.4.)

* (b) 2 - Amendment to Charter of ALABAMA dated January 10, 2001.

(b) 3 - By-laws of ALABAMA as amended effective July 23, 1993, and as presently in effect. (Designated in Form U-1, File No. 70-8191, as Exhibit A-2.)

GEORGIA

(c) 1 - Charter of GEORGIA and amendments thereto through January 26, 1998. (Designated in Registration Nos. 2-63392 as Exhibit 2(a)-2, 2-78913 as Exhibits 4(a)-(2) and 4(a)-(3), 2-93039 as Exhibit 4(a)-(2), 2-96810 as Exhibit 4(a)-2, 33-141 as Exhibit 4(a)-(2), 33-1359 as Exhibit 4(a)(2), 33-5405 as Exhibit 4(b)(2), 33-14367 as Exhibits 4(b)-(2) and 4(b)-(3), 33-22504 as Exhibits 4(b)-(2), 4(b)-(3) and 4(b)-(4), in GEORGIA's Form 10-K for the year ended December 31, 1991, File No. 1-6468, as Exhibits 4(a)(2) and 4(a)(3), in Registration No. 33-48895 as Exhibits 4(b)-(2) and 4(b)-(3), in Form 8-K dated December 10, 1992, File No. 1-6468 as Exhibit 4(b), in Form 8-K dated June 17, 1993, File No. 1-6468, as Exhibit 4(b), in Form 8-K dated October 20, 1993, File No. 1-6468, as Exhibit 4(b) and in GEORGIA's Form 10-K for the year ended December 31, 1997, File No. 1-6468, as Exhibit 3(c)2.)

* (c) 2 - Amendment to Charter of GEORGIA dated February 16, 2001.

* (c) 3 - By-laws of GEORGIA as amended effective November 15, 2000, and as presently in effect.

GULF

(d) 1 - Restated Articles of Incorporation of GULF and amendments thereto through January 28, 1998. (Designated in Registration No. 33-43739 as Exhibit 4(b)-1, in Form 8-K dated January 15, 1992, File No. 0-2429, as Exhibit 1(b), in Form 8-K dated August 18, 1992, File No. 0-2429, as Exhibit 4(b)-2, in Form 8-K dated September 22, 1993, File No. 0-2429, as Exhibit 4, in Form 8-K dated November 3, 1993, File No. 0-2429, as Exhibit 4 and in GULF's Form 10-K for the year ended December 31, 1997, File No. 0-2429, as Exhibit 3(d)2.)

* (d) 2 - Amendment to Articles of Incorporation of GULF dated February 9, 2001.

* (d) 3 - By-laws of GULF as amended effective July 28, 2000, and as presently in effect.

MISSISSIPPI

(e) 1 - Articles of Incorporation of MISSISSIPPI, articles of merger of Mississippi Power Company (a Maine corporation) into MISSISSIPPI and articles of amendment to the articles of incorporation of MISSISSIPPI through December 31, 1997. (Designated in Registration No. 2-71540 as Exhibit 4(a)-1, in Form U5S for 1987, File No. 30-222-2, as Exhibit B-10, in Registration No. 33-49320 as Exhibit 4(b)-(1), in Form 8-K dated August 5, 1992, File No. 0-6849, as Exhibits 4(b)-2 and 4(b)-3, in Form 8-K dated August 4, 1993, File No. 0-6849, as Exhibit 4(b)-3, in Form 8-K dated August 18, 1993, File No. 0-6849, as Exhibit 4(b)-3 and in MISSISSIPPI's Form 10-K for the year ended December 31, 1997, File No. 0-6849, as Exhibit 3(e)2.)

* (e) 2 - Amendment to Articles of Incorporation of MISSISSIPPI dated March 8, 2001.

(e) 3 - By-laws of MISSISSIPPI as amended effective April 2, 1996, and as presently in effect. (Designated in Form U5S for 1995, File No. 30-222-2, as Exhibit B-10.)

SAVANNAH

(f) 1 - Charter of SAVANNAH and amendments thereto through December 2, 1998. (Designated in Registration Nos. 33-25183 as Exhibit 4(b)-(1), 33-45757 as Exhibit 4(b)-(2), in Form 8-K dated November 9, 1993, File No. 1-5072, as Exhibit 4(b) and in SAVANNAH's Form 10-K for the year ended December 31, 1998, as Exhibit 3(f)2.)

* (f) 2 - By-laws of SAVANNAH as amended effective May 17, 2000, and as presently in effect.

(4) Instruments Describing Rights of Security Holders, Including Indentures

SOUTHERN

(a) 1 - Subordinated Note Indenture dated as of February 1, 1997, among SOUTHERN, Southern Company Capital Funding, Inc. and Bankers Trust Company, as Trustee, and indentures supplemental thereto dated as of February 4, 1997. (Designated in Registration Nos. 333-28349 as Exhibits 4.1 and 4.2 and 333-28355 as Exhibit 4.2.)

(a) 2 - Subordinated Note Indenture dated as of June 1, 1997, among SOUTHERN, Southern Company Capital Funding, Inc. and Bankers Trust Company, as Trustee, and indentures supplemental thereto through that dated as of December 23, 1998. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 1997, File No. 1-3526, as Exhibit (4)(a)2, in Form 8-K dated June 18, 1998, File No. 1-3526, as Exhibit 4.2 and in Form 8-K dated December 18, 1998, File No. 1-3526, as Exhibit 4.4.)

(a) 3 - Amended and Restated Trust Agreement of Southern Company Capital Trust I dated as of February 1, 1997. (Designated in Registration No. 333-28349 as Exhibit 4.6)

(a) 4 - Amended and Restated Trust Agreement of Southern Company Capital Trust II dated as of February 1, 1997. (Designated in Registration No. 333-28355 as Exhibit 4.6)

(a) 5 - Amended and Restated Trust Agreement of Southern Company Capital Trust III dated as of June 1, 1997. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 1997, File No. 1-3526, as Exhibit (4)(a)5.)

(a) 6 - Amended and Restated Trust Agreement of Southern Company Capital Trust IV dated as of June 1, 1998. (Designated in Form 8-K dated June 18, 1998, File No. 1-3526, as Exhibit 4.5.)

(a) 7 - Amended and Restated Trust Agreement of Southern Company Capital Trust V dated as of December 1, 1998. (Designated in Form 8-K dated December 18, 1998, File No. 1-3526, as Exhibit 4.7A.)

(a) 8 - Capital Securities Guarantee Agreement relating to Southern Company Capital Trust I dated as of February 1, 1997. (Designated in Registration No. 333-28349 as Exhibit 4.10)

(a) 9 - Capital Securities Guarantee Agreement relating to Southern Company Capital Trust II dated as of February 1, 1997. (Designated in Registration No. 333-28355 as Exhibit 4.10)

(a) 10 - Preferred Securities Guarantee Agreement relating to Southern Company Capital Trust III dated as of June 1, 1997. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 1997, File No. 1-3526, as Exhibit (4)(a)8.)

(a) 11 - Preferred Securities Guarantee Agreement relating to Southern Company Capital Trust IV dated as of June 1, 1998. (Designated in Form 8-K dated June 18, 1998, File No. 1-3626, as Exhibit 4.8.)

(a) 12 - Preferred Securities Guarantee Agreement relating to Southern Company Capital Trust V dated as of December 1, 1998. (Designated in Form 8-K dated December 18, 1998, File No. 1-3526, as Exhibit 4.11A.)

ALABAMA

(b) 1 - Indenture dated as of January 1, 1942, between ALABAMA and The Chase Manhattan Bank (formerly Chemical Bank), as Trustee, and indentures supplemental thereto through that dated as of December 1, 1994. (Designated in Registration Nos. 2-59843 as Exhibit 2(a)-2, 2-60484 as Exhibits 2(a)-3 and 2(a)-4, 2-60716 as Exhibit 2(c), 2-67574 as Exhibit 2(c), 2-68687 as Exhibit 2(c), 2-69599 as Exhibit 4(a)-2, 2-71364 as Exhibit 4(a)-2, 2-73727 as Exhibit 4(a)-2, 33-5079 as Exhibit 4(a)-2, 33-17083 as Exhibit 4(a)-2, 33-22090 as Exhibit 4(a)-2, in ALABAMA's Form 10-K for the year ended December 31, 1990, File No. 1-3164, as Exhibit 4(c), in Registration Nos. 33-43917 as Exhibit 4(a)-2, 33-45492 as Exhibit 4(a)-2, 33-48885 as Exhibit 4(a)-2, 33-48917 as Exhibit 4(a)-2, in Form 8-K dated January 20, 1993, File No. 1-3164, as Exhibit 4(a)-3, in Form 8-K dated February 17, 1993, File No. 1-3164, as Exhibit 4(a)-3, in Form 8-K dated March 10, 1993, File No. 1-3164, as Exhibit 4(a)-3, in Certificate of Notification, File No. 70-8069, as Exhibits A and B, in Form 8-K dated June 24, 1993, File No. 1-3164, as Exhibit 4, in Certificate of Notification, File No. 70-8069, as Exhibit A, in Form 8-K dated November 16, 1993, File No. 1-3164, as Exhibit 4(b), in Certificate of Notification, File No. 70-8069, as Exhibits A and B, in Certificate of Notification, File No. 70-8069, as Exhibit A, in Certificate of Notification, File No. 70-8069, as Exhibit A and in Form 8-K dated November 30, 1994, File No. 1-3164, as Exhibit 4.)

(b) 2 - Subordinated Note Indenture dated as of January 1, 1996, between ALABAMA and The Chase Manhattan Bank (formerly Chemical Bank), as Trustee, and indenture supplemental thereto dated as of January 1, 1996. (Designated in Certificate of Notification, File No. 70-8461, as Exhibits E and F.)

(b) 3 - Subordinated Note Indenture dated as of January 1, 1997, between ALABAMA and The Chase Manhattan Bank, as Trustee, and indentures supplemental thereto through that dated as of February 25, 1999. (Designated in Form 8-K dated January 9, 1997, File No. 1-3164, as Exhibits 4.1 and 4.2 and in Form 8-K dated February 18, 1999, File No. 3164, as Exhibit 4.2.)

(b) 4 - Senior Note Indenture dated as of December 1, 1997, between ALABAMA and The Chase Manhattan Bank, as Trustee, and indentures supplemental thereto through that dated May 18, 2000. (Designated in Form 8-K dated December 4, 1997, File No. 1-3164, as Exhibits 4.1 and 4.2, in Form 8-K dated February 20, 1998, File No. 1-3164, as Exhibit 4.2, in Form 8-K dated April 17, 1998, File No. 1-3164, as Exhibit 4.2, in Form 8-K dated August 11, 1998, File No. 1-3164, as Exhibit 4.2, in Form 8-K dated September 8, 1998, File No. 1-3164, as Exhibit 4.2, in Form 8-K dated September 16, 1998, File No. 1-3164, as Exhibit 4.2, in Form 8-K dated October 7, 1998, File No. 1-3164, as Exhibit 4.2, in Form 8-K dated October 28, 1998, File No. 1-3164, as Exhibit 4.2, in Form 8-K dated November 12, 1998, File No. 1-3164, as Exhibit 4.2, in Form 8-K dated May 19, 1999, File No. 1-3164, as Exhibit 4.2, in Form 8-K dated August 13, 1999, File No. 1-3164, as Exhibit 4.2, in Form 8-K dated September 21, 1999, File No. 1-3164, as Exhibit 4.2 and in Form 8-K dated May 11, 2000, File No. 1-3164, as Exhibit 4.2.)

(b) 5 - Amended and Restated Trust Agreement of Alabama Power Capital Trust I dated as of January 1, 1996. (Designated in Certificate of Notification, File No. 70-8461, as Exhibit D.)

(b) 6 - Amended and Restated Trust Agreement of Alabama Power Capital Trust II dated as of January 1, 1997. (Designated in Form 8-K dated January 9, 1997, File No. 1-3164, as Exhibit 4.5.)

(b) 7 - Amended and Restated Trust Agreement of Alabama Power Capital Trust III dated as of February 1, 1999. (Designated in Form 8-K dated February 18, 1999, File No. 1-3164, as Exhibit 4.5.)

(b) 8 - Guarantee Agreement relating to Alabama Power Capital Trust I dated as of January 1, 1996. (Designated in Certificate of Notification, File No. 70-8461, as Exhibit G.)

(b) 9 - Guarantee Agreement relating to Alabama Power Capital Trust II dated as of January 1, 1997. (Designated in Form 8-K dated January 9, 1997, File No. 1-3164, as Exhibit 4.8.)

(b) 10 - Guarantee Agreement relating to Alabama Power Capital Trust III dated as of February 1, 1999. (Designated in Form 8-K dated February 18, 1999, File No. 1-3164, as Exhibit 4.8.)

GEORGIA

(c) 1 - Indenture dated as of March 1, 1941, between GEORGIA and The Chase Manhattan Bank (formerly Chemical Bank), as Trustee, and indentures supplemental thereto dated as of March 1, 1941, March 3, 1941 (3 indentures), March 6, 1941 (139 indentures), March 1, 1946 (88 indentures) and December 1, 1947, through October 15, 1995. (Designated in Registration Nos. 2-4663 as Exhibits B-3 and B-3(a), 2-7299 as Exhibit 7(a)-2, 2-61116 as Exhibit 2(a)-3 and 2(a)-4, 2-62488 as Exhibit 2(a)-3, 2-63393 as Exhibit 2(a)-4, 2-63705 as Exhibit 2(a)-3, 2-68973 as Exhibit 2(a)-3, 2-70679 as Exhibit 4(a)-(2), 2-72324 as Exhibit 4(a)-2, 2-73987 as Exhibit 4(a)-(2), 2-77941 as Exhibits 4(a)-(2) and 4(a)-(3), 2-79336 as Exhibit 4(a)-(2), 2-81303 as Exhibit 4(a)-(2), 2-90105 as Exhibit 4(a)-(2), 33-5405 as Exhibit 4(a)-(2), 33-14367 as Exhibits 4(a)-(2) and 4(a)-(3), 33-22504 as Exhibits 4(a)-(2), 4(a)-(3) and 4(a)-(4), 33-32420 as Exhibit 4(a)-(2), 33-35683 as Exhibit 4(a)-(2), in GEORGIA's Form 10-K for the year ended December 31, 1990, File No. 1-6468, as Exhibit 4(a)(3), in Form 10-K for the year ended December 31, 1991, File No. 1-6468, as Exhibit 4(a)(5), in Registration No. 33-48895 as Exhibit 4(a)-(2), in Form 8-K dated August 26, 1992, File No. 1-6468, as Exhibit 4(a)-(3), in Form 8-K dated September 9, 1992, File No. 1-6468, as Exhibits 4(a)-(3) and 4(a)-(4), in Form 8-K dated September 23, 1992, File No. 1-6468, as Exhibit 4(a)-(3), in Form 8-A dated October 12, 1992, as Exhibit 2(b), in Form 8-K dated January 27, 1993, File No. 1-6468, as Exhibit 4(a)-(3), in Registration No. 33-49661 as Exhibit 4(a)-(2), in Form 8-K dated July 26, 1993, File No. 1-6468, as Exhibit 4, in Certificate of Notification, File No. 70-7832, as Exhibit M, in Certificate of Notification, File No. 70-7832, as Exhibit C, in Certificate of Notification, File No. 70-7832, as Exhibits K and L, in Certificate of Notification, File No. 70-8443, as Exhibit C, in Certificate of Notification, File No. 70-8443, as Exhibit C, in Certificate of Notification, File No. 70-8443, as Exhibit E, in Certificate of Notification, File No. 70-8443, as Exhibit E, in Certificate of Notification, File No. 70-8443, as Exhibit E, in GEORGIA's Form 10-K for the year ended December 31, 1994, File No. 1-6468, as Exhibits 4(c)2 and 4(c)3, in Certificate of Notification, File No. 70-8443, as Exhibit C, in Certificate of Notification, File No. 70-8443, as Exhibit C, in Form 8-K dated May 17, 1995, File No. 1-6468, as Exhibit 4 and in GEORGIA's Form 10-K for the year ended December 31, 1995, File No. 1-6468, as Exhibits 4(c)2, 4(c)3, 4(c)4, 4(c)5 and 4(c)6.)

(c) 2 - Subordinated Note Indenture dated as of August 1, 1996, between GEORGIA and The Chase Manhattan Bank, as Trustee, and indentures supplemental thereto through January 1, 1997. (Designated in Form 8-K dated August 21, 1996, File No. 1-6468, as Exhibits 4.1 and 4.2 and in Form 8-K dated January 9, 1997, File No. 1-6468, as Exhibit 4.2.)

(c) 3 - Subordinated Note Indenture dated as of June 1, 1997, between GEORGIA and The Chase Manhattan Bank, as Trustee, and indentures supplemental thereto through that dated as of February 25, 1999. (Designated in Certificate of Notification, File No. 70-8461, as Exhibits D and E and Form 8-K dated February 17, 1999, File No. 1-6468, as Exhibit 4.4.)

(c) 4 - Senior Note Indenture dated as of January 1, 1998, between GEORGIA and The Chase Manhattan Bank, as Trustee, and indentures supplemental thereto through that dated as of February 23, 2001. (Designated in Form 8-K dated January 21, 1998, File No. 1-6468, as Exhibits 4.1 and 4.2, in Forms 8-K each dated November 19, 1998, File No. 1-6468, as Exhibit 4.2, in Form 8-K dated March 3, 1999, File No. 1-6469 as Exhibit 4.2, in Form 8-K dated February 15, 2000, File No. 1-6469 as Exhibit 4.2, in Form 8-K dated January 26, 2001, File No. 1-6469 as Exhibits 4.2(a) and 4.2(b) and in Form 8-K dated February 16, 2001, File No. 1-6469 as Exhibit 4.2.)

(c) 5 - Amended and Restated Trust Agreement of Georgia Power Capital Trust I dated as of August 1, 1996. (Designated in Form 8-K dated August 21, 1996, File No. 1-6468, as Exhibit 4.5.)

(c) 6 - Amended and Restated Trust Agreement of Georgia Power Capital Trust II dated as of January 1, 1997. (Designated in Form 8-K dated January 9, 1997, File No. 1-6468, as Exhibit 4.5.)

(c) 7 - Amended and Restated Trust Agreement of Georgia Power Capital Trust III dated as of June 1, 1997. (Designated in Certificate of Notification, File No. 70-8461, as Exhibit C.)

(c) 8 - Amended and Restated Trust Agreement of Georgia Power Capital Trust IV dated as of February 1, 1999. (Designated in Form 8-K dated February 17, 1999, as Exhibit 4.7-A)

(c) 9 - Guarantee Agreement relating to Georgia Power Capital Trust I dated as of August 1, 1996. (Designated in Form 8-K dated August 21, 1996, File No. 1-6468, as Exhibit 4.8.)

(c) 10 - Guarantee Agreement relating to Georgia Power Capital Trust II dated as of January 1, 1997. (Designated in Form 8-K dated January 9, 1997, File No. 1-6468, as Exhibit 4.8.)

(c) 11 - Guarantee Agreement relating to Georgia Power Capital Trust III dated as of June 1, 1997. (Designated in Certificate of Notification, File No. 70-8461, as Exhibit F.)

(c) 12 - Guarantee Agreement relating to Georgia Power Capital Trust IV dated as of February 1, 1999. (Designated in Form 8-K dated February 17, 1999, as Exhibit 4.11-A.)

GULF

(d) 1 - Indenture dated as of September 1, 1941, between GULF and The Chase Manhattan Bank (formerly The Chase Manhattan Bank (National Association)), as Trustee, and indentures supplemental thereto through November 1, 1996. (Designated in Registration Nos. 2-4833 as Exhibit B-3, 2-62319 as Exhibit 2(a)-3, 2-63765 as Exhibit 2(a)-3, 2-66260 as Exhibit 2(a)-3, 33-2809 as Exhibit 4(a)-2,

33-43739 as Exhibit 4(a)-2, in GULF's Form 10-K for the year ended December 31, 1991, File No. 0-2429, as Exhibit 4(b), in Form 8-K dated August 18, 1992, File No. 0-2429, as Exhibit 4(a)-3, in Registration No. 33-50165 as Exhibit 4(a)-2, in Form 8-K dated July 12, 1993, File No. 0-2429, as Exhibit 4, in Certificate of Notification, File No. 70-8229, as Exhibit A, in Certificate of Notification, File No. 70-8229, as Exhibits E and F, in Form 8-K dated January 17, 1996, File No. 0-2429, as Exhibit 4, in Certificate of Notification, File No. 70-8229, as Exhibit A, in Certificate of Notification, File No. 70-8229, as Exhibit A and in Form 8-K dated November 6, 1996, File No. 0-2429, as Exhibit 4.)

(d) 2 - Subordinated Note Indenture dated as of January 1, 1997, between GULF and The Chase Manhattan Bank, as Trustee, and indentures supplemental thereto through that dated as of January 1, 1998. (Designated in Form 8-K dated January 27, 1997, File No. 0-2429, as Exhibits 4.1 and 4.2, in Form 8-K dated July 28, 1997, File No. 0-2429, as Exhibit 4.2 and in Form 8-K dated January 13, 1998, File No. 0-2429, as Exhibit 4.2.)

(d) 3 - Senior Note Indenture dated as of January 1, 1998, between GULF and The Chase Manhattan Bank, as Trustee, and indenture supplemental thereto dated as of August 24, 1999. (Designated in Form 8-K dated June 17, 1998, File No. 0-2429, as Exhibits 4.1 and 4.2 and in Form 8-K dated August 17, 1999, File No. 0-2429, as Exhibit 4.2.)

(d) 4 - Amended and Restated Trust Agreement of Gulf Power Capital Trust I dated as of January 1, 1997. (Designated in Form 8-K dated January 27, 1997, File No. 0-2429, as Exhibit 4.5.)

(d) 5 - Amended and Restated Trust Agreement of Gulf Power Capital Trust II dated as of January 1, 1998. (Designated in Form 8-K dated January 13, 1998, File No. 0-2429, as Exhibit 4.5.)

(d) 6 - Guarantee Agreement relating to Gulf Power Capital Trust I dated as of January 1, 1997. (Designated in Form 8-K dated January 27, 1997, File No. 0-2429, as Exhibit 4.8.)

(d) 7 - Guarantee Agreement relating to Gulf Power Capital Trust II dated as of January 1, 1998. (Designated in Form 8-K dated January 13, 1998, File No. 0-2429, as Exhibit 4.8.)

MISSISSIPPI

(e) 1 - Indenture dated as of September 1, 1941, between MISSISSIPPI and Bankers Trust Company, as Successor Trustee, and indentures supplemental thereto through December 1, 1995. (Designated in Registration Nos. 2-4834 as Exhibit B-3, 2-62965 as Exhibit 2(b)-2, 2-66845 as Exhibit 2(b)-2, 2-71537 as Exhibit 4(a)-(2), 33-5414 as Exhibit 4(a)-(2), 33-39833 as Exhibit 4(a)-2, in MISSISSIPPI's Form 10-K for the year ended December 31, 1991, File No. 0-6849, as Exhibit 4(b), in Form 8-K dated August 5, 1992, File No. 0-6849, as Exhibit 4(a)-2, in Second Certificate of Notification, File No. 70-7941, as Exhibit I, in MISSISSIPPI's Form 8-K dated February 26, 1993, File No. 0-6849, as Exhibit 4(a)-2, in Certificate of Notification, File No. 70-8127, as Exhibit A, in Form 8-K dated June 22, 1993,

File No. 0-6849, as Exhibit 1, in Certificate of Notification, File No. 70-8127, as Exhibit A, in Form 8-K dated March 8, 1994, File No. 0-6849, as Exhibit 4, in Certificate of Notification, File No. 70-8127, as Exhibit C and in Form 8-K dated December 5, 1995, File No. 0-6849, as Exhibit 4.)

(e) 2 - Senior Note Indenture dated as of May 1, 1998 between MISSISSIPPI and Bankers Trust Company, as Trustee and indentures supplemental thereto through March 28, 2000. (Designated in Form 8-K dated May 14, 1998, File No. 0-6849, as Exhibits 4.1, 4.2(a) and 4.2(b) and in Form 8-K dated March 22, 2000, File No. 0-6849, as Exhibit 4.2.)

(e) 3 - Subordinated Note Indenture dated as of February 1, 1997, between MISSISSIPPI and Bankers Trust Company, as Trustee, and indenture supplemental thereto dated as of February 1, 1997. (Designated in Form 8-K dated February 20, 1997, File No. 0-6849, as Exhibits 4.1 and 4.2.)

(e) 4 - Amended and Restated Trust Agreement of Mississippi Power Capital Trust I dated as of February 1, 1997. (Designated in Form 8-K dated February 20, 1997, File No. 0-6849, as Exhibit 4.5.)

(e) 5 - Guarantee Agreement relating to Mississippi Power Capital Trust I dated as of February 1, 1997. (Designated in Form 8-K dated February 20, 1997, File No. 0-6849, as Exhibit 4.8.)

SAVANNAH

(f) 1 - Indenture dated as of March 1, 1945, between SAVANNAH and The Bank of New York, New York, as Trustee, and indentures supplemental thereto through May 1, 1996. (Designated in Registration Nos. 33-25183 as Exhibit 4(a)-(1), 33-41496 as Exhibit 4(a)-(2), 33-45757 as Exhibit 4(a)-(2), in SAVANNAH's Form 10-K for the year ended December 31, 1991, File No. 1-5072, as Exhibit 4(b), in Form 8-K dated July 8, 1992, File No. 1-5072, as Exhibit 4(a)-3, in Registration No. 33-50587 as Exhibit 4(a)-(2), in Form 8-K dated July 22, 1993, File No. 1-5072, as Exhibit 4, in Form 8-K dated May 18, 1995, File No. 1-5072, as Exhibit 4 and in Form 8-K dated May 23, 1996, File No. 1-5072, as Exhibit 4.)

(f) 2 - Senior Note Indenture dated as of March 1, 1998 between SAVANNAH and The Bank of New York, as Trustee and indenture supplemental thereto dated as of March 1, 1998. (Designated in Form 8-K dated March 9, 1998, File No. 1-5072, as Exhibits 4.1 and 4.2.)

(f) 3 - Subordinated Note Indenture dated as of December 1, 1998, between SAVANNAH and The Bank of New York, as Trustee, and indenture supplemental thereto dated as of December 9, 1998. (Designated in Form 8-K dated December 3, 1998, File No. 1-5072, as Exhibit 4.3 and 4.4.)

(f) 4 - Amended and Restated Trust Agreement of Savannah Electric Capital Trust I dated as of December 1, 1998. (Designated in Form 8-K dated December 3, 1998, File No. 1-5072, as Exhibit 4.7.)

(f) 5 - Guarantee Agreement relating to Savannah Electric Capital Trust I dated as of December 1, 1998. (Designated in Form 8-K dated December 3, 1998, File No. 1-5072, as Exhibit 4.11.)

(10) Material Contracts

SOUTHERN

(a) 1 - Service contracts dated as of January 1, 1984, between SCS and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SEGCO and SOUTHERN and Amendment No. 1 dated as of September 6, 1985 between SCS and SOUTHERN. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 1984, File No. 1-3526, as Exhibit 10(a) and in SOUTHERN's Form 10-K for the year ended December 31, 1985, File No. 1-3526, as Exhibit 10(a)(3).)

(a) 2 - Service contract dated as of July 17, 1981, between SCS and Mirant. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 1985, File No. 1-3526, as Exhibit 10(a)(2).)

(a) 3 - Service contract dated as of March 3, 1988, between SCS and SAVANNAH. (Designated in SAVANNAH's Form 10-K for the year ended December 31, 1987, File No. 1-5072, as Exhibit 10-p.)

(a) 4 - Service contract dated as of January 15, 1991, between SCS and Southern Nuclear. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 1991, File No. 1-3526, as Exhibit 10(a)(4).)

(a) 5 - Service contract dated as of December 12, 1994, between SCS and Mobile Energy Services Company, Inc. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 1994, File No. 1-3526, as Exhibit 10(a)58.)

* (a) 6 - Interchange contract dated February 17, 2000, between ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH, SPC and SCS.

(a) 7 - Agreement dated as of January 27, 1959, Amendment No. 1 dated as of October 27, 1982 and Amendment No. 2 dated November 4, 1993 and effective June 1, 1994, among SEGCO, ALABAMA and GEORGIA. (Designated in Registration No. 2-59634 as Exhibit 5(c), in GEORGIA's Form 10-K for the year ended December 31, 1982, File No. 1-6468, as Exhibit 10(d)(2) and in ALABAMA's Form 10-K for the year ended December 31, 1994, File No. 1-3164, as Exhibit 10(b)18.)

(a) 8 - Joint Committee Agreement dated as of August 27, 1976, among GEORGIA, OPC, MEAG and Dalton. (Designated in Registration No. 2-61116 as Exhibit 5(d).)

(a) 9 - Edwin I. Hatch Nuclear Plant Purchase and Ownership Participation Agreement dated as of January 6, 1975, between GEORGIA and OPC. (Designated in Form 8-K for January, 1975, File No. 1-6468, as Exhibit (b)(1).)

(a) 10 - Edwin I. Hatch Nuclear Plant Operating Agreement dated as of January 6, 1975, between GEORGIA and OPC. (Designated in Form 8-K for January, 1975, File No. 1-6468, as Exhibit (b)(3).)

(a) 11 - Revised and Restated Integrated Transmission System Agreement dated as of November 12, 1990, between GEORGIA and OPC. (Designated in GEORGIA's Form 10-K for the year ended December 31, 1990, File No. 1-6468, as Exhibit 10(g).)

(a) 12 - Plant Hal Wansley Purchase and Ownership Participation Agreement dated as of March 26, 1976, between GEORGIA and OPC. (Designated in Certificate of Notification, File No. 70-5592, as Exhibit A.)

(a) 13 - Plant Hal Wansley Operating Agreement dated as of March 26, 1976, between GEORGIA and OPC. (Designated in Certificate of Notification, File No. 70-5592, as Exhibit B.)

(a) 14 - Edwin I. Hatch Nuclear Plant Purchase and Ownership Participation Agreement dated as of August 27, 1976, between GEORGIA, MEAG and Dalton. (Designated in Form 8-K dated as of June 13, 1977, File No. 1-6468, as Exhibit (b)(1).)

(a) 15 - Edwin I. Hatch Nuclear Plant Operating Agreement dated as of August 27, 1976, between GEORGIA, MEAG and Dalton. (Designated in Form 8-K for February 1977, File No. 1-6468, as Exhibit (b)(2).)

(a) 16 - Alvin W. Vogtle Nuclear Units Number One and Two Purchase and Ownership Participation Agreement dated as of August 27, 1976 and Amendment No. 1 dated as of January 18, 1977, among GEORGIA, OPC, MEAG and Dalton. (Designated in Form U-1, File No. 70-5792, as Exhibit B-1 and in Form 8-K for January 1977, File No. 1-6468, as Exhibit (B)(3).)

(a) 17 - Alvin W. Vogtle Nuclear Units Number One and Two Operating Agreement dated as of August 27, 1976, among GEORGIA, OPC, MEAG and Dalton. (Designated in Form U-1, File No. 70-5792, as Exhibit B-2.)

(a) 18 - Alvin W. Vogtle Nuclear Units Number One and Two Purchase, Amendment, Assignment and Assumption Agreement dated as of November 16, 1983, between GEORGIA and MEAG. (Designated in GEORGIA's Form 10-K for the year ended December 31, 1983, File No. 1-6468, as Exhibit 10(k)(4).)

(a) 19 - Plant Hal Wansley Purchase and Ownership Participation Agreement dated as of August 27, 1976, between GEORGIA and MEAG. (Designated in Form 8-K dated as of July 5, 1977, File No. 1-6468, as Exhibit (b)(2).)

(a) 20 - Plant Hal Wansley Operating Agreement dated as of August 27, 1976, between GEORGIA and MEAG. (Designated in Form 8-K dated as of July 5, 1977, File No. 1-6468, as Exhibit (b)(4).)

(a) 21 - Nuclear Operating Agreement between Southern Nuclear and GEORGIA dated as of July 1, 1993. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 1997, File No. 1-3526, as Exhibit 10(a)21.)

(a) 22 - Pseudo Scheduling and Services Agreement between GEORGIA and MEAG dated as of April 8, 1997. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 1997, File No. 1-3526, as Exhibit 10(a)22.)

(a) 23 - Plant Hal Wansley Purchase and Ownership Participation Agreement dated as of April 19, 1977, between GEORGIA and Dalton. (Designated in Form 8-K dated as of June 13, 1977, File No. 1-6468, as Exhibit (b)(3).)

(a) 24 - Plant Hal Wansley Operating Agreement dated as of April 19, 1977, between GEORGIA and Dalton. (Designated in Form 8-K dated as of June 13, 1977, File No. 1-6468, as Exhibit (b)(7).)

(a) 25 - Plant Robert W. Scherer Units Number One and Two Purchase and Ownership Participation Agreement dated as of May 15, 1980, Amendment No. 1 dated as of December 30, 1985, Amendment No. 2 dated as of July 1, 1986, Amendment No. 3 dated as of August 1, 1988 and Amendment No. 4 dated as of December 31, 1990, among GEORGIA, OPC, MEAG and Dalton. (Designated in Form U-1, File No. 70-6481, as Exhibit B-3, in SOUTHERN's Form 10-K for the year ended December 31, 1987, File No. 1-3526, as Exhibit 10(o)(2), in SOUTHERN's Form 10-K for the year ended December 31, 1989, File No. 1-3526, as Exhibit 10(n)(2) and in SOUTHERN's Form 10-K for the year ended December 31, 1993, File No. 1-3526, as Exhibit 10(a)54.)

(a) 26 - Plant Robert W. Scherer Units Number One and Two Operating Agreement dated as of May 15, 1980, Amendment No. 1 dated as of December 3, 1985 and Amendment No. 2 dated as of December 31, 1990, among GEORGIA, OPC, MEAG and Dalton. (Designated in Form U-1, File No. 70-6481, as Exhibit B-4, in SOUTHERN's Form 10-K for the year ended December 31, 1987, File No. 1-3526, as Exhibit 10(o)(4) and in SOUTHERN's Form 10-K for the year ended December 31, 1993, File No. 1-3526, as Exhibit 10(a)55.)

(a) 27 - Plant Robert W. Scherer Purchase, Sale and Option Agreement dated as of May 15, 1980, between GEORGIA and MEAG. (Designated in Form U-1, File No. 70-6481, as Exhibit B-1.)

(a) 28 - Plant Robert W. Scherer Purchase and Sale Agreement dated as of May 16, 1980, between GEORGIA and Dalton. (Designated in Form U-1, File No. 70-6481, as Exhibit B-2.)

(a) 29 - Plant Robert W. Scherer Unit Number Three Purchase and Ownership Participation Agreement dated as of March 1, 1984, Amendment No. 1 dated as of July 1, 1986 and Amendment No. 2 dated as of August 1, 1988, between GEORGIA and GULF. (Designated in Form U-1, File No. 70-6573, as Exhibit B-4, in SOUTHERN's Form 10-K for the year ended December 31, 1987, as Exhibit 10(o)(2) and in SOUTHERN's Form 10-K for the year ended December 31, 1989, as Exhibit 10(n)(2).)

(a) 30 - Plant Robert W. Scherer Unit Number Three Operating Agreement dated as of March 1, 1984, between GEORGIA and GULF. (Designated in Form U-1, File No. 70-6573, as Exhibit B-5.)

(a) 31 - Plant Robert W. Scherer Unit No. Four Amended and Restated Purchase and Ownership Participation Agreement by and among GEORGIA, FP&L and JEA, dated as of December 31, 1990 and Amendment No. 1 dated as of June 15, 1994. (Designated in Form U-1, File No. 70-7843, as Exhibit B-1 and in SOUTHERN's Form 10-K for the year ended December 31, 1994, File No. 1-3526, as Exhibit 10(a)60.)

(a) 32 - Plant Robert W. Scherer Unit No. Four Operating Agreement by and among GEORGIA, FP&L and JEA, dated as of December 31, 1990 and Amendment No. 1 dated as of June 15, 1994. (Designated in Form U-1, File No. 70-7843, as Exhibit B-2 and in SOUTHERN's Form 10-K for the year ended December 31, 1994, File No. 1-3526, as Exhibit 10(a)61.)

(a) 33 - Unit Power Sales Agreement dated July 19, 1988, between FPC and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH and SCS. (Designated in SAVANNAH's Form 10-K for the year ended December 31, 1988, File No. 1-5072, as Exhibit 10(d).)

(a) 34 - Amended Unit Power Sales Agreement dated July 20, 1988, between FP&L and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH and SCS. (Designated in SAVANNAH's Form 10-K for the year ended December 31, 1988, File No. 1-5072, as Exhibit 10(e).)

(a) 35 - Amended Unit Power Sales Agreement dated August 17, 1988, between JEA and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH and SCS. (Designated in SAVANNAH's Form 10-K for the year ended December 31, 1988, File No. 1-5072, as Exhibit 10(f).)

(a) 36 - Rocky Mountain Pumped Storage Hydroelectric Project Ownership Participation Agreement dated November 18, 1988, between OPC and GEORGIA. (Designated in GEORGIA's Form 10-K for the year ended December 31, 1988, File No. 1-6468, as Exhibit 10(x).)

(a) 37 - Rocky Mountain Pumped Storage Hydroelectric Project Operating Agreement dated November 18, 1988, between OPC and GEORGIA. (Designated in GEORGIA's Form 10-K for the year ended December 31, 1988, File No. 1-6468, as Exhibit 10(y).)

(a) 38 - Purchase and Ownership Agreement for Joint Ownership Interest in the James H. Miller, Jr. Steam Electric Generating Plant Units One and Two dated November 18, 1988, between ALABAMA and AEC. (Designated in Form U-1, File No. 70-7609, as Exhibit B-1.)

(a) 39 - Operating Agreement for Joint Ownership Interest in the James H. Miller, Jr. Steam Electric Generating Plant Units One and Two dated November 18, 1988, between ALABAMA and AEC. (Designated in Form U-1, File No. 70-7609, as Exhibit B-2.)

(a) 40 - Transmission Facilities Agreement dated February 25, 1982, Amendment No. 1 dated May 12, 1982 and Amendment No. 2 dated December 6, 1983, between Gulf States and MISSISSIPPI. (Designated in MISSISSIPPI's Form 10-K for the year ended December 31, 1981, File No. 0-6849, as Exhibit 10(f), in MISSISSIPPI's Form 10-K for the year ended December 31, 1982, File No. 0-6849, as Exhibit 10(f)(2) and in MISSISSIPPI's Form 10-K for the year ended December 31, 1983, File No. 0-6849, as Exhibit 10(f)(3).)

(a) 41 - Long Term Transaction Service Agreement between GEORGIA and OPC dated as of February 26, 1999. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 1999, File No. 1-3526, as Exhibit 10(a)46.)

(a) 42 - Revised and Restated Coordination Services Agreement between and among GEORGIA, OPC and Georgia Systems Operations Corporation dated as of September 10, 1997. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 1997, File No. 1-3526, as Exhibit 10(a)48.)

(a) 43 - Amended and Restated Nuclear Managing Board Agreement for Plant Hatch and Plant Vogtle among GEORGIA, OPC, MEAG and Dalton dated as of July 1, 1993. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 1993, File No. 1-3526, as Exhibit 10(a)49.)

(a) 44 - Integrated Transmission System Agreement, Power Sale and Coordination Umbrella Agreement between GEORGIA and OPC dated as of November 12, 1990. (Designated in GEORGIA's Form 10-K for the year ended December 31, 1990, File No. 1-6468, as Exhibit 10(ff).)

(a) 45 - Revised and Restated Integrated Transmission System Agreement between GEORGIA and Dalton dated as of December 7, 1990. (Designated in GEORGIA's Form 10-K for the year ended December 31, 1990, File No. 1-6468, as Exhibit 10(gg).)

(a) 46 - Revised and Restated Integrated Transmission System Agreement between GEORGIA and MEAG dated as of December 7, 1990. (Designated in GEORGIA's Form 10-K for the year ended December 31, 1990, File No. 1-6468, as Exhibit 10(hh).)

(a) 47 - Long Term Transmission Service Agreement between Entergy Power, Inc. and ALABAMA, MISSISSIPPI and SCS. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 1992, File No. 1-3526, as Exhibit 10(a)53.)

(a) 48 - Plant Scherer Managing Board Agreement dated as of December 31, 1990 among GEORGIA, OPC, MEAG, Dalton, GULF, FP&L and JEA. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 1993, File No. 1-3526, as Exhibit 10(a)56.)

(a) 49 - Plant McIntosh Combustion Turbine Purchase and Ownership Participation Agreement between GEORGIA and SAVANNAH dated as of December 15, 1992. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 1993, File No. 1-3526, as Exhibit 10(a)57.)

(a) 50 - Plant McIntosh Combustion Turbine Operating Agreement between GEORGIA and SAVANNAH dated as of December 15, 1992. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 1993, File No. 1-3526, as Exhibit 10(a)58.)

(a) 51 - Operating Agreement for the Joseph M. Farley Nuclear Plant between ALABAMA and Southern Nuclear dated as of December 23, 1991. (Designated in Form U-1, File No. 70-7530, as Exhibit B-7.)

* (a) 52 - The Southern Company Executive Productivity Improvement Plan, Amended and Restated effective January 1, 2001.

(a) 53 - The Southern Company Employee Savings Plan, Amended and Restated effective January 1, 1997 and all amendments thereto through Amendment Number Five. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 1998, File No. 1-3526 as Exhibit 10(a)61 and in SOUTHERN's Form 10-K for the year ended December 31, 1999, File No. 1-3526, as Exhibit 10(a)61.)

* (a) 54 - Amendment Number Six to The Southern Company Employee Savings Plan.

(a) 55 - The Southern Company Employee Stock Ownership Plan, Amended and Restated effective January 1, 1997 and all amendments thereto through Amendment Number Three. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 1998, File No. 1-3526 as Exhibit 10(a)62 and in SOUTHERN's Form 10-K for the year ended December 31, 1999, File No. 1-3526, as Exhibit 10(a)63.)

* (a) 56 - Amendment Number Four to The Southern Company Employee Stock Ownership Plan.

* (a) 57 - The Southern Company Performance Pay Plan, Amended and Restated effective January 1, 2000.

* (a) 58 - Southern Company Performance Pay Plan (Shareholder Approved) effective January 1, 2000.

* (a) 59 - The Deferred Compensation Plan for the Directors of The Southern Company, Amended and Restated effective February 19, 2001.

(a) 60 - The Southern Company Outside Directors Pension Plan. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 1994, File No. 1-3526, as Exhibit 10(a)77.)

* (a) 61 - The Southern Company Deferred Compensation Plan, Amended and Restated effective February 23, 2001.

(a) 62 - The Southern Company Outside Directors Stock Plan and First Amendment thereto. (Designated in Registration No. 33-54415 as Exhibit 4(c) and in SOUTHERN's Form 10-K for the year ended December 31, 1995, File No. 1-3526, as Exhibit 10(a)79.)

* (a) 63 - Outside Directors Stock Plan for Subsidiaries of The Southern Company, Amended and Restated effective January 1, 2000.

* (a) 64 - The Southern Company Performance Dividend Plan, Amended and Restated effective December 11, 2000.

(a) 65 - The Southern Company Pension Plan, effective as of January 1, 1997 and all amendments thereto through Amendment Number Four. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 1996, File No. 1-3526, as Exhibit 10(a)83, in SOUTHERN's Form 10-K for the year ended December 31, 1997, File No. 1-3526, as Exhibit 10(a)79, in SOUTHERN's Form 10-K for the year ended December 31, 1998, File No. 1-3526 as Exhibit 10(a)71 and in SOUTHERN's Form 10-K for the year ended December 31, 1999, File No. 1-3526, as Exhibit 10(a)72.)

* (a) 66 - Amendment Number Five and Amendment Number Six to The Southern Company Pension Plan.

* (a) 67 - The Southern Company Performance Stock Plan, Amended and Restated effective January 1, 2000.

* (a) 68 - The Southern Company Supplemental Executive Retirement Plan, Amended and Restated effective July 10, 2000.

(a) 69 - The Southern Company Performance Sharing Plan effective January 1, 1997 and all amendments thereto through Amendment Number Seven. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 1997, File No. 1-3526, as Exhibit 10(a)82, in SOUTHERN's Form 10-K for the year ended December 31, 1998, File No. 1-3526 as Exhibit 10(a)76 and in SOUTHERN's Form 10-K for the year ended December 31, 1999, File No. 1-3526, as Exhibit 10(a)76.)

* (a) 70 - Amendment Number Eight to The Southern Company Performance Sharing Plan.

* (a) 71 - The Southern Company Supplemental Benefit Plan, Amended and Restated effective July 10, 2000.

* (a) 72 - Southern Company Change in Control Severance Plan, Amended and Restated effective July 10, 2000.

* (a) 73 - Southern Company Executive Change in Control Severance Plan, Amended and Restated effective July 10, 2000.

(a) 74 - Deferred Compensation Agreement between SOUTHERN, GEORGIA and Henry Allen Franklin and First Amendment and Assignment to SCS. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 1998, File No. 1-3526 as Exhibit 10(a)80 and in SOUTHERN's Form 10-K for the year ended December 31, 1999, File No. 1-3526, as Exhibit 10(a)84.)

(a) 75 - Deferred Compensation Agreement between SOUTHERN, Southern Nuclear and William G. Hairston III. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 1998, File No. 1-3526 as Exhibit 10(a)81.)

(a) 76 - Deferred Compensation Agreement between SOUTHERN, GEORGIA and Warren Y. Jobe. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 1998, File No. 1-3526 as Exhibit 10(a)82.)

(a) 77 - Deferred Compensation Agreement between SOUTHERN, Southern Energy Resources, Inc. and Gale E. Klappa and First Amendment and Assignment to SCS. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 1999, File No. 1-3526, as Exhibit 10(a)87.)

(a) 78 - Deferred Compensation Agreement between SOUTHERN, Southern Energy Resources, Inc. and S. Marce Fuller. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 1999, File No. 1-3526, as Exhibit 10(a)88.)

* (a) 79 - Amended and Restated Change in Control Agreement between SOUTHERN, GULF and Travis J. Bowden.

* (a) 80 - Amended and Restated Change in Control Agreement between SOUTHERN, SCS and A. W. Dahlberg.

* (a) 81 - Amended and Restated Change in Control Agreement between SOUTHERN, MISSISSIPPI and Dwight H. Evans.

(a) 82 - Change in Control Agreement between SOUTHERN, ALABAMA and Banks Harry Farris. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 1998, File No. 1-3526 as Exhibit 10(a)88.)

* (a) 83 - Amended and Restated Change in Control Agreement between SOUTHERN, SCS and Henry Allen Franklin.

* (a) 84 - Amended and Restated Change in Control Agreement between SOUTHERN, Southern Nuclear and William G. Hairston, III.

* (a) 85 - Amended and Restated Change in Control Agreement between SOUTHERN, ALABAMA and Elmer B. Harris.

* (a) 86 - Amended and Restated Change in Control Agreement between SOUTHERN, SAVANNAH and G. Edison Holland, Jr.

* (a) 87 - Amended and Restated Change in Control Agreement between SOUTHERN, SCS and C. Alan Martin.

* (a) 88 - Amended and Restated Change in Control Agreement between SOUTHERN, SCS and Charles Douglas McCrary.

* (a) 89 - Amended and Restated Change in Control Agreement between SOUTHERN, GEORGIA and David M. Ratcliffe.

* (a) 90 - Amended and Restated Change in Control Agreement between SOUTHERN, SCS and Stephen A. Wakefield.

* (a) 91 - Amended and Restated Change in Control Agreement between SOUTHERN, SCS and W. Lawrence Westbrook.

* (a) 92 - Amended and Restated Change in Control Agreement between SOUTHERN, SCS and Gale E. Klappa.

(a) 93 - Change in Control Agreement between SOUTHERN, Southern Energy Resources, Inc. and S. Marce Fuller and First Amendment thereto. (Designated in SOUTHERN's Form 10-K for the year ended December 31, 1999, File No. 1-3526, as Exhibit 10(a)103.)

* (a) 94 - Deferred Compensation Agreement between SOUTHERN and William L. Westbrook.

* (a) 95 - Deferred Compensation Agreement between SOUTHERN and Alfred W. Dahlberg, III.

* (a) 96 - Southern Company Change in Control Benefit Plan Determination Policy, effective July 10, 2000.

* (a) 97 - Change in Control Agreement between SOUTHERN, SCS and Robert H. Haubein, Jr..

* (a) 98 - Deferred Compensation Agreement between SOUTHERN, SCS and Stephen A. Wakefield.

* (a) 99 - Deferred Compensation Agreement between SOUTHERN and Wayne T. Dalke.

* (a) 100 - Master Separation and Distribution Agreement dated as of September 1, 2000 between SOUTHERN and Mirant.

* (a) 101 - Indemnification and Insurance Matters Agreement dated as of September 1, 2000 between SOUTHERN and Mirant.

* (a) 102 - Tax Indemnification Agreement dated as of September 1, 2000 among SOUTHERN and its affiliated companies and Mirant and its affiliated companies.

* (a) 103 - Southern Company Deferred Compensation Trust Agreement dated as of January 1, 2001 between Wachovia Bank, N.A., SOUTHERN, SCS, ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH, Southern Communications, Energy Solutions, Mirant and Southern Nuclear.

* (a) 104 - Deferred Stock Trust Agreement for Directors of SOUTHERN and its subsidiaries, dated as of January 1, 2000, between Reliance Trust Company, SOUTHERN, ALABAMA, GEORGIA, GULF, MISSISSIPPI, and SAVANNAH.

* (a) 105 - Deferred Cash Compensation Trust Agreement for Directors of SOUTHERN and its subsidiaries, dated as of January 1, 2000, between Wachovia Bank, N.A, SOUTHERN, ALABAMA, GEORGIA, GULF, MISSISSIPPI, and SAVANNAH.

ALABAMA

(b) 1 - Service contracts dated as of January 1, 1984, between SCS and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SEGCO and SOUTHERN and Amendment No. 1 dated as of September 6, 1985 between SCS and SOUTHERN. See Exhibit 10(a)1 herein.

* (b) 2 - Interchange contract dated February 17, 2000, between ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH, SPC and SCS. See Exhibit 10(a)6 herein.

(b) 3 - Agreement dated as of January 27, 1959, Amendment No. 1 dated as of October 27, 1982 and Amendment No. 2 dated November 4, 1993 and effective June 1, 1994, among SEGCO, ALABAMA and GEORGIA. See Exhibit 10(a)7 herein.

(b) 4 - Unit Power Sales Agreement dated July 19, 1988, between FPC and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH and SCS. See Exhibit 10(a)33 herein.

(b) 5 - Amended Unit Power Sales Agreement dated July 20, 1988, between FP&L and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH and SCS. See Exhibit 10(a)34 herein.

(b) 6 - Amended Unit Power Sales Agreement dated August 17, 1988, between JEA and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH and SCS. See Exhibit 10(a)35 herein.

(b) 7 - Firm Power Purchase Contract between ALABAMA and AMEA. (Designated in Certificate of Notification, File No. 70-7212, as Exhibit B.)

(b) 8 - 1991 Firm Power Purchase Contract between ALABAMA and AMEA. (Designated in Form U-1, File No. 70-7873, as Exhibit B-1.)

(b) 9 - Purchase and Ownership Agreement for Joint Ownership Interest in the James H. Miller, Jr. Steam Electric Generating Plant Units One and Two dated November 18, 1988, between ALABAMA and AEC. See Exhibit 10(a)38 herein.

(b) 10 - Operating Agreement for Joint Ownership Interest in the James H. Miller, Jr. Steam Electric Generating Plant Units One and Two dated November 18, 1988, between ALABAMA and AEC. See Exhibit 10(a)39 herein.

(b) 11 - Long Term Transmission Service Agreement between Entergy Power, Inc. and ALABAMA, MISSISSIPPI and SCS. See Exhibit 10(a)47 herein.

(b) 12 - Operating Agreement for the Joseph M. Farley Nuclear Plant between ALABAMA and Southern Nuclear dated as of December 23, 1991. See Exhibit 10(a)51 herein.

* (b) 13 - The Southern Company Executive Productivity Improvement Plan, Amended and Restated effective January 1, 2001. See Exhibit 10(a)52 herein.

(b) 14 - The Southern Company Employee Savings Plan, Amended and Restated effective January 1, 1997 and all amendments thereto through Amendment Number Five. See Exhibit 10(a)53 herein.

*	(b) 15	-	Amendment Number Six to The Southern Company Employee Savings Plan. See Exhibit 10(a)54 herein.
	(b) 16	-	The Southern Company Employee Stock Ownership Plan, Amended and Restated effective January 1, 1997 and all amendments thereto through Amendment Number Three. See Exhibit 10(a)55 herein.
*	(b) 17	-	Amendment Number Four to The Southern Company Employee Stock Ownership Plan. See Exhibit 10(a)56 herein.
*	(b) 18	-	The Southern Company Performance Pay Plan, Amended and Restated effective January 1, 2000. See Exhibit 10(a)57 herein.
*	(b) 19	-	Southern Company Performance Pay Plan (Shareholder Approved) effective January 1, 2000. See Exhibit 10(a)58 herein.
# *	(b) 20	-	The Southern Company Deferred Compensation Plan, Amended and Restated effective February 23, 2001. See Exhibit 10(a)61 herein.
#	(b) 21	-	The Southern Company Outside Directors Pension Plan. See Exhibit 10(a)60 herein.
# *	(b) 22	-	Outside Directors Stock Plan for Subsidiaries of The Southern Company, Amended and Restated effective January 1, 2000. See Exhibit 10(a)63 herein.
	(b) 23	-	The Southern Company Pension Plan, effective as of January 1, 1997 and all amendments thereto through Amendment Number Four. See Exhibit 10(a)65 herein.
*	(b) 24	-	Amendment Number Five and Amendment Number Six to The Southern Company Pension Plan. See Exhibit 10(a)66 herein.
# *	(b) 25	-	The Southern Company Performance Stock Plan, Amended and Restated effective January 1, 2000. See Exhibit 10(a)67 herein.
# *	(b) 26	-	The Southern Company Supplemental Executive Retirement Plan, Amended and Restated effective July 10, 2000. See Exhibit 10(a)68 herein.
# *	(b) 27	-	The Southern Company Performance Dividend Plan, Amended and Restated effective December 11, 2000. See Exhibit 10(a)64 herein.
#	(b) 28	-	The Southern Company Performance Sharing Plan effective January 1, 1997 and all amendments thereto through Amendment Number Seven. See Exhibit 10(a)69 herein.
# *	(b) 29	-	Amendment Number Eight to The Southern Company Performance Sharing Plan. See Exhibit 10(a)70 herein.
# *	(b) 30	-	The Southern Company Supplemental Benefit Plan, Amended and Restated effective July 10, 2000. See Exhibit 10(a)71 herein.

* (b) 31 - Southern Company Change in Control Severance Plan, Amended and Restated effective July 10, 2000. See Exhibit 10(a)72 herein.

\# (b) 32 - Southern Company Executive Change in Control Severance Plan, Amended and Restated effective July 10, 2000. See Exhibit 10(a)73 herein.

\# (b) 33 - Change in Control Agreement between SOUTHERN, ALABAMA and Banks Harry Farris. See Exhibit 10(a)82 herein.

\# * (b) 34 - Amended and Restated Change in Control Agreement between SOUTHERN, ALABAMA and Elmer B. Harris. See Exhibit 10(a)85 herein.

\# (b) 35 - Supplemental Pension Agreement between ALABAMA, GULF and Travis J. Bowden. (Designated in ALABAMA's Form 10-K for the year ended December 31, 1998, File No. 1-3164, as Exhibit 10(b)40.)

\# * (b) 36 - Deferred Compensation Plan for Directors of Alabama Power Company, Amended and Restated as of January 1, 2000.

\# * (b) 37 - Southern Company Change in Control Benefit Plan Determination Policy, effective July 10, 2000. See Exhibit 10(a)96 herein.

\# * (b) 38 - Southern Company Deferred Compensation Trust Agreement dated as of January 1, 2001 between Wachovia Bank, N.A., SOUTHERN, SCS, ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH, Southern Communications, Energy Solutions, Mirant and Southern Nuclear. See Exhibit 10(a)103 herein.

\# * (b) 39 - Deferred Stock Trust Agreement for Directors of SOUTHERN and its subsidiaries, dated as of January 1, 2000, between Reliance Trust Company, SOUTHERN, ALABAMA, GEORGIA, GULF, MISSISSIPPI, and SAVANNAH. See Exhibit 10(b) 104 herein.

\# * (b) 40 - Deferred Cash Compensation Trust Agreement for Directors of SOUTHERN and its subsidiaries, dated as of January 1, 2000, between Wachovia Bank, N.A, SOUTHERN, ALABAMA, GEORGIA, GULF, MISSISSIPPI, and SAVANNAH. See Exhibit 10(a)105 herein.

GEORGIA

(c) 1 - Service contracts dated as of January 1, 1984, between SCS and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SEGCO and SOUTHERN and Amendment No. 1 dated as of September 6, 1985, between SCS and SOUTHERN. See Exhibit 10(a)1 herein.

* (c) 2 - Interchange contract dated February 17, 2000, between ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH, SPC and SCS. See Exhibit 10(a)6 herein.

(c) 3 - Agreement dated as of January 27, 1959, Amendment No. 1 dated as of October 27, 1982 and Amendment No. 2 dated November 4, 1993 and effective June 1, 1994, among SEGCO, ALABAMA and GEORGIA. See Exhibit 10(a)7 herein.

(c) 4 - Joint Committee Agreement dated as of August 27, 1976, among GEORGIA, OPC, MEAG and Dalton. See Exhibit 10(a)8 herein.

(c) 5 - Edwin I. Hatch Nuclear Plant Purchase and Ownership Participation Agreement dated as of January 6, 1975, between GEORGIA and OPC. See Exhibit 10(a)9 herein.

(c) 6 - Edwin I. Hatch Nuclear Plant Operating Agreement dated as of January 6, 1975, between GEORGIA and OPC. See Exhibit 10(a)10 herein.

(c) 7 - Revised and Restated Integrated Transmission System Agreement dated as of November 12, 1990, between GEORGIA and OPC. See Exhibit 10(a)11 herein.

(c) 8 - Plant Hal Wansley Purchase and Ownership Participation Agreement dated as of March 26, 1976, between GEORGIA and OPC. See Exhibit 10(a)12 herein.

(c) 9 - Plant Hal Wansley Operating Agreement dated as of March 26, 1976, between GEORGIA and OPC. See Exhibit 10(a)13 herein.

(c) 10 - Edwin I. Hatch Nuclear Plant Purchase and Ownership Participation Agreement dated as of August 27, 1976, between GEORGIA, MEAG and Dalton. See Exhibit 10(a)14 herein.

(c) 11 - Edwin I. Hatch Nuclear Plant Operating Agreement dated as of August 27, 1976, between GEORGIA, MEAG and Dalton. See Exhibit 10(a)15 herein.

(c) 12 - Alvin W. Vogtle Nuclear Units Number One and Two Purchase and Ownership Participation Agreement dated as of August 27, 1976 and Amendment No. 1 dated as of January 18, 1977, among GEORGIA, OPC, MEAG and Dalton. See Exhibit 10(a)16 herein.

(c) 13 - Alvin W. Vogtle Nuclear Units Number One and Two Operating Agreement dated as of August 27, 1976, among GEORGIA, OPC, MEAG and Dalton. See Exhibit 10(a)17 herein.

(c) 14 - Alvin W. Vogtle Nuclear Units Number One and Two Purchase, Amendment, Assignment and Assumption Agreement dated as of November 16, 1983, between GEORGIA and MEAG. See Exhibit 10(a)18 herein.

(c) 15 - Plant Hal Wansley Purchase and Ownership Participation Agreement dated as of August 27, 1976, between GEORGIA and MEAG. See Exhibit 10(a)19 herein.

(c) 16 - Plant Hal Wansley Operating Agreement dated as of August 27, 1976, between GEORGIA and MEAG. See Exhibit 10(a)20 herein.

(c) 17 - Nuclear Operating Agreement between Southern Nuclear and GEORGIA dated as of July 1, 1993. See Exhibit 10(a)21 herein.

(c) 18 - Pseudo Scheduling and Services Agreement between GEORGIA and MEAG dated as of April 8, 1997. See Exhibit 10(a)22 herein.

(c) 19 - Plant Hal Wansley Purchase and Ownership Participation Agreement dated as of April 19, 1977, between GEORGIA and Dalton. See Exhibit 10(a)23 herein.

(c) 20 - Plant Hal Wansley Operating Agreement dated as of April 19, 1977, between GEORGIA and Dalton. See Exhibit 10(a)24 herein.

(c) 21 - Plant Robert W. Scherer Units Number One and Two Purchase and Ownership Participation Agreement dated as of May 15, 1980, Amendment No. 1 dated as of December 30, 1985, Amendment No. 2 dated as of July 1, 1986, Amendment No. 3 dated as of August 1, 1988 and Amendment No. 4 dated as of December 31, 1990, among GEORGIA, OPC, MEAG and Dalton. See Exhibit 10(a)25 herein.

(c) 22 - Plant Robert W. Scherer Units Number One and Two Operating Agreement dated as of May 15, 1980, Amendment No. 1 dated as of December 3, 1985 and Amendment No. 2 dated as of December 31, 1990, among GEORGIA, OPC, MEAG and Dalton. See Exhibit 10(a)26 herein.

(c) 23 - Plant Robert W. Scherer Purchase, Sale and Option Agreement dated as of May 15, 1980, between GEORGIA and MEAG. See Exhibit 10(a)27 herein.

(c) 24 - Plant Robert W. Scherer Purchase and Sale Agreement dated as of May 16, 1980, between GEORGIA and Dalton. See Exhibit 10(a)28 herein.

(c) 25 - Plant Robert W. Scherer Unit Number Three Purchase and Ownership Participation Agreement dated as of March 1, 1984, Amendment No. 1 dated as of July 1, 1986 and Amendment No. 2 dated as of August 1, 1988, between GEORGIA and GULF. See Exhibit 10(a)29 herein.

(c) 26 - Plant Robert W. Scherer Unit Number Three Operating Agreement dated as of March 1, 1984, between GEORGIA and GULF. See Exhibit 10(a)30 herein.

(c) 27 - Plant Robert W. Scherer Unit No. Four Amended and Restated Purchase and Ownership Participation Agreement by and among GEORGIA, FP&L and JEA dated as of December 31, 1990 and Amendment No. 1 dated as of June 15, 1994. See Exhibit 10(a)31 herein.

(c) 28 - Plant Robert W. Scherer Unit No. Four Operating Agreement by and among GEORGIA, FP&L and JEA dated as of December 31, 1990 and Amendment No. 1 dated as of June 15, 1994. See Exhibit 10(a)32 herein.

(c) 29 - Unit Power Sales Agreement dated July 19, 1988, between FPC and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH and SCS. See Exhibit ~~10~~(a)~~32~~ herein.

(c) 30 - Amended Unit Power Sales Agreement dated July 20, 1988, between FP&L and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH and SCS. See Exhibit 10(a)34 herein.

(c) 31 - Amended Unit Power Sales Agreement dated August 17, 1988, between JEA and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH and SCS. See Exhibit 10(a)35 herein.

(c) 32 - Rocky Mountain Pumped Storage Hydroelectric Project Ownership Participation Agreement dated November 18, 1988, between OPC and GEORGIA. See Exhibit 10(a)36 herein.

(c) 33 - Rocky Mountain Pumped Storage Hydroelectric Project Operating Agreement dated November 18, 1988, between OPC and GEORGIA. See Exhibit 10(a)37 herein.

(c) 34 - Long Term Transaction Service Agreement between GEORGIA and OPC dated as of February 26, 1999. See Exhibit 10(a)41 herein.

(c) 35 - Revised and Restated Coordination Services Agreement between and among GEORGIA, OPC and Georgia Systems Operations Corporation dated as of September 10, 1997. See Exhibit 10(a)42 herein.

(c) 36 - Amended and Restated Nuclear Managing Board Agreement for Plant Hatch and Plant Vogtle among GEORGIA, OPC, MEAG and Dalton dated as of July 1, 1993. See Exhibit 10(a)43 herein.

(c) 37 - Integrated Transmission System Agreement, Power Sale and Coordination Umbrella Agreement between GEORGIA and OPC dated as of November 12, 1990. See Exhibit 10(a)44 herein.

(c) 38 - Revised and Restated Integrated Transmission System Agreement between GEORGIA and Dalton dated as of December 7, 1990. See Exhibit 10(a)45 herein.

(c) 39 - Revised and Restated Integrated Transmission System Agreement between GEORGIA and MEAG dated as of December 7, 1990. See Exhibit 10(a)46 herein.

(c) 40 - Plant Scherer Managing Board Agreement dated as of December 31, 1990 among GEORGIA, OPC, MEAG, Dalton, GULF, FP&L and JEA. See Exhibit 10(a)48 herein.

(c) 41 - Plant McIntosh Combustion Turbine Purchase and Ownership Participation Agreement between GEORGIA and SAVANNAH dated as of December 15, 1992. See Exhibit 10(a)49 herein.

(c) 42 - Plant McIntosh Combustion Turbine Operating Agreement between GEORGIA and SAVANNAH dated as of December 15, 1992. See Exhibit 10(a)50 herein.

(c) 43 - Certificate of Limited Partnership of Georgia Power Capital. (Designated in Certificate of Notification, File No. 70-8461, as Exhibit B.)

(c) 44 - Amended and Restated Agreement of Limited Partnership of Georgia Power Capital, dated as of December 1, 1994. (Designated in Certificate of Notification, File No. 70-8461, as Exhibit C.)

(c) 45 - Action of General Partner of Georgia Power Capital creating the Series A Preferred Securities. (Designated in Certificate of Notification, File No. 70-8461, as Exhibit D.)

(c) 46 - Guarantee Agreement of GEORGIA dated as of December 1, 1994, for the benefit of the holders from time to time of the Series A Preferred Securities. (Designated in Certificate of Notification, File No. 70-8461, as Exhibit G.)

* (c) 47 - The Southern Company Executive Productivity Improvement Plan, Amended and Restated effective January 1, 2001. See Exhibit 10(a)52 herein.

(c) 48 - The Southern Company Employee Savings Plan, Amended and Restated effective January 1, 1997 and all amendments thereto through Amendment Number Five. See Exhibit 10(a)53 herein.

* (c) 49 - Amendment Number Six to The Southern Company Employee Savings Plan. See Exhibit 10(a)54 herein.

(c) 50 - The Southern Company Employee Stock Ownership Plan, Amended and Restated effective January 1, 1997 and all amendments thereto through Amendment Number Three. See Exhibit 10(a)55 herein.

* (c) 51 - Amendment Number Four to The Southern Company Employee Stock Ownership Plan. See Exhibit 10(a)56 herein.

* (c) 52 - The Southern Company Performance Pay Plan, Amended and Restated effective January 1, 2000. See Exhibit 10(a)57 herein.

* (c) 53 - Southern Company Performance Pay Plan (Shareholder Approved) effective January 1, 2000. See Exhibit 10(a)58 herein.

* (c) 54 - The Southern Company Deferred Compensation Plan, Amended and Restated effective February 23, 2001. See Exhibit 10(a)61 herein.

(c) 55 - The Southern Company Outside Directors Pension Plan. See Exhibit 10(a)60 herein.

* (c) 56 - Outside Directors Stock Plan for Subsidiaries of The Southern Company, Amended and Restated effective January 1, 2000. See Exhibit 10(a)63 herein.

(c) 57 - The Southern Company Pension Plan, effective as of January 1, 1997 and all amendments thereto through Amendment Number Four. See Exhibit 10(a)65 herein.

* (c) 58 - Amendment Number Five and Amendment Number Six to The Southern Company Pension Plan. See Exhibit 10(a)66 herein.

* (c) 59 - The Southern Company Performance Stock Plan, Amended and Restated effective January 1, 2000. See Exhibit 10(a)67 herein.

* (c) 60 - The Southern Company Supplemental Executive Retirement Plan, Amended and Restated effective July 10, 2000. See Exhibit 10(a)68 herein.

* (c) 61 - The Southern Company Performance Dividend Plan, Amended and Restated effective December 11, 2000. See Exhibit 10(a)64 herein.

(c) 62 - The Southern Company Performance Sharing Plan effective January 1, 1997 and all amendments thereto through Amendment Number Seven. See Exhibit 10(a)69 herein.

* (c) 63 - Amendment Number Eight to The Southern Company Performance Sharing Plan. See Exhibit 10(a)70 herein.

* (c) 64 - The Southern Company Supplemental Benefit Plan, Amended and Restated effective July 10, 2000. See Exhibit 10(a)71 herein.

* (c) 65 - Southern Company Change in Control Severance Plan, Amended and Restated effective July 10, 2000. See Exhibit 10(a)72 herein.

* (c) 66 - Southern Company Executive Change in Control Severance Plan, Amended and Restated effective July 10, 2000. See Exhibit 10(a)73 herein.

(c) 67 - Deferred Compensation Agreement between SOUTHERN, GEORGIA and Henry Allen Franklin and First Amendment and Assignment to SCS. See Exhibit 10(a)74 herein.

(c) 68 - Deferred Compensation Agreement between SOUTHERN, GEORGIA and Warren Y. Jobe. See Exhibit 10(a)76 herein.

* (c) 69 - Amended and Restated Change in Control Agreement between SOUTHERN, GEORGIA and David M. Ratcliffe. See Exhibit 10(a)89 herein.

(c) 70 - Supplemental Pension Agreement between GEORGIA and Warren Y. Jobe. (Designated in GEORGIA's Form 10-K for the year ended December 31, 1998, File No. 1-6468, as Exhibit 10(c)77.)

* (c) 71 - Deferred Compensation Plan For Directors of Georgia Power Company, Amended and Restated Effective February 21, 2001.

* (c) 72 - Southern Company Change in Control Benefit Plan Determination Policy, effective July 10, 2000. See Exhibit 10(a)96 herein.

* (c) 73 - Southern Company Deferred Compensation Trust Agreement dated as of January 1, 2001 between Wachovia Bank, N.A., SOUTHERN, SCS, ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH, Southern Communications, Energy Solutions, Mirant and Southern Nuclear. See Exhibit 10(a)103 herein.

* (c) 74 - Deferred Stock Trust Agreement for Directors of SOUTHERN and its subsidiaries, dated as of January 1, 2000, between Reliance Trust Company, SOUTHERN, ALABAMA, GEORGIA, GULF, MISSISSIPPI, and SAVANNAH. See Exhibit 10(a)104 herein.

* (c) 75 - Deferred Cash Compensation Trust Agreement for Directors of SOUTHERN and its subsidiaries, dated as of January 1, 2000, between Wachovia Bank, N.A, SOUTHERN, ALABAMA, GEORGIA, GULF, MISSISSIPPI, and SAVANNAH. See Exhibit 10 (a)105 herein.

GULF

(d) 1 - Service contracts dated as of January 1, 1984, between SCS and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SEGCO and SOUTHERN and Amendment No. 1 dated as of September 6, 1985, between SCS and SOUTHERN. See Exhibit 10(a)1 herein.

* (d) 2 - Interchange contract dated February 17, 2000, between ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH, SPC and SCS. See Exhibit 10(a)6 herein.

(d) 3 - Plant Robert W. Scherer Unit Number Three Purchase and Ownership Participation Agreement dated as of March 1, 1984, Amendment No. 1 dated as of July 1, 1986 and Amendment No. 2 dated as of August 1, 1988, between GEORGIA and GULF. See Exhibit 10(a)29 herein.

(d) 4 - Plant Robert W. Scherer Unit Number Three Operating Agreement dated as of March 1, 1984, between GEORGIA and GULF. See Exhibit 10(a)30 herein.

(d) 5 - Plant Scherer Managing Board Agreement dated as of December 31, 1990 among GEORGIA, OPC, MEAG, Dalton, GULF, FP&L and JEA. See Exhibit 10(a)48 herein.

(d) 6 - Unit Power Sales Agreement dated July 19, 1988, between FPC and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH and SCS. See Exhibit 10(a)33 herein.

(d) 7 - Amended Unit Power Sales Agreement dated July 20, 1988, between FP&L and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH and SCS. See Exhibit 10(a)34 herein.

(d) 8 - Amended Unit Power Sales Agreement dated August 17, 1988, between JEA and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH and SCS. See Exhibit 10(a)35 herein.

(d) 9 - Agreement between GULF and AEC, effective August 1, 1985. (Designated in GULF's Form 10-K for the year ended December 31, 1985, File No. 0-2429, as Exhibit 10(g).)

* (d) 10 - The Southern Company Executive Productivity Improvement Plan, Amended and Restated effective January 1, 2000. See Exhibit 10(a)52 herein.

(d) 11 - The Southern Company Employee Savings Plan, Amended and Restated effective January 1, 1997 and all amendments thereto through Amendment Number Five. See Exhibit 10(a)53 herein.

* (d) 12 - Amendment Number Six to The Southern Company Employee Savings Plan. See Exhibit 10(a)54 herein.

(d) 13 - The Southern Company Employee Stock Ownership Plan, Amended and Restated effective January 1, 1997 and all amendments thereto through Amendment Number Three. See Exhibit 10(a)55 herein.

	*	(d) 14 -	Amendment Number Four to The Southern Company Employee Stock Ownership Plan. See Exhibit 10(a)56 herein.
	*	(d) 15 -	The Southern Company Performance Pay Plan, Amended and Restated effective January 1, 2000. See Exhibit 10(a)57 herein.
	*	(d) 16 -	Southern Company Performance Pay Plan (Shareholder Approved) effective January 1, 2000. See Exhibit 10(a)58 herein.
#	*	(d) 17 -	The Southern Company Deferred Compensation Plan, Amended and Restated effective February 23, 2001. See Exhibit 10(a)61 herein.
#		(d) 18 -	The Southern Company Outside Directors Pension Plan. See Exhibit 10(a)60 herein.
#	*	(d) 19 -	Outside Directors Stock Plan for Subsidiaries of The Southern Company, Amended and Restated effective January 1, 2000. See Exhibit 10(a)63 herein.
		(d) 20 -	The Southern Company Pension Plan, effective as of January 1, 1997 and all amendments thereto through Amendment Number Four. See Exhibit 10(a)65 herein.
	*	(d) 21 -	Amendment Number Five and Amendment Number Six to The Southern Company Pension Plan. See Exhibit 10(a)66 herein.
#	*	(d) 22 -	The Southern Company Supplemental Benefit Plan, Amended and Restated effective July 10, 2000. See Exhibit 10(a)71 herein.
	*	(d) 23 -	Southern Company Change in Control Severance Plan, Amended and Restated effective July 10, 2000. See Exhibit 10(a)72 herein.
#	*	(d) 24 -	Southern Company Executive Change in Control Severance Plan, Amended and Restated effective July 10, 2000. See Exhibit 10(a)73 herein.
#	*	(d) 25 -	Amended and Restated Change in Control Agreement between SOUTHERN, GULF and Travis J. Bowden. See Exhibit 10(a)79 herein.
#	*	(d) 26 -	The Southern Company Performance Stock Plan, Amended and Restated effective January 1, 2000. See Exhibit 10(a)67 herein.
#	*	(d) 27 -	The Southern Company Supplemental Executive Retirement Plan, Amended and Restated effective July 10, 2000. See Exhibit 10(a)68 herein.
#	*	(d) 28 -	The Southern Company Performance Dividend Plan, Amended and Restated effective December 11, 2000. See Exhibit 10(a)64 herein.
#		(d) 29 -	The Southern Company Performance Sharing Plan effective January 1, 1997 and all amendments thereto through Amendment Number Seven. See Exhibit 10(a)69 herein.
#	*	(d) 30 -	Amendment Number Eight to The Southern Company Performance Sharing Plan. See Exhibit 10(a)70 herein.

(d) 31 - Supplemental Pension Agreement between SAVANNAH, GULF and G. Edison Holland, Jr. (Designated in GULF's Form 10-K for the year ended December 31, 1998, File No. 0-2429, as Exhibit 10(d)35.)

(d) 32 - Supplemental Pension Agreement between ALABAMA, GULF and Travis J. Bowden. See Exhibit 10(b)35 herein.

* (d) 33 - Deferred Compensation Plan For Directors of Gulf Power Company, Amended and Restated Effective January 1, 2000 and First Amendment thereto.

* (d) 34 - Southern Company Change in Control Benefit Plan Determination Policy, effective July 10, 2000. See Exhibit 10(a)96 herein.

* (d) 35 - Southern Company Deferred Compensation Trust Agreement dated as of January 1, 2001 between Wachovia Bank, N.A., SOUTHERN, SCS, ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH, Southern Communications, Energy Solutions, Mirant and Southern Nuclear. See Exhibit 10(a)103 herein.

* (d) 36 - Deferred Stock Trust Agreement for Directors of SOUTHERN and its subsidiaries, dated as of January 1, 2000, between Reliance Trust Company, SOUTHERN, ALABAMA, GEORGIA, GULF, MISSISSIPPI, and SAVANNAH. See Exhibit 10(a)104 herein.

* (d) 37 - Deferred Cash Compensation Trust Agreement for Directors of SOUTHERN and its subsidiaries, dated as of January 1, 2000, between Wachovia Bank, N.A, SOUTHERN, ALABAMA, GEORGIA, GULF, MISSISSIPPI, and SAVANNAH. See Exhibit 10(a)105 herein.

MISSISSIPPI

(e) 1 - Service contracts dated as of January 1, 1984, between SCS and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SEGCO and SOUTHERN and Amendment No. 1 dated as of September 6, 1985, between SCS and SOUTHERN. See Exhibit 10(a)1 herein.

* (e) 2 - Interchange contract dated February 17, 2000, between ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH, SPC and SCS. See Exhibit 10(a)6 herein.

(e) 3 - Unit Power Sales Agreement dated July 19, 1988, between FPC and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH and SCS. See Exhibit 10(a)33 herein.

(e) 4 - Amended Unit Power Sales Agreement dated July 20, 1988, between FP&L and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH and SCS. See Exhibit 10(a)34 herein.

(e) 5 - Amended Unit Power Sales Agreement dated August 17, 1988, between JEA and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH and SCS. See Exhibit 10(a)35 herein.

(e) 6 - Transmission Facilities Agreement dated February 25, 1982, Amendment No. 1 dated May 12, 1982 and Amendment No. 2 dated December 6, 1983, between Gulf States and MISSISSIPPI. See Exhibit 10(a)40 herein.

(e) 7 - Long Term Transmission Service Agreement between Entergy Power, Inc. and ALABAMA, MISSISSIPPI and SCS. See Exhibit 10(a)47 herein.

* (e) 8 - The Southern Company Executive Productivity Improvement Plan, Amended and Restated effective January 1, 2001. See Exhibit 10(a)52 herein.

(e) 9 - The Southern Company Employee Savings Plan, Amended and Restated effective January 1, 1997 and all amendments thereto through Amendment Number Five. See Exhibit 10(a)53 herein.

* (e) 10 - Amendment Number Six to The Southern Company Employee Savings Plan. See Exhibit 10(a)54 herein.

(e) 11 - The Southern Company Employee Stock Ownership Plan, Amended and Restated effective January 1, 1997 and all amendments thereto through Amendment Number Three. See Exhibit 10(a)55 herein.

* (e) 12 - Amendment Number Four to The Southern Company Employee Stock Ownership Plan. See Exhibit 10(a)56 herein.

(e) 13 - The Southern Company Performance Pay Plan, Amended and Restated effective January 1, 2000. See Exhibit 10(a)57 herein.

* (e) 14 - Southern Company Performance Pay Plan (Shareholder Approved) effective January 1, 2000. See Exhibit 10(a)58 herein.

* (e) 15 - The Southern Company Deferred Compensation Plan, Amended and Restated effective February 23, 2001. See Exhibit 10(a)61 herein.

(e) 16 - The Southern Company Outside Directors Pension Plan. See Exhibit 10(a)60 herein.

* (e) 17 - Outside Directors Stock Plan for Subsidiaries of The Southern Company, Amended and Restated effective January 1, 2000. See Exhibit 10(a)63 herein.

(e) 18 - The Southern Company Pension Plan, effective as of January 1, 1997 and all amendments thereto through Amendment Number Four. See Exhibit 10(a)65 herein.

* (e) 19 - Amendment Number Five and Amendment Number Six to The Southern Company Pension Plan. See Exhibit 10(a)66 herein.

* (e) 20 - The Southern Company Supplemental Benefit Plan, Amended and Restated effective July 10, 2000. See Exhibit 10(a)71 herein.

* (e) 21 - Southern Company Change in Control Severance Plan, Amended and Restated effective July 10, 2000. See Exhibit 10(a)72 herein.

* (e) 22 - Southern Company Executive Change in Control Severance Plan, Amended and Restated effective July 10, 2000. See Exhibit 10(a)73 herein.

* (e) 23 - Amended and Restated Change in Control Agreement between SOUTHERN, MISSISSIPPI and Dwight H. Evans. See Exhibit 10(a)81 herein.

* (e) 24 - The Southern Company Performance Stock Plan, Amended and Restated effective January 1,2000. See Exhibit 10(a)67 herein.

* (e) 25 - The Southern Company Supplemental Executive Retirement Plan, Amended and Restated effective July 10, 2000. See Exhibit 10(a)68 herein.

* (e) 26 - The Southern Company Performance Dividend Plan, Amended and Restated effective December 11, 2000. See Exhibit 10(a)64 herein.

(e) 27 - The Southern Company Performance Sharing Plan effective January 1, 1997 and all amendments thereto through Amendment Number Seven. See Exhibit 10(a)69 herein.

* (e) 28 - Amendment Number Eight to The Southern Company Performance Sharing Plan. See Exhibit 10(a)70 herein.

(e) 29 - Deferred Compensation Plan for Directors of Mississippi Power Company, Amended and Restated Effective January 1, 2000. (Designated in MISSISSIPPI's Form 10-K for the year ended December 31, 1999, File No. 0-6849, as Exhibit 10(e)37.)

* (e) 30 - Amendment Number One to the Deferred Compensation Plan for Directors of Mississippi Power Company.

* (e) 31 - Southern Company Change in Control Benefit Plan Determination Policy, effective July 10, 2000. See Exhibit 10(a)96 herein.

* (e) 32 - Southern Company Deferred Compensation Trust Agreement dated as of January 1, 2001 between Wachovia Bank, N.A., SOUTHERN, SCS, ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH, Southern Communications, Energy Solutions, Mirant and Southern Nuclear. See Exhibit 10(a)103 herein.

* (e) 33 - Deferred Stock Trust Agreement for Directors of SOUTHERN and its subsidiaries, dated as of January 1, 2000, between Reliance Trust Company, SOUTHERN, ALABAMA, GEORGIA, GULF, MISSISSIPPI, and SAVANNAH. See Exhibit 10(a)104 herein.

* (e) 34 - Deferred Cash Compensation Trust Agreement for Directors of SOUTHERN and its subsidiaries, dated as of January 1, 2000, between Wachovia Bank, N.A, SOUTHERN, ALABAMA, GEORGIA, GULF, MISSISSIPPI, and SAVANNAH. See Exhibit 10(a)105 herein.

SAVANNAH

(f) 1 - Service contract dated as of March 3, 1988, between SCS and SAVANNAH. See Exhibit 10(a)3 herein.

* (f) 2 - Interchange contract dated February 17, 2000, between ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH, SPC and SCS. See Exhibit 10(a)6 herein.

(f) 3 - Unit Power Sales Agreement dated July 19, 1988, between FPC and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH and SCS. See Exhibit 10(a)33 herein.

(f) 4 - Amended Unit Power Sales Agreement dated July 20, 1988, between FP&L and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH and SCS. See Exhibit 10(a)34 herein.

(f) 5 - Amended Unit Power Sales Agreement dated August 17, 1988, between JEA and ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH and SCS. See Exhibit 10(a)35 herein.

(f) 6 - Plant McIntosh Combustion Turbine Purchase and Ownership Participation Agreement between GEORGIA and SAVANNAH dated as of December 15, 1992. See Exhibit 10(a)49 herein.

(f) 7 - Plant McIntosh Combustion Turbine Operating Agreement between GEORGIA and SAVANNAH dated December 15, 1992. See Exhibit 10(a)50 herein.

* (f) 8 - The Southern Company Executive Productivity Improvement Plan, Amended and Restated effective January 1, 2000. See Exhibit 10(a)52 herein.

(f) 9 - The Southern Company Employee Savings Plan, Amended and Restated effective January 1, 1997 and all amendments thereto through Amendment Number Five. See Exhibit 10(a)53 herein.

* (f) 10 - Amendment Number Six to The Southern Company Employee Savings Plan. See Exhibit 10(a)54 herein.

(f) 11 - The Southern Company Employee Stock Ownership Plan, Amended and Restated effective January 1, 1997 and all amendments thereto through Amendment Number Three. See Exhibit 10(a)55 herein.

* (f) 12 - Amendment Number Four to The Southern Company Employee Stock Ownership Plan. See Exhibit 10(a)56 herein.

* (f) 13 - Supplemental Executive Retirement Plan of SAVANNAH, Amended and Restated effective October 26, 2000.

* (f) 14 - Deferred Compensation Plan for Key Employees of SAVANNAH, Amended and Restated effective October 26, 2000.

(f) 15 - The Southern Company Performance Pay Plan, Amended and Restated effective January 1, 2000. See Exhibit 10(a)57 herein.

* (f) 16 - Southern Company Performance Pay Plan (Shareholder Approved) effective January 1, 2000. See Exhibit 10(a)58 herein.

(f) 17 - The Southern Company Outside Directors Pension Plan. See Exhibit 10(a)60 herein.

* (f) 18 - Deferred Compensation Plan for Directors of SAVANNAH, Amended and Restated effective October 26, 2000.

* (f) 19 - Outside Directors Stock Plan for Subsidiaries of The Southern Company, Amended and Restated effective January 1, 2000. See Exhibit 10(a)63 herein.

(f) 20 - The Southern Company Pension Plan, effective as of January 1, 1997 and all amendments thereto through Amendment Number Four. See Exhibit 10(a)65 herein.

* (f) 21 - Amendment Number Five and Amendment Number Six to The Southern Company Pension Plan. See Exhibit 10(a)66 herein.

* (f) 22 - The Southern Company Supplemental Benefit Plan, Amended and Restated effective July 10, 2000. See Exhibit 10(a)76 herein.

* (f) 23 - Southern Company Change in Control Severance Plan, Amended and Restated effective July 10, 2000. See Exhibit 10(a)72 herein.

* (f) 24 - Southern Company Executive Change in Control Severance Plan, Amended and Restated effective July 10, 2000. See Exhibit 10(a)73 herein.

* (f) 25 - Amended and Restated Change in Control Agreement between SOUTHERN, SAVANNAH and G. Edison Holland, Jr. See Exhibit 10(a)86 herein.

* (f) 26 - The Southern Company Deferred Compensation Plan, Amended and Restated effective February 23, 2001. See Exhibit 10(a)61 herein.

* (f) 27 - The Southern Company Performance Stock Plan, Amended and Restated effective January 1, 2000. See Exhibit 10(a)67 herein.

* (f) 28 - The Southern Company Supplemental Executive Retirement Plan, Amended and Restated effective July 10, 2000. See Exhibit 10(a)68 herein.

* (f) 29 - The Southern Company Performance Dividend Plan, Amended and Restated effective December 11, 2000. See Exhibit 10(a)64 herein.

(f) 30 - The Southern Company Performance Sharing Plan effective January 1, 1997 and all amendments thereto through Amendment Number Seven. See Exhibit 10(a)69 herein.

* (f) 31 - Amendment Number Eight to The Southern Company Performance Sharing Plan. See Exhibit 10(a)70 herein.

(f) 32 - Supplemental Pension Agreement between SAVANNAH, GULF and G. Edison Holland, Jr. See Exhibit 10(d)31 herein.

* (f) 33 - Southern Company Change in Control Benefit Plan Determination Policy, effective July 10, 2000. See Exhibit 10(a)96 herein.

* (f) 34 - Agreement for supplemental pension benefits between SAVANNAH and William Miles Greer.

* (f) 35 - Agreement crediting additional service between SAVANNAH and William Miles Greer.

* (f) 36 - Southern Company Deferred Compensation Trust Agreement dated as of January 1, 2001 between Wachovia Bank, N.A., SOUTHERN, SCS, ALABAMA, GEORGIA, GULF, MISSISSIPPI, SAVANNAH, Southern Communications, Energy Solutions, Mirant and Southern Nuclear. See Exhibit 10(a)103 herein.

* (f) 37 - Deferred Stock Trust Agreement for Directors of SOUTHERN and its subsidiaries, dated as of January 1, 2000, between Reliance Trust Company, SOUTHERN, ALABAMA, GEORGIA, GULF, MISSISSIPPI, and SAVANNAH. See Exhibit 10(a)104 herein.

* (f) 38 - Deferred Cash Compensation Trust Agreement for Directors of SOUTHERN and its subsidiaries, dated as of January 1, 2000, between Wachovia Bank, N.A, SOUTHERN, ALABAMA, GEORGIA, GULF, MISSISSIPPI, and SAVANNAH. See Exhibit 10(a)105 herein.

(21) Subsidiaries of Registrants

SOUTHERN

* (a) - Subsidiaries of Registrant is contained herein at page IV-5.

ALABAMA

* (b) - Subsidiaries of Registrant is contained herein at page IV-5.

GEORGIA

* (c) - Subsidiaries of Registrant is contained herein at page IV-5.

GULF

* (d) - Subsidiaries of Registrant is contained herein at page IV-5.

MISSISSIPPI

* (e) - Subsidiaries of Registrant is contained herein at page IV-5.

SAVANNAH

* (f) - Subsidiaries of Registrant is contained herein at page IV-5.

(23) Consents of Experts and Counsel

SOUTHERN

* (a) - The consent of Arthur Andersen LLP is contained herein at page IV-6.

ALABAMA

* (b) - The consent of Arthur Andersen LLP is contained herein at page IV-7.

GEORGIA

* (c) - The consent of Arthur Andersen LLP is contained herein at page IV-8.

GULF

* (d) - The consent of Arthur Andersen LLP is contained herein at page IV-9.

MISSISSIPPI

* (e) - The consent of Arthur Andersen LLP is contained herein at page IV-10.

SAVANNAH

* (f) - The consent of Arthur Andersen LLP is contained herein at page IV-11.

(24) Powers of Attorney and Resolutions

SOUTHERN

* (a) - Power of Attorney and resolution.

ALABAMA

* (b) - Power of Attorney and resolution.

GEORGIA

* (c) - Power of Attorney and resolution.

GULF

* (d) - Power of Attorney and resolution.

MISSISSIPPI

* (e) - Power of Attorney and resolution.

SAVANNAH

* (f) - Power of Attorney and resolution.

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q
(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarter Ended September 30, 2001
OR
( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the Transition Period from _____to_____

Commission File Number	Registrant, State of Incorporation, Address and Telephone Number	I.R.S. Employer Identification No.
1-3526	**The Southern Company** (A Delaware Corporation) 270 Peachtree Street, N.W. Atlanta, Georgia 30303 (404) 506-5000	58-0690070
1-3164	**Alabama Power Company** (An Alabama Corporation) 600 North 18th Street Birmingham, Alabama 35291 (205) 257-1000	63-0004250
1-6468	**Georgia Power Company** (A Georgia Corporation) 241 Ralph McGill Boulevard, N.E. Atlanta, Georgia 30308 (404) 506-6526	58-0257110
0-2429	**Gulf Power Company** (A Maine Corporation) One Energy Place Pensacola, Florida 32520 (850) 444-6111	59-0276810
0-6849	**Mississippi Power Company** (A Mississippi Corporation) 2992 West Beach Gulfport, Mississippi 39501 (228) 864-1211	64-0205820
1-5072	**Savannah Electric and Power Company** (A Georgia Corporation) 600 East Bay Street Savannah, Georgia 31401 (912) 644-7171	58-0418070

Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days. Yes X No____

Registrant	Description of Common Stock	Shares Outstanding at October 31, 2001
The Southern Company	**Par Value $5 Per Share**	**695,131,435**
Alabama Power Company	**Par Value $40 Per Share**	**6,000,000**
Georgia Power Company	**No Par Value**	**7,761,500**
Gulf Power Company	**No Par Value**	**992,717**
Mississippi Power Company	**Without Par Value**	**1,121,000**
Savannah Electric and Power Company	**Par Value $5 Per Share**	**10,844,635**

This combined Form 10-Q is separately filed by The Southern Company, Alabama Power Company, Georgia Power Company, Gulf Power Company, Mississippi Power Company and Savannah Electric and Power Company. Information contained herein relating to any individual company is filed by such company on its own behalf. Each company makes no representation as to information relating to the other companies.

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September 30, 2001

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DEFINITIONS

TERM	MEANING
ALABAMA	Alabama Power Company
Clean Air Act	Clean Air Act Amendments of 1990
ECO Plan	Environmental Compliance Overview Plan
Energy Act	Energy Policy Act of 1992
EPA	U. S. Environmental Protection Agency
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
Form 10-K	Combined Annual Report on Form 10-K of SOUTHERN, ALABAMA, GEORGIA, GULF, MISSISSIPPI and SAVANNAH for the year ended December 31, 2000
GEORGIA	Georgia Power Company
GULF	Gulf Power Company
integrated Southeast utilities	ALABAMA, GEORGIA, GULF, MISSISSIPPI and SAVANNAH
Mirant	Mirant Corporation (formerly Southern Energy, Inc.)
MISSISSIPPI	Mississippi Power Company
Mobile Energy	Mobile Energy Services Company, L.L.C. and Mobile Energy Services Holdings, Inc.
PEP	Performance Evaluation Plan
PSC	Public Service Commission
RTO	Regional Transmission Organization
SAVANNAH	Savannah Electric and Power Company
SCS	Southern Company Services, Inc.
SEC	Securities and Exchange Commission
SOUTHERN	The Southern Company
SOUTHERN system	SOUTHERN, the integrated Southeast utilities and other subsidiaries
TVA	Tennessee Valley Authority

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This Quarterly Report on Form 10-Q contains forward-looking and historical information. In some cases, forward-looking statements can be identified by terminology such as "may," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of these terms or other comparable terminology. The registrants caution that there are various important factors that could cause actual results to differ materially from those indicated in the forward-looking statements; accordingly, there can be no assurance that such indicated results will be realized. These factors include the impact of recent and future federal and state regulatory change, including legislative and regulatory initiatives regarding deregulation and restructuring of the electric utility industry and also changes in environmental and other laws and regulations to which SOUTHERN and its subsidiaries are subject, as well as changes in application of existing laws and regulations; current and future litigation, including the EPA civil action against certain subsidiaries of SOUTHERN and the diversity litigation against certain subsidiaries of SOUTHERN; the effects, extent and timing of additional competition in the markets in which SOUTHERN's subsidiaries operate; the impact of fluctuations in commodity prices, interest rates and customer demand; state and federal rate regulation in the United States; political and legal conditions and developments in the United States; the performance of projects undertaken by the non-traditional business and the success of efforts to invest in and develop new opportunities; internal restructuring or other restructuring options that may be pursued; potential business strategies, including acquisitions or dispositions of assets or businesses, which cannot be assured to be completed or beneficial to SOUTHERN or its subsidiaries; the effects of, and changes in, economic conditions in the areas in which SOUTHERN's subsidiaries operate; the direct or indirect effects on SOUTHERN's business resulting from the terrorist incidents on September 11, 2001, or any similar such incidents or responses to such incidents; financial market conditions and the results of financing efforts; the timing and acceptance of SOUTHERN's new product and service offerings; the ability of SOUTHERN to obtain additional generating capacity at competitive prices; weather and other natural phenomena; and other factors discussed elsewhere herein and in other reports (including the Form 10-K) filed from time to time with the SEC.

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THE SOUTHERN COMPANY
AND SUBSIDIARY COMPANIES

THE SOUTHERN COMPANY AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2001	2000	2001	2000
	(in thousands)		*(in thousands)*	
Operating Revenues:				
Retail sales	**$2,611,359**	$2,732,295	**$6,639,693**	$6,703,288
Sales for resale	**382,612**	325,136	**929,652**	732,253
Other revenues	**170,490**	139,944	**426,438**	336,179
Total operating revenues	**3,164,461**	3,197,375	**7,995,783**	7,771,720
Operating Expenses:				
Operation --				
Fuel	**751,297**	778,508	**2,013,684**	1,946,961
Purchased power	**337,549**	321,142	**648,906**	551,976
Other operations	**466,301**	454,182	**1,349,013**	1,307,327
Maintenance	**186,661**	173,472	**642,159**	599,186
Depreciation and amortization	**282,396**	286,940	**869,449**	890,015
Taxes other than income taxes	**142,372**	144,341	**414,585**	411,357
Total operating expenses	**2,166,576**	2,158,585	**5,937,796**	5,706,822
Operating Income	**997,885**	1,038,790	**2,057,987**	2,064,898
Other Income:				
Interest income	**5,607**	12,518	**17,653**	33,276
Equity in losses of unconsolidated subsidiaries	**(18,491)**	(5,343)	**(37,227)**	(16,798)
Other, net	**33,871**	10,085	**62,589**	36,958
Earnings From Continuing Operations Before Interest and Income Taxes	**1,018,872**	1,056,050	**2,101,002**	2,118,334
Interest and Other:				
Interest expense, net	**133,517**	169,799	**424,055**	492,032
Distributions on capital and preferred securities of subsidiaries	**42,015**	42,261	**126,355**	126,781
Preferred dividends of subsidiaries	**4,550**	4,801	**13,969**	14,259
Total interest and other	**180,082**	216,861	**564,379**	633,072
Earnings From Continuing Operations Before Income Taxes	**838,790**	839,189	**1,536,623**	1,485,262
Income taxes	**284,412**	315,889	**533,115**	555,461
Earnings From Continuing Operations Before Cumulative Effect of Accounting Change	**554,378**	523,300	**1,003,508**	929,801
Cumulative effect of accounting change -- less income taxes of $477	**-**	-	**771**	-
Earnings From Continuing Operations	**554,378**	523,300	**1,004,279**	929,801
Earnings from discontinued operations, net of income taxes of $0 and $85,365 for the three months and $92,713 and $55,947 for the nine months ended 2001 and 2000, respectively	**-**	90,233	**142,217**	271,080
Consolidated Net Income	**$ 554,378**	$ 613,533	**$ 1,146,496**	$ 1,200,881
Common Stock Data:				
Basic earnings per share of common stock --				
Earnings per share from continuing operations	**$0.80**	$0.81	**$1.46**	$1.43
Earnings per share from discontinued operations	**$0.00**	$0.14	**$0.21**	$0.42
Consolidated Basic Earnings Per Share	**$0.80**	$0.95	**$1.67**	$1.85
Diluted earnings per share of common stock --				
Earnings per share from continuing operations	**$0.79**	$0.81	**$1.45**	$1.43
Earnings per share from discontinued operations	**$0.00**	$0.14	**$0.21**	$0.42
Consolidated Diluted Earnings Per Share	**$0.79**	$0.95	**$1.66**	$1.85
Average number of basic shares of common stock outstanding (in thousands)	**691,687**	649,347	**686,988**	650,392
Average number of diluted shares of common stock outstanding (in thousands)	**696,728**	650,869	**691,068**	651,225
Cash dividends paid per share of common stock	**$0.335**	$0.335	**$1.005**	$1.005

The accompanying notes as they relate to SOUTHERN are an integral part of these statements.

THE SOUTHERN COMPANY AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	For the Nine Months Ended September 30,	
	2001	2000
	(in thousands)	
Operating Activities:		
Consolidated net income	**$1,146,496**	$1,200,881
Adjustments to reconcile consolidated net income to net cash provided from operating activities --		
Less income from discontinued operations	**142,217**	271,080
Depreciation and amortization	**991,014**	1,017,874
Deferred income taxes and investment tax credits	**5,248**	84,523
Equity in losses of unconsolidated subsidiaries	**37,227**	16,798
Other, net	**(558,316)**	(169,884)
Changes in certain current assets and liabilities --		
Receivables, net	**(96,286)**	(363,846)
Fossil fuel stock	**(132,012)**	57,208
Materials and supplies	**(24,749)**	(6,233)
Accounts payable	**(177,191)**	2,793
Other	**455,721**	222,985
Net cash provided from operating activities of continuing operations	**1,504,935**	1,792,019
Investing Activities:		
Gross property additions	**(2,016,408)**	(1,533,883)
Other	**(63,180)**	(109,239)
Net cash used for investing activities of continuing operations	**(2,079,588)**	(1,643,122)
Financing Activities:		
Increase (decrease) in notes payable, net	**199,728**	42,429
Proceeds --		
Other long-term debt	**1,469,012**	742,610
Common stock	**327,668**	60,470
Redemptions --		
First mortgage bonds	**(615,773)**	(211,009)
Other long-term debt	**(295,242)**	(165,118)
Preferred stock	**-**	(383)
Common stock repurchased	**-**	(414,643)
Payment of common stock dividends	**(689,123)**	(655,135)
Other	**(20,037)**	(16,849)
Net cash provided from (used for) financing activities of continuing operations	**376,233**	(617,628)
Cash provided by discontinued operations	**304,853**	510,198
Net Increase in Cash and Cash Equivalents	**106,433**	41,467
Cash and Cash Equivalents at Beginning of Period	**199,191**	153,955
Cash and Cash Equivalents at End of Period	**$305,624**	$195,422
Supplemental Cash Flow Information From Continuing Operations:		
Cash paid during the period for --		
Interest (net of amount capitalized)	**$422,158**	$564,846
Income taxes (net of refunds)	**$251,645**	$290,564

The accompanying notes as they relate to SOUTHERN are an integral part of these statements.

THE SOUTHERN COMPANY AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED BALANCE SHEETS

Assets	At September 30, 2001 (Unaudited)	At December 31, 2000
	(in thousands)	
Current Assets:		
Cash and cash equivalents	**$ 305,624**	$ 199,191
Special deposits	**34,677**	5,895
Receivables, less accumulated provisions for uncollectible accounts of $22,952 at September 30, 2001 and $21,799 at December 31, 2000	**1,439,469**	1,311,457
Under recovered retail fuel clause revenue	**381,485**	418,077
Fossil fuel stock, at average cost	**327,217**	195,206
Materials and supplies, at average cost	**532,174**	507,425
Other	**252,606**	187,948
Total current assets	**3,273,252**	2,825,199
Property, Plant, and Equipment:		
In service	**35,486,122**	34,187,808
Less accumulated depreciation	**14,828,004**	14,348,763
	20,658,118	19,839,045
Nuclear fuel, at amortized cost	**196,089**	214,620
Construction work in progress	**1,920,080**	1,568,737
Total property, plant, and equipment	**22,774,287**	21,622,402
Other Property and Investments:		
Nuclear decommissioning trusts, at fair value	**646,854**	689,561
Net assets of discontinued operations	**-**	3,320,497
Leveraged leases	**640,567**	595,952
Other	**178,467**	165,332
Total other property and investments	**1,465,888**	4,771,342
Deferred Charges and Other Assets:		
Deferred charges related to income taxes	**938,741**	956,673
Prepaid pension costs	**593,541**	498,279
Debt expense, being amortized	**104,627**	99,442
Premium on reacquired debt, being amortized	**278,942**	280,239
Other	**369,433**	308,082
Total deferred charges and other assets	**2,285,284**	2,142,715
Total Assets	**$ 29,798,711**	$31,361,658

The accompanying notes as they relate to SOUTHERN are an integral part of these statements.

THE SOUTHERN COMPANY AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED BALANCE SHEETS

Liabilities and Stockholders' Equity	At September 30, 2001 (Unaudited)	At December 31, 2000
	(in thousands)	
Current Liabilities:		
Securities due within one year	$ 528,956	$ 67,324
Notes payable	1,879,371	1,679,643
Accounts payable	662,586	870,032
Customer deposits	149,592	139,798
Taxes accrued --		
Income taxes	438,258	87,731
Other	276,766	208,143
Interest accrued	175,748	120,770
Vacation pay accrued	119,894	118,710
Other	414,941	444,600
Total current liabilities	4,646,112	3,736,751
Long-term debt	7,940,585	7,842,491
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	4,134,253	4,074,265
Deferred credits related to income taxes	513,362	551,259
Accumulated deferred investment tax credits	641,453	663,579
Employee benefits provisions	507,654	478,414
Prepaid capacity revenues	42,237	58,377
Other	786,579	651,805
Total deferred credits and other liabilities	6,625,538	6,477,699
Company or subsidiary obligated mandatorily redeemable capital and preferred securities	2,246,250	2,246,250
Cumulative preferred stock of subsidiaries	368,126	368,126
Common Stockholders' Equity:		
Common stock, par value $5 per share --		
Authorized -- 1 billion shares		
Issued -- September 30, 2001: 700,622,308 shares;		
-- December 31, 2000: 700,622,308 shares	3,503,112	3,503,112
Paid-in capital	9,665	3,153,461
Treasury, at cost -- September 30, 2001: 6,398,506 shares;		
-- December 31, 2000: 19,464,122 shares	(174,926)	(544,515)
Retained earnings	4,643,091	4,671,881
Accumulated other comprehensive income	(8,842)	(93,598)
Total common stockholders' equity	7,972,100	10,690,341
Total Liabilities and Stockholders' Equity	$29,798,711	$31,361,658

The accompanying notes as they relate to SOUTHERN are an integral part of these statements.

THE SOUTHERN COMPANY AND SUBSIDIARY COMPANIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2001	2000	**2001**	2000
	(in thousands)		*(in thousands)*	
Consolidated net income	**$554,378**	$613,533	**$ 1,146,496**	$1,200,881
Other comprehensive income - continuing operations:				
Cumulative effect of accounting change	**-**	-	**466**	-
Current period changes in fair value	**(15,227)**	202	**(14,863)**	202
Related income tax benefits	**5,621**	(78)	**5,306**	(78)
Total other comprehensive income - Continuing operations	**(9,606)**	124	**(9,091)**	124
Other comprehensive income - discontinued operations:				
Cumulative effect of accounting change, net of income tax	**-**	-	**(249,246)**	-
Current period changes in fair value, net of income tax	**-**	-	**(103,962)**	-
Current period reclassifications to net income, net of income tax	**-**	-	**59,857**	-
Foreign currency translation adjustments and other, net of income tax	**-**	3,741	**(21,[illegible])**	(14,844)
Total other comprehensive income - discontinued operations	**-**	3,741	**(314,550)**	(14,844)
CONSOLIDATED COMPREHENSIVE INCOME	**$544,772**	$617,398	**$ 822,855**	$1,186,161

THE SOUTHERN COMPANY AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENTS OF ACCUMULATED OTHER COMPREHENSIVE INCOME

	At September 30, 2001 (Unaudited)	At December 31, 2000
	(in thousands)	
Balance at beginning of period - continuing operations	**$ 249**	$ -
Change in current period - continuing operations	**(9,091)**	249
BALANCE AT END OF PERIOD - Continuing Operations	**(8,842)**	249
Balance at beginning of period - discontinued operations	**(93,847)**	(92,395)
Change in current period - discontinued operations	**-**	(1,452)
Impact of spin-off	**93,847**	-
BALANCE AT END OF PERIOD - Discontinued Operations	**-**	(93,847)
TOTAL ACCUMULATED OTHER COMPREHENSIVE INCOME	**($ 8,842)**	($93,598)

The accompanying notes as they relate to SOUTHERN are an integral part of these statements.

THIRD QUARTER 2001 vs. THIRD QUARTER 2000
AND
YEAR-TO-DATE 2001 vs. YEAR-TO-DATE 2000

RESULTS OF OPERATIONS

Effective April 2, 2001, SOUTHERN completed a spin off of its remaining ownership of 272 million Mirant shares to SOUTHERN's shareholders in a tax free distribution. Shares from the spin off were distributed at a rate of approximately 0.4 share of Mirant common stock for every share of SOUTHERN common stock held at the record date. As a result of the spin off, SOUTHERN's financial statements reflect Mirant as discontinued operations.

SOUTHERN is now focusing on three main businesses in the Southeast: its traditional business, represented by its five integrated Southeast utilities providing electric service in four states; a growing competitive generation business in the eight state "Super Southeast" region; and energy-related products and services for its retail customers.

Earnings

SOUTHERN's third quarter and year-to-date 2001 earnings from continuing operations were $554 million ($0.80 per share) and $1.0 billion ($1.46 per share), respectively, compared with $523 million ($0.81 per share) and $930 million ($1.43 per share) in the third quarter and year-to-date 2000. The third quarter and year-to-date 2001 increases in earnings are primarily due to continued customer growth, strong performance in SOUTHERN's competitive generation business and lower interest expense from declining short-term debt and reduced interest rates.

Significant income statement items appropriate for discussion include the following:

	Increase (Decrease)			
	Third Quarter		Year-To-Date	
	(in thousands)	%	(in thousands)	%
Retail sales	$(120,936)	(4.4)	$(63,595)	(0.9)
Sales for resale	57,476	17.7	197,399	27.0
Other revenues	30,546	21.8	90,259	26.8
Purchased power expense	16,405	5.1	96,928	17.6
Maintenance expense	13,189	7.6	42,973	7.2
Interest income	(6,911)	(55.2)	(15,623)	(46.9)
Equity in losses of unconsolidated subsidiaries	(13,148)	(246.1)	(20,429)	(121.6)
Other, net	23,786	235.9	25,631	69.4
Interest expense, net	(36,282)	(21.4)	(67,977)	(13.8)

Retail sales. Excluding fuel revenues, which generally do not affect net income, retail sales revenue was down by $41 million, or 2.2%, in the third quarter of 2001 and $37 million, or 0.8%, year-to-date 2001 compared to the same periods in the prior year. Retail sales revenue in the third quarter and year-to-date 2001 decreased due primarily to lower energy sales that resulted from milder weather and the slowdown in manufacturing activities in SOUTHERN's service area when compared to the same periods in 2000. Retail energy sales were down by 3.5% and 2.1% for the third quarter and year-to-date 2001, respectively. The decrease in year-to-date 2001 retail sales revenue was partially offset by an increase in commercial revenues due to a 2.2% increase in commercial energy sales.

Sales for resale. Increased demand for energy from outside of SOUTHERN's service territory led to increases in the third quarter and year-to-date 2001. Also reflected in these revenues are sales from Plant Dahlberg, which went into service in the second quarter of 2000, and Plant Daniel Units 3 and 4, which went into service in the second quarter of 2001.

Other revenues. The third quarter 2001 increase in other revenues is primarily attributed to growth in project revenue at SOUTHERN's energy services subsidiary and revenues from services provided to an alternative fuel partnership under an agreement that began in April 2001. The year-to-date 2001 increase is attributed to several factors including revenues from energy services and alternative fuel services as mentioned above; and increased revenues from gas-fueled cogeneration steam facilities, transmission of electricity to others, distribution equipment rentals and outdoor lighting. However, cogeneration revenues generally have no material effect on net income since they are generally equal to related fuel expenses.

Purchased power expense. During the third quarter and year-to-date 2001, purchased power expense increased primarily due to increased demand for energy by wholesale customers when compared to the same periods in 2000. Since energy expenses are usually offset by energy revenues, these expenses do not have a significant impact on earnings.

Maintenance expense. During the third quarter and year-to-date 2001, these expenses increased when compared to the same periods in 2000 primarily due to scheduled work performed on power generating facilities and transmission and distribution facilities.

Interest income. For the third quarter and year-to-date 2001, interest income decreased from the amounts recorded in the same periods in 2000 mainly due to decreases in the recognized gains on investments held by the nuclear decommissioning trusts, which were offset by a concurrent reduction of other interest charges in accordance with FERC requirements.

Equity in losses of unconsolidated subsidiaries. The third quarter and year-to-date 2001 decreases in this item primarily relate to the investment by SOUTHERN in partnerships producing alternative fuel products.

Other, net. These increases in the third quarter and year-to-date 2001 are mainly attributed to mark to market adjustments for derivative electric contracts as required by FASB Statement No. 133 and gains on property sales. Reference is made to Note (C) in the "Notes to the Condensed Financial Statements" herein for additional information on the adoption of Statement No. 133.

Interest expense, net. Interest on long-term debt and interest on notes payable decreased during the third quarter and year-to-date 2001 when compared to the corresponding periods in 2000. The factors contributing to these decreases include the redemption of first mortgage bonds and the repayment of other long-term debt in the first half of 2001 and declining short-term debt and lower interest rates on outstanding notes payable.

Future Earnings Potential

The results of operations discussed above are not necessarily indicative of future earnings potential. The level of future earnings depends on numerous factors. The two major factors are the ability of the integrated Southeast utilities to achieve energy sales growth while containing costs in a more competitive environment and the profitability of the new competitive market-based wholesale generating facilities being added. For additional information relating to the other businesses, see Item 1 - BUSINESS - "Other Business" in the Form 10-K. Also, reference is made to Note (B) in the "Notes to the Condensed Financial Statements" herein for information relating to the spin off of Mirant.

With the enactment of the Energy Act and new legislation being discussed at federal and state levels to expand customer choice, SOUTHERN is positioning the business to meet the challenge of increasing competition. For additional information, see Item 1 - BUSINESS - "Competition" and Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS - "Future Earnings Potential" of SOUTHERN in the Form 10-K.

Compliance costs related to the Clean Air Act could affect earnings if such costs cannot be offset. For additional information about the Clean Air Act and other environmental issues, see Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS - "Environmental Matters" of SOUTHERN in the Form 10-K.

On March 14, 2001, the FERC rejected certain elements of SOUTHERN's RTO proposal. For additional information on the FERC's response to SOUTHERN's proposal, reference is made to Item 1 - BUSINESS - "Integrated Southeast Utilities" in the Form 10-K. Following the March 14, 2001 order, SOUTHERN submitted a series of status reports informing the FERC of progress toward the development of a Southeastern RTO. In these status reports, SOUTHERN explained that it has entered into memoranda of understanding to develop an RTO with a number of non-jurisdictional cooperative and public power entities. In addition, SOUTHERN has entered into a memorandum of understanding with TVA to address coordination issues between their transmission systems. On July 12, 2001, the FERC issued an order on the status reports of SOUTHERN, as well as GridSouth and Entergy/Southwest Power Pool. In those orders, the FERC indicated that it favored a single RTO for the Southeast. The FERC initiated a mediation process and directed the parties to participate in the mediation for 45 days. The parties to the mediation failed to reach agreement on a single RTO for the Southeast. On November 7, 2001, the FERC suspended the December 15, 2001 deadline to form an RTO established in its order issued December 20, 1999. SOUTHERN continues to work with the other entities to develop an RTO.

Reference is also made to Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS - "Environmental Matters" and Note 3 to the financial statements of SOUTHERN in the Form 10-K for information on EPA litigation.

Reference is made to Notes (B) through (K), (N) and (Q) in the "Notes to the Condensed Financial Statements" herein for discussion of various contingencies and other matters which may affect future earnings potential. Reference is also made to Part II - Item 1 - "Legal Proceedings" herein.

New Accounting Standards

Effective January 1, 2001, SOUTHERN and its subsidiaries adopted FASB Statement No. 133, as amended, and changed the method of accounting for derivative instruments. Derivatives are now reflected on the Condensed Consolidated Balance Sheet at fair market value. Reference is made to Note (C) in the "Notes to the Condensed Financial Statements" herein for additional information on the adoption of Statement No. 133.

In June 2001, the FASB issued Statement No. 141, "Business Combinations," which establishes new accounting and reporting standards for business combinations and supersedes Accounting Principles Board (APB) Opinion No. 16. All business combinations initiated after June 30, 2001 must now be accounted for using the purchase method of accounting.

Also in June 2001, the FASB issued Statement No. 142, "Goodwill and Other Intangible Assets," which establishes new accounting and reporting standards for acquired goodwill and other intangible assets and supersedes APB Opinion No. 17. It addresses how intangible assets that are acquired individually or with a group of other assets (but not those acquired in a business combination) should be accounted for upon acquisition and on an ongoing basis. Goodwill and intangible assets that have indefinite useful lives will not be amortized but rather will be tested at least annually for impairment. Intangible assets that have finite useful lives will continue to be amortized over their useful lives, which are no longer limited to 40 years. The provisions of Statement No. 142 are effective beginning in 2002 and are not expected to have a material impact on SOUTHERN's financial statements.

Additionally in June 2001, the FASB issued Statement No. 143, "Asset Retirement Obligations," which establishes new accounting and reporting standards for legal obligations associated with retiring assets, including decommissioning nuclear plants. The fair value of a liability for an asset retirement obligation must be recorded in the period in which it is incurred, with the cost capitalized as part of the related long-lived asset and depreciated over the asset's useful life. Changes in the liability resulting from the passage of time will be recognized as operating expenses. Statement No. 143 must be adopted by 2003. SOUTHERN has not yet quantified the impact of adopting Statement No. 143 on its financial statements. Reference is made to MANAGEMENT'S DISCUSSION AND ANALYSIS - "Future Earnings Potential" of SOUTHERN, ALABAMA and GEORGIA in Item 7 and Note 1 to the financial statements of SOUTHERN, ALABAMA and GEORGIA under "Depreciation and Nuclear Decommissioning" in Item 8 of the Form 10-K.

In August 2001, the FASB issued Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which supersedes both Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," and the accounting and reporting provisions for the disposal of a segment of a business contained in APB Opinion No. 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." Statement No. 144 establishes a single accounting model for long-lived assets to be disposed of by sale and broadens the presentation of discontinued operations. The provisions of Statement No. 144 are effective beginning in 2002 and are not expected to have a material impact on SOUTHERN's financial statements.

FINANCIAL CONDITION

Overview

Major changes in SOUTHERN's financial condition during the first nine months of 2001 included $2.0 billion used for gross property additions to utility plant. The funds for these additions and other capital requirements were from operations and other long-term debt. See SOUTHERN's Condensed Consolidated Statements of Cash Flows for further details.

Financing Activities

In February 2001, GEORGIA issued $350 million aggregate principal amount of senior notes consisting of $200 million of Series F 5.75% Senior Notes due January 31, 2003 and $150 million of Series G 6.20% Senior Notes due February 1, 2006. The proceeds of the sale were applied to redeem $200 million of GEORGIA's First Mortgage Bonds, 6 5/8% Series due April 2003 and to repay a portion of GEORGIA's outstanding short-term indebtedness. Also in February 2001, GEORGIA issued $100 million of Series H 6.70% Senior Insured Quarterly Notes due March 1, 2011. The proceeds of this sale were used to repay an additional portion of GEORGIA's outstanding short-term indebtedness.

In April 2001, ALABAMA sold, through a public authority, $10 million of variable rate demand revenue bonds due April 1, 2031. The proceeds of the sale were used to pay certain costs incurred in connection with the acquisition, construction, installation and equipping of certain local district heating facilities and sewage and solid waste facilities at ALABAMA's Theodore Cogeneration Plant. In May 2001, GEORGIA issued $150 million of Series I 5.25% Senior Notes due May 8, 2003. The proceeds of this sale were used in May 2001 to repurchase $47 million aggregate principal amount of GEORGIA's First Mortgage Bonds, 7.70% Series due May 1, 2025, $1.9 million aggregate principal amount of GEORGIA's First Mortgage Bonds, 6 7/8% Series due April 1, 2008 and $8.1 million aggregate principal amount of GEORGIA's First Mortgage Bonds, 6.07% Series due December 1, 2005 and to redeem in June 2001 $75 million outstanding principal amount of GEORGIA's First Mortgage Bonds, 6.35% Series due August 1, 2003. The remainder was used to repay a portion of GEORGIA's outstanding short-term indebtedness. Also in May 2001, SAVANNAH issued $65 million aggregate principal amount of senior notes consisting of $20 million of Series B 5.12% Senior Notes due May 15, 2003 and $45 million of Series C 6.55% Senior Notes due May 15, 2008. The proceeds of the sale were used to redeem in June 2001 the $20 million outstanding principal amount of SAVANNAH's First Mortgage Bonds, 6 3/8% Series due July 1, 2003 and to repay $30 million in bank loans and a portion of SAVANNAH's outstanding short-term indebtedness.

In July 2001, GEORGIA sold, through public authorities, an aggregate principal amount of $58.845 million of pollution control revenue bonds due July 1, 2031. Also in July 2001, GEORGIA sold, through public authorities, $67 million of pollution control revenue bonds due July 1, 2016. The proceeds of these sales will be used to redeem various series of outstanding pollution control revenue bonds. In August 2001, ALABAMA issued $275 million of Series N 4.875% Senior Notes due September 1, 2004 and $167 million of Series O Floating Rate Senior Notes due March 3, 2003. The proceeds of these sales of senior notes were used to redeem the $131.5 million outstanding principal amount of its First Mortgage Bonds, 9% Series due December 1, 2024 and for other corporate purposes including the repayment of a portion of ALABAMA's short-term indebtedness. Also in August 2001, GULF issued $60 million of Series C 4.69% Senior Notes due August 1, 2003. The proceeds of the sale will be used to redeem $30 million outstanding principal amount of GULF's First Mortgage Bonds, 6 1/8% Series due July 1, 2003 and to repay a portion of GULF's short-term indebtedness.

In September 2001, ALABAMA sold, through a public authority, $10 million of variable rate demand revenue bonds due September 1, 2031. The proceeds from this sale were used to pay certain costs incurred in connection with the acquisition, construction, installation and equipping of certain solid waste disposal facilities at ALABAMA's James M. Barry Generating Plant. Also in September 2001, GEORGIA sold, through public authorities, $14.075 million of pollution control revenue bonds due September 1, 2018 and $28.065 million of pollution control revenue bonds due September 1, 2024. In October 2001, GEORGIA sold, through public authorities, $83.515 million of pollution control bonds due January 1, 2012 and $133.535 million of pollution control bonds due January 1, 2032. The proceeds of these issues were used to redeem various outstanding amounts of pollution control revenue bonds. Also in October 2001, GULF issued $75 million of Series D 6.10% Senior Notes due September 30, 2016. The proceeds of this sale will be used to prepay a portion of a $100 million bank loan.

The market price of SOUTHERN's common stock at September 30, 2001 was $23.98 per share and the book value was $11.48 per share, representing a market-to-book ratio of 209%, compared to $33.25, $15.69 and 212%, respectively, at the end of 2000. The decreases in market price and book value per share reflect the impact of the Mirant spin off. The dividend for the third quarter of 2001 was $0.335 per share.

Capital Requirements

Reference is made to Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS - "Capital Requirements," "Other-Capital Requirements" and "Environmental Matters" of SOUTHERN in the Form 10-K for a description of the SOUTHERN system's capital requirements for its construction program, sinking fund requirements, maturing debt and environmental compliance efforts. Approximately $529 million will be required by September 30, 2002 for redemptions and maturities of long-term debt. Also, the integrated Southeast utilities plan to continue, to the extent possible, a program to retire higher-cost debt and replace these securities with lower-cost capital.

Sources of Capital

In addition to the financing activities previously described, SOUTHERN may require additional equity capital over the next several years. The amounts and timing of additional equity capital to be raised will be contingent on SOUTHERN's investment opportunities. The integrated Southeast utilities plan to obtain the funds required for construction and other purposes from sources similar to those used in the past. The amount, type and timing of any financings--if needed--will depend upon market conditions and regulatory approval. See Item 1 - BUSINESS - "Financing Programs" in the Form 10-K for additional information.

To meet short-term cash needs and contingencies, the SOUTHERN system had at September 30, 2001 approximately $306 million of cash and cash equivalents and approximately $5 billion of unused credit arrangements with banks. These unused credit arrangements also provide liquidity support to variable rate pollution control bonds and commercial paper programs. SOUTHERN's integrated Southeast utilities may also meet short-term cash needs through a SOUTHERN subsidiary organized to issue and sell commercial paper at the request and for the benefit of each of the integrated Southeast utilities. At September 30, 2001, the SOUTHERN system had short-term notes payable outstanding of $105 million and commercial paper outstanding of $1.8 billion. Management believes that the need for working capital can be adequately met by utilizing lines of credit without maintaining large cash balances.

PART I

Item 3. Quantitative And Qualitative Disclosures About Market Risk.

Reference is made to MANAGEMENT'S DISCUSSION AND ANALYSIS - "Market Price Risk" and Note 1 to the financial statements of SOUTHERN in Item 8 of the Form 10-K. Additional reference is made to Notes (C), (D) and (I) in the "Notes to the Condensed Financial Statements" contained herein for additional information regarding commodity-related marketing and price risk management activities.

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ALABAMA POWER COMPANY

ALABAMA POWER COMPANY
CONDENSED STATEMENTS OF INCOME (UNAUDITED)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2001	2000	**2001**	2000
	(in thousands)		*(in thousands)*	
Operating Revenues:				
Retail sales	**$814,392**	$945,964	**$2,161,671**	$2,299,660
Sales for resale --				
Non-affiliates	**150,701**	140,726	**383,647**	350,542
Affiliates	**69,196**	25,954	**189,319**	73,046
Other revenues	**26,428**	24,651	**79,949**	60,682
Total operating revenues	**1,060,717**	1,137,295	**2,814,586**	2,783,930
Operating Expenses:				
Operation --				
Fuel	**285,945**	285,316	**778,708**	698,711
Purchased power --				
Non-affiliates	**51,862**	75,066	**127,862**	130,939
Affiliates	**31,340**	53,798	**118,349**	134,585
Other	**123,202**	126,654	**378,204**	374,263
Maintenance	**57,898**	60,021	**222,**	220,617
Depreciation and amortization	**93,862**	92,760	**286,466**	274,458
Taxes other than income taxes	**54,789**	53,773	**166,470**	160,013
Total operating expenses	**698,898**	747,388	**2,078,526**	1,993,586
Operating Income	**361,819**	389,907	**736,060**	790,344
Other Income:				
Interest income	**1,650**	8,943	**8,177**	23,420
Equity in earnings of unconsolidated subsidiaries	**1,002**	847	**3,001**	2,344
Other, net	**1,341**	1,298	**(2,834)**	109
Earnings Before Interest and Income Taxes	**365,812**	400,995	**744,404**	816,217
Interest and Other:				
Interest expense, net	**61,801**	63,574	**181,939**	186,479
Distributions on preferred securities of subsidiary	**6,130**	6,418	**18,700**	19,125
Total interest and other, net	**67,931**	69,992	**200,639**	205,604
Earnings Before Income Taxes	**297,881**	331,003	**543,765**	610,613
Income taxes	**114,562**	118,201	**207,477**	219,120
Net Income Before Cumulative Effect of Accounting Change	**183,319**	212,802	**336,288**	391,493
Cumulative effect of accounting change -- less income taxes of $215 thousand	**-**	-	**353**	-
Net Income	**183,319**	212,802	**336,641**	391,493
Dividends on Preferred Stock	**3,824**	4,076	**11,766**	12,080
Net Income After Dividends on Preferred Stock	**$ 179,495**	$ 208,726	**$ 324,875**	$ 379,413

The accompanying notes as they relate to ALABAMA are an integral part of these condensed statements.

ALABAMA POWER COMPANY
CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)

	For the Nine Months Ended September 30, 2001	2000
	(in thousands)	
Operating Activities:		
Net income	**$336,641**	$391,493
Adjustments to reconcile net income		
to net cash provided from operating activities --		
Depreciation and amortization	**325,019**	309,042
Deferred income taxes and investment tax credits, net	**35,103**	48,140
Other, net	**(48,112)**	(19,326)
Changes in certain current assets and liabilities --		
Receivables, net	**(42,028)**	(115,011)
Fossil fuel stock	**(25,362)**	9,362
Materials and supplies	**(2,402)**	(5,995)
Accounts payable	**(157,010)**	(16,369)
Energy cost recovery, retail	**102,035**	(71,436)
Other	**149,563**	128,000
Net cash provided from operating activities	**673,447**	657,900
Investing Activities:		
Gross property additions	**(462,030)**	(622,469)
Other	**(9,470)**	(47,449)
Net cash used for investing activities	**(471,500)**	(669,918)
Financing Activities:		
Increase (decrease) in notes payable, net	**(190,032)**	45,527
Proceeds --		
Common stock	**15,642**	-
Other long-term debt	**462,000**	250,000
Capital contributions from parent company	**88,443**	167,004
Redemptions --		
First mortgage bonds	**(138,991)**	(111,009)
Other long-term debt	**(2,855)**	(4,141)
Payment of preferred stock dividends	**(11,241)**	(11,988)
Payment of common stock dividends	**(296,400)**	(313,200)
Other	**(9,557)**	(951)
Net cash provided from (used for) financing activities	**(82,991)**	21,242
Net Change in Cash and Cash Equivalents	**118,956**	9,224
Cash and Cash Equivalents at Beginning of Period	**14,247**	19,475
Cash and Cash Equivalents at End of Period	**$ 133,203**	$ 28,699
Supplemental Cash Flow Information:		
Cash paid during the period for --		
Interest (net of amount capitalized)	**$152,616**	$163,022
Income taxes (net of refunds)	**$73,874**	$60,777

The accompanying notes as they relate to ALABAMA are an integral part of these condensed statements.

ALABAMA POWER COMPANY
CONDENSED BALANCE SHEETS

Assets	At September 30, 2001 (Unaudited)	At December 31, 2000
	(in thousands)	
Current Assets:		
Cash and cash equivalents	**$ 133,203**	$ 14,247
Receivables --		
Customer accounts receivable	**385,581**	337,870
Under recovered retail fuel clause revenue	**135,782**	237,817
Other accounts and notes receivable	**71,610**	60,315
Affiliated companies	**77,652**	95,704
Accumulated provision for uncollectible accounts	**(5,163)**	(6,237)
Fossil fuel stock, at average cost	**85,977**	60,615
Materials and supplies, at average cost	**180,701**	178,299
Other	**86,289**	52,624
Total current assets	**1,151,632**	1,031,254
Property, Plant, and Equipment:		
In service	**13,074,035**	12,431,575
Less accumulated provision for depreciation	**5,236,760**	5,107,822
	7,837,275	7,323,753
Nuclear fuel, at amortized cost	**93,788**	94,050
Construction work in progress	**361,666**	744,974
Total property, plant, and equipment	**8,292,729**	8,162,777
Other Property and Investments:		
Equity investments in unconsolidated subsidiaries	**43,092**	38,623
Nuclear decommissioning trusts	**302,848**	313,895
Other	**12,569**	13,612
Total other property and investments	**358,509**	366,130
Deferred Charges and Other Assets:		
Deferred charges related to income taxes	**343,377**	345,550
Prepaid pension costs	**310,387**	268,259
Debt expense, being amortized	**8,146**	8,758
Premium on reacquired debt, being amortized	**79,113**	76,020
Department of Energy assessments	**24,588**	24,588
Other	**101,787**	95,772
Total deferred charges and other assets	**867,398**	818,947
Total Assets	**$10,670,268**	$10,379,108

The accompanying notes as they relate to ALABAMA are an integral part of these condensed statements.

ALABAMA POWER COMPANY
CONDENSED BALANCE SHEETS

Liabilities and Stockholders' Equity	At September 30, 2001 (Unaudited)	At December 31, 2000
	(in thousands)	
Current Liabilities:		
Securities due within one year	**$ 860**	$ 844
Notes payable	**91,311**	281,343
Accounts payable --		
Affiliated	**91,164**	124,534
Other	**85,937**	209,205
Customer deposits	**41,054**	36,814
Taxes accrued --		
Income taxes	**169,636**	65,505
Other	**72,835**	19,471
Interest accrued	**69,312**	33,186
Vacation pay accrued	**31,711**	31,711
Other	**78,194**	97,743
Total current liabilities	**732,014**	900,356
Long-term debt	**3,747,150**	3,425,527
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	**1,442,709**	1,401,424
Deferred credits related to income taxes	**208,713**	222,485
Accumulated deferred investment tax credits	**240,989**	249,280
Employee benefits provisions	**87,738**	84,816
Prepaid capacity revenues	**42,237**	58,377
Other	**175,554**	176,559
Total deferred credits and other liabilities	**2,197,940**	2,192,941
Company obligated mandatorily redeemable preferred securities of subsidiary trusts holding company junior subordinated notes	**347,000**	347,000
Cumulative preferred stock	**317,512**	317,512
Common Stockholder's Equity:		
Common stock, par value $40 per share --		
Authorized - 6,000,000 shares		
Outstanding - 6,000,000 shares (5,608,955 at December 31, 2000)		
Par value	**240,000**	224,358
Paid-in capital	**1,831,806**	1,743,363
Premium on preferred stock	**99**	99
Retained earnings	**1,256,747**	1,227,952
Total common stockholder's equity	**3,328,652**	3,195,772
Total Liabilities and Stockholder's Equity	**$10,670,268**	$10,379,108

The accompanying notes as they relate to ALABAMA are an integral part of these condensed statements.

ALABAMA POWER COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
RESULTS OF OPERATIONS AND FINANCIAL CONDITION

THIRD QUARTER 2001 vs. THIRD QUARTER 2000
AND
YEAR-TO-DATE 2001 vs. YEAR-TO-DATE 2000

RESULTS OF OPERATIONS

Earnings

ALABAMA's net income after dividends on preferred stock for the third quarter and year-to-date 2001 was $179.5 million and $324.9 million, respectively, compared to $208.7 million and $379.4 million for the corresponding periods of 2000. The decreases in the third quarter and year-to-date 2001 of $29.2 million, or 14%, and $54.5 million, or 14.4%, respectively, were primarily due to lower retail sales revenue.

Significant income statement items appropriate for discussion include the following:

	Increase (Decrease)			
	Third Quarter		Year-To-Date	
	(in thousands)	%	(in thousands)	%
Retail sales	$(131,572)	(13.9)	$(137,989)	(6.0)
Sales for resale - non-affiliates	9,975	7.1	33,105	9.4
Sales for resale - affiliates	43,242	166.6	116,273	159.2
Other revenues	1,777	7.2	19,267	31.8
Fuel expense	629	0.2	79,997	11.4
Purchased power - non-affiliates	(23,204)	(30.9)	(3,077)	(2.3)
Purchased power - affiliates	(22,458)	(41.7)	(16,236)	(12.1)
Interest income	(7,293)	(81.5)	(15,243)	(65.1)

Retail sales. Excluding energy cost recovery revenues, which generally do not affect net income, retail sales revenue was lower by $27.3 million, or 4.2%, for the third quarter 2001 and $42.9 million, or 2.6%, year-to-date 2001 when compared to the same periods in 2000 due primarily to decreased energy sales to retail customers. As a result of milder weather, energy sales to residential customers decreased for the third quarter and year-to-date 2001 by 8.8% and 2.8%, respectively. Energy sales to industrial customers were down for the third quarter and year-to-date 2001 by 5.1% and 7.0%, respectively, due to a slower economy.

Sales for resale - non-affiliates. During the third quarter and year-to-date 2001, the demand for energy by non-affiliates increased when compared to the same periods in 2000. These transactions did not have a significant impact on earnings since the energy is usually sold at variable cost.

Sales for resale - affiliates and Purchased power - affiliates. Revenues from sales for resale to affiliated companies within the SOUTHERN system, as well as purchases of energy, will vary from period to period depending on demand and the availability and cost of generating resources at each company. These transactions did not have a significant impact on earnings.

Other revenues. The year-to-date 2001 increase is primarily a result of increased steam sales in conjunction with the operation of cogeneration facilities. Since cogeneration steam revenues are generally offset by fuel expenses, these revenues did not have a significant impact on earnings.

Fuel expense. The year-to-date 2001 increase in fuel expense results from increased generation by gas fueled plants when compared to the same period in 2000. Since energy expenses are generally offset by energy revenues, these expenses did not have a significant impact on earnings.

Purchased power - non-affiliates. The third quarter and year-to-date 2001 decreases when compared to the same periods in 2000 are a result of increased hydro generation and lower demand for energy in ALABAMA's service territory. These expenses do not have a significant impact on earnings since energy expenses are generally offset by energy revenues.

Interest income. For the third quarter and year-to-date 2001, the decreases in interest income are primarily due to a decrease in recognized gains on investments held by the nuclear decommissioning trusts, which were offset by a concurrent reduction of other interest charges in accordance with FERC requirements.

Future Earnings Potential

The results of operations discussed above are not necessarily indicative of future earnings potential. The level of future earnings depends on numerous factors including regulatory matters and the effect of weather and the economy on energy sales.

With the enactment of the Energy Act and new legislation being discussed at federal and state levels to expand customer choice, ALABAMA is positioning the business to meet the challenge of increasing competition. For additional information, see Item 1 - BUSINESS - "Competition" and Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS - "Future Earnings Potential" of ALABAMA in the Form 10-K.

Compliance costs related to the Clean Air Act could affect earnings if such costs cannot be offset. For additional information about the Clean Air Act and other environmental issues, see Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS - "Environmental Matters" of ALABAMA in the Form 10-K.

On March 14, 2001, the FERC rejected certain elements of SOUTHERN's RTO proposal. For additional information on the FERC's response to SOUTHERN's proposal, reference is made to Item 1 - BUSINESS - "Integrated Southeast Utilities" in the Form 10-K. Following the March 14, 2001 order, SOUTHERN submitted a series of status reports informing the FERC of progress toward the development of a Southeastern RTO. In these status reports, SOUTHERN explained that it has entered into memoranda of understanding to develop an RTO with a number of non-jurisdictional cooperative and public power entities. In addition, SOUTHERN has entered into a memorandum of understanding with TVA to address coordination issues between their transmission systems. On July 12, 2001, the FERC issued an order on the status reports of SOUTHERN, as well as GridSouth and Entergy/Southwest Power Pool. In those orders, the FERC indicated that it favored a single RTO for the Southeast. The FERC initiated a mediation process and directed the parties to participate in the mediation for 45 days. The parties to the mediation failed to reach agreement on a single RTO for the Southeast. On November 7, 2001, the FERC suspended the December 15, 2001 deadline to form an RTO established in its order issued December 20, 1999. SOUTHERN continues to work with the other entities to develop an RTO.

Reference is made to Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS – "Environmental Matters" and Note 3 to the financial statements of ALABAMA in the Form 10-K for information on EPA litigation.

Reference is made to Notes (C) through (F), (K) and (N) in the "Notes to the Condensed Financial Statements" herein for discussion of various contingencies and other matters which may affect future earnings potential. Reference is also made to Part II - Item 1 - "Legal Proceedings" herein.

New Accounting Standards

Effective January 1, 2001, ALABAMA adopted FASB Statement No. 133, as amended, and changed the method of accounting for derivative instruments. Derivatives are now reflected on the Condensed Consolidated Balance Sheet at fair market value. Reference is made to Note (C) in the "Notes to the Condensed Financial Statements" herein for additional information on the adoption of Statement No. 133.

In June 2001, the FASB issued Statement No. 141, "Business Combinations," which establishes new accounting and reporting standards for business combinations and supersedes Accounting Principles Board (APB) Opinion No. 16. All business combinations initiated after June 30, 2001 must now be accounted for using the purchase method of accounting.

Also in June 2001, the FASB issued Statement No. 142, "Goodwill and Other Intangible Assets," which establishes new accounting and reporting standards for acquired goodwill and other intangible assets and supersedes APB Opinion No. 17. It addresses how intangible assets that are acquired individually or with a group of other assets (but not those acquired in a business combination) should be accounted for upon acquisition and on an ongoing basis. Goodwill and intangible assets that have indefinite useful lives will not be amortized but rather will be tested at least annually for impairment. Intangible assets that have finite useful lives will continue to be amortized over their useful lives, which are no longer limited to 40 years. The provisions of Statement No. 142 are effective beginning in 2002 and are not expected to have a material impact on ALABAMA's financial statements.

Additionally in June 2001, the FASB issued Statement No. 143, "Asset Retirement Obligations," which establishes new accounting and reporting standards for legal obligations associated with retiring assets, including decommissioning nuclear plants. The fair value of a liability for an asset retirement obligation must be recorded in the period in which it is incurred, with the cost capitalized as part of the related long-lived asset and depreciated over the asset's useful life. Changes in the liability resulting from the passage of time will be recognized as operating expenses. Statement No. 143 must be adopted by 2003. ALABAMA has not yet quantified the impact of adopting Statement No. 143 on its financial statements. Reference is made to MANAGEMENT'S DISCUSSION AND ANALYSIS - "Future Earnings Potential" of SOUTHERN, ALABAMA and GEORGIA in Item 7 and Note 1 to the financial statements of SOUTHERN, ALABAMA and GEORGIA under "Depreciation and Nuclear Decommissioning" in Item 8 of the Form 10-K.

In August 2001, the FASB issued Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which supersedes both Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," and the accounting and reporting provisions for the disposal of a segment of a business contained in APB Opinion No. 30, "Reporting the Results of Operations--Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." Statement No. 144 establishes a single accounting model for long-lived assets to be disposed of by sale and broadens the presentation of discontinued operations. The provisions of Statement No. 144 are effective beginning in 2002 and are not expected to have a material impact on ALABAMA's financial statements.

FINANCIAL CONDITION

Overview

Major changes in ALABAMA's financial condition during the first nine months of 2001 included the addition of approximately $462 million to utility plant. The funds for these additions and other capital requirements were derived primarily from operating activities, the sale of additional common stock to SOUTHERN and capital contributions from SOUTHERN. See ALABAMA's Condensed Statements of Cash Flows for further details.

Financing Activities

In April 2001, ALABAMA sold, through a public authority, $10 million of variable rate demand revenue bonds due April 1, 2031. The proceeds of the sale were used to pay certain costs incurred in connection with the acquisition, construction, installation and equipping of certain local district heating facilities and sewage and solid waste facilities at ALABAMA's Theodore Congeneration Plant.

In August 2001, ALABAMA issued $275 million of Series N 4.875% Senior Notes due September 1, 2004 and $167 million of Series O Floating Rate Senior Notes due March 3, 2003. The proceeds of these sales of senior notes were used to redeem the $131.5 million outstanding principal amount of its First Mortgage Bonds, 9% Series due December 1, 2024 and for other corporate purposes including the repayment of a portion of ALABAMA's short-term indebtedness.

In September 2001, ALABAMA sold, through a public authority, $10 million of variable rate demand revenue bonds due September 1, 2031. The proceeds from this sale were used to pay certain costs incurred in connection with the acquisition, construction, installation and equipping of certain solid waste disposal facilities at ALABAMA's James M. Barry Generating Plant. ALABAMA plans to continue, to the extent possible, a program to retire higher-cost debt and replace these obligations with lower-cost capital.

Capital Requirements

Reference is made to Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS of ALABAMA under "Capital Requirements," "Other Capital Requirements" and "Environmental Matters" in the Form 10-K for a description of ALABAMA's capital requirements for its construction program, maturing debt and environmental compliance efforts.

Sources of Capital

In addition to the financing activities previously described herein, ALABAMA plans to obtain the funds required for construction and other purposes from sources similar to those used in the past. The amount, type and timing of any financings--if needed--will depend upon maintenance of adequate earnings, regulatory approval, prevailing market conditions and other factors. See Item 1 - BUSINESS - "Financing Programs" in the Form 10-K for additional information.

To meet short-term cash needs and contingencies, ALABAMA had at September 30, 2001 approximately $133.2 million of cash and cash equivalents, unused committed lines of credit of approximately $973.7 million (including $438.9 million of such lines under which borrowings may be made only to fund purchase obligations relating to variable rate pollution control bonds) and an extendible commercial note program. ALABAMA may also meet short-term cash needs through a SOUTHERN subsidiary organized to issue and sell commercial paper at the request and for the benefit of ALABAMA and other SOUTHERN subsidiaries. ALABAMA has regulatory authority for up to $1.0 billion of short-term borrowings. At September 30, 2001, ALABAMA had outstanding $91 million of commercial paper.

GEORGIA POWER COMPANY

GEORGIA POWER COMPANY
CONDENSED STATEMENTS OF INCOME (UNAUDITED)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2001	2000	**2001**	2000
	(in thousands)		*(in thousands)*	
Operating Revenues:				
Retail sales	**$1,399,929**	$1,361,515	**$3,442,807**	$3,365,826
Sales for resale --				
Non-affiliates	**121,370**	112,899	**301,721**	218,698
Affiliates	**15,712**	35,617	**86,770**	78,770
Other revenues	**41,957**	35,273	**114,982**	94,326
Total operating revenues	**1,578,968**	1,545,304	**3,946,280**	3,757,620
Operating Expenses:				
Operation --				
Fuel	**268,177**	320,827	**749,307**	801,130
Purchased power --				
Non-affiliates	**227,841**	158,999	**400,937**	287,539
Affiliates	**83,642**	49,153	**236,222**	138,621
Other	**194,301**	193,885	**566,403**	554,397
Maintenance	**94,375**	83,777	**305,981**	270,318
Depreciation and amortization	**140,113**	144,411	**444,041**	475,981
Taxes other than income taxes	**55,909**	57,094	**157,757**	158,603
Total operating expenses	**1,064,358**	1,008,146	**2,860,648**	2,686,589
Operating Income	**514,610**	537,158	**1,085,632**	1,071,031
Other Income (Expense):				
Interest income	**1,511**	815	**3,319**	2,001
Equity in earnings of unconsolidated subsidiaries	**1,038**	747	**2,994**	2,276
Other, net	**12,903**	(4,593)	**12,747**	(8,863)
Earnings Before Interest and Income Taxes	**530,062**	534,127	**1,104,692**	1,066,445
Interest Charges and Other:				
Interest expense, net	**40,601**	54,830	**141,790**	154,941
Distributions on preferred securities of subsidiaries	**14,776**	14,776	**44,328**	44,328
Total interest charges and other, net	**55,377**	69,606	**186,118**	199,269
Earnings Before Income Taxes	**474,685**	464,521	**918,574**	867,176
Income taxes	**176,177**	180,861	**349,208**	340,945
Net Income Before Cumulative Effect of Accounting Change	**298,508**	283,660	**569,366**	526,231
Cumulative effect of accounting change -- less income taxes of $162 thousand	**-**	-	**257**	-
Net Income	**298,508**	283,660	**569,623**	526,231
Dividends on Preferred Stock	**168**	168	**503**	507
Net Income After Dividends on Preferred Stock	**$ 298,340**	$ 283,492	**$ 569,120**	$ 525,724

The accompanying notes as they relate to GEORGIA are an integral part of these condensed statements.

GEORGIA POWER COMPANY
CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)

	For the Nine Months Ended September 30,	
	2001	2000
	(in thousands)	
Operating Activities:		
Net income	**$569,623**	$526,231
Adjustments to reconcile net income		
to net cash provided from operating activities --		
Depreciation and amortization	**505,215**	530,013
Deferred income taxes and investment tax credits, net	**(21,373)**	(12,955)
Other, net	**(34,967)**	(12,485)
Changes in certain current assets and liabilities --		
Receivables, net	**(53,883)**	(129,937)
Fossil fuel stock	**(55,027)**	25,852
Materials and supplies	**(12,577)**	(5,287)
Accounts payable	**(82,848)**	(6,112)
Energy cost recovery, retail	**(62,570)**	(113,011)
Other	**235,334**	147,355
Net cash provided from operating activities	**986,927**	949,664
Investing Activities:		
Gross property additions	**(1,073,616)**	(728,116)
Other	**230,959**	(26,399)
Net cash used for investing activities	**(842,657)**	(754,515)
Financing Activities:		
Decrease in notes payable, net	**(132,282)**	(238,842)
Proceeds --		
Other long-term debt	**767,985**	378,725
Capital contributions from parent company	**203,206**	268,799
Retirements --		
First mortgage bonds	**(390,140)**	(100,000)
Other long-term debt	**(153,910)**	(78,725)
Preferred stock	**-**	(383)
Payment of preferred stock dividends	**(429)**	(508)
Payment of common stock dividends	**(396,300)**	(412,700)
Other	**(30,359)**	(2,848)
Net cash used for financing activities	**(132,229)**	(186,482)
Net Change in Cash and Cash Equivalents	**12,041**	8,667
Cash and Cash Equivalents at Beginning of Period	**29,370**	34,660
Cash and Cash Equivalents at End of Period	**$ 41,411**	$ 43,327
Supplemental Cash Flow Information:		
Cash paid during the period for --		
Interest (net of amount capitalized)	**$153,972**	$169,221
Income taxes (net of refunds)	**$142,363**	$195,055

The accompanying notes as they relate to GEORGIA are an integral part of these condensed statements.

GEORGIA POWER COMPANY
CONDENSED BALANCE SHEETS

Assets	At September 30, 2001 (Unaudited)	At December 31, 2000
	(in thousands)	
Current Assets:		
Cash and cash equivalents	**$ 41,411**	$ 29,370
Receivables --		
Customer accounts receivable	**528,269**	465,249
Under recovered retail fuel clause revenue	**194,193**	131,623
Other accounts and notes receivable	**140,654**	156,143
Affiliated companies	**29,459**	13,312
Accumulated provision for uncollectible accounts	**(9,250)**	(5,100)
Fossil fuel stock, at average cost	**154,490**	99,463
Materials and supplies, at average cost	**276,186**	263,609
Other	**106,862**	97,515
Total current assets	**1,462,274**	1,251,184
Property, Plant, and Equipment:		
In service	**16,734,794**	16,469,706
Less accumulated provision for depreciation	**7,151,981**	6,914,512
	9,582,813	9,555,194
Nuclear fuel, at amortized cost	**102,301**	120,570
Construction work in progress	**1,070,517**	652,264
Total property, plant, and equipment	**10,755,631**	10,328,028
Other Property and Investments:		
Equity investments in unconsolidated subsidiaries	**27,865**	25,485
Nuclear decommissioning trusts	**344,006**	375,666
Other	**40,161**	33,829
Total other property and investments	**412,032**	434,980
Deferred Charges and Other Assets:		
Deferred charges related to income taxes	**550,313**	565,982
Prepaid pension costs	**251,531**	205,113
Debt expense, being amortized	**60,379**	53,748
Premium on reacquired debt, being amortized	**170,195**	173,610
Other	**114,448**	120,964
Total deferred charges and other assets	**1,146,866**	1,119,417
Total Assets	**$13,776,803**	$13,133,609

The accompanying notes as they relate to GEORGIA are an integral part of these condensed statements.

GEORGIA POWER COMPANY
CONDENSED BALANCE SHEETS

Liabilities and Stockholder's Equity	At September 30, 2001 (Unaudited)	At December 31, 2000
	(in thousands)	
Current Liabilities:		
Securities due within one year	**$ 315,997**	$ 1,808
Notes payable and commercial paper	**571,557**	703,839
Accounts payable --		
Affiliated	**96,683**	117,168
Other	**308,014**	397,550
Customer deposits	**82,052**	78,540
Taxes accrued --		
Income taxes	**248,070**	5,151
Other	**147,767**	137,511
Interest accrued	**72,929**	47,244
Vacation pay accrued	**39,501**	38,865
Other	**114,827**	153,400
Total current liabilities	**1,997,397**	1,681,076
Long-term debt	**2,951,368**	3,041,939
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	**2,154,059**	2,182,783
Deferred credits related to income taxes	**233,703**	247,067
Accumulated deferred investment tax credits	**341,182**	352,282
Employee benefits provisions	**190,445**	177,444
Other	**479,970**	397,655
Total deferred credits and other liabilities	**3,399,359**	3,357,231
Company obligated mandatorily redeemable preferred securities of subsidiary trusts holding company junior subordinated notes	**789,250**	789,250
Preferred stock	**14,569**	14,569
Common Stockholder's Equity:		
Common stock, without par value--		
Authorized - 15,000,000 shares		
Outstanding - 7,761,500 shares	**344,250**	344,250
Paid-in capital	**2,320,703**	2,117,497
Premium on preferred stock	**40**	40
Retained earnings	**1,960,576**	1,787,757
Accumulated other comprehensive income	**(709)**	-
Total common stockholder's equity	**4,624,860**	4,249,544
Total Liabilities and Stockholder's Equity	**$13,776,803**	$13,133,609

The accompanying notes as they relate to GEORGIA are an integral part of these condensed statements.

GEORGIA POWER COMPANY

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2001	2000	**2001**	2000
	(in thousands)		*(in thousands)*	
Net Income After Dividends on Preferred Stock	**$298,340**	$283,492	**$569,120**	$525,724
Other comprehensive income:				
Cumulative effect of accounting change	**-**	-	**466**	-
Current period changes in fair value	**(1,649)**	-	**(1,682)**	-
Related income tax benefit (expense)	**627**	-	**507**	-
COMPREHENSIVE INCOME	**$297,318**	$283,492	**$568,411**	$525,724

GEORGIA POWER COMPANY

CONDENSED STATEMENTS OF ACCUMULATED OTHER COMPREHENSIVE INCOME (UNAUDITED)

	At September 30, 2001	At December 31, 2000
	(in thousands)	
Balance at beginning of period	**$ -**	$ -
Change in current period	**(709)**	-
BALANCE AT END OF PERIOD	**($ 709)**	$ -

The accompanying notes as they relate to GEORGIA are an integral part of these condensed statements.

GEORGIA POWER COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
RESULTS OF OPERATIONS AND FINANCIAL CONDITION

THIRD QUARTER 2001 vs. THIRD QUARTER 2000
AND
YEAR-TO-DATE 2001 vs. YEAR-TO-DATE 2000

RESULTS OF OPERATIONS

Earnings

GEORGIA's net income after dividends on preferred stock for the third quarter and year-to-date 2001 was $298.3 million and $569.1 million, respectively, compared to $283.5 million and $525.7 million for the corresponding periods in 2000. Earnings increased by $14.8 million, or 5.2%, for the third quarter 2001 and $43.4 million, or 8.3%, year-to-date 2001 when compared to the same periods in 2000 due primarily to increased operating revenues and lower interest charges, that were partially offset by increased operating expenses.

Significant income statement items appropriate for discussion include the following:

	Increase (Decrease)			
	Third Quarter		Year-To-Date	
	(in thousands)	%	(in thousands)	%
Retail sales	$38,414	2.8	$76,981	2.3
Sales for resale - non-affiliates	8,471	7.5	83,023	38.0
Sales for resale – affiliates	(19,905)	(55.9)	8,000	10.2
Other revenues	6,684	18.9	20,656	21.9
Fuel expense	(52,650)	(16.4)	(51,823)	(6.5)
Purchased power - non-affiliates	68,842	43.3	113,398	39.4
Purchased power - affiliates	34,489	70.2	97,601	70.4
Maintenance expense	10,598	12.7	35,663	13.2
Other, net	17,496	380.9	21,610	243.8
Interest expense, net	(14,229)	(26.0)	(13,151)	(8.5)

Retail sales. Excluding fuel revenues, which generally do not affect net income, retail sales revenue decreased in the third quarter of 2001 by $6.8 million, or 0.7%, and increased year-to-date 2001 by $5.2 million, or 0.2%, when compared to the same periods in 2000. The third quarter 2001 decrease was primarily due to lower energy sales to residential and industrial customers as a result of mild weather and the continued slowdown in manufacturing activity in GEORGIA's service territory, partially offset by a 2.9% increase in commercial energy sales due to an increased number of commercial customers. The year-to-date 2001 retail sales revenue was higher due to a 4.1% increase in energy sales to commercial customers, partially offset by the mild weather.

Sales for resale - non-affiliates. In the third quarter and year-to-date 2001, sales for resale to non-affiliates increased when compared to the corresponding periods in the previous year as a result of increased demand for energy which was in large part offset by energy expenses. Also, reflected in these revenues are sales from Plant Dahlberg which went into service in the second quarter of 2000. In July 2001, ownership of Plant Dahlberg's generating assets were transferred to another SOUTHERN subsidiary.

Sales for resale - affiliates and Purchased power - affiliates. Revenues from sales for resale to affiliated companies, as well as purchases of energy, within the SOUTHERN system will vary from period to period depending on demand and the availability and cost of generating resources at each company. These transactions did not have a significant impact on earnings.

Other revenues. Higher revenues from transmission of electricity to others, distribution equipment rentals and outdoor lighting are the main reasons for the third quarter and year-to-date 2001 increases when compared to the same periods in the prior year.

Fuel expense. The third quarter and year-to-date 2001 decreases in fuel expense are attributed to a decrease in fossil generation and increased hydro generation when compared to the same periods in 2000. Since energy expenses are generally offset by energy revenues, these expenses do not have a significant impact on earnings.

Purchased power - non-affiliates. Third quarter and year-to-date 2001 increases are related to increased demand for energy by wholesale customers and increased prices for natural gas and oil. These expenses do not have a significant impact on earnings since energy expenses are generally offset by energy revenues.

Maintenance expense. During the third quarter and year-to-date 2001, maintenance expense was higher when compared to the same periods in 2000 primarily due to scheduled work performed on power generating facilities and transmission facilities.

Other, net. In the third quarter and year-to-date 2001, other income increased due to mark to market adjustments for derivative electric contracts as required by FASB Statement No. 133 and gains on property sales. Reference is made to Note (C) in the "Notes to the Condensed Financial Statements" herein for additional information on the adoption of Statement No. 133.

Interest expense, net. During the third quarter and year-to-date 2001, interest expense decreased due to lower interest rates when compared to the corresponding periods in 2000.

Future Earnings Potential

The results of operations discussed above are not necessarily indicative of future earnings potential. The level of future earnings depends on numerous factors including regulatory matters and the effect of weather and the economy on energy sales.

With the enactment of the Energy Act and new legislation being discussed at federal and state levels to expand customer choice, GEORGIA is positioning the business to meet the challenge of increasing competition. For additional information, see Item 1 - BUSINESS - "Competition" and Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS - "Future Earnings Potential" of GEORGIA in the Form 10-K.

Pursuant to GEORGIA's existing rate order approved by the Georgia PSC, GEORGIA was required to file a general rate case with the Georgia PSC by July 1, 2001. Accordingly, on June 29, 2001, GEORGIA filed a rate plan with the Georgia PSC. Reference is made to Note (G) in the "Notes to the Condensed Financial Statements" herein and Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS - "Future Earnings Potential" of GEORGIA in the Form 10-K for additional information.

On July 31, 2001, GEORGIA transferred ownership of the Plant Dahlberg generating assets at net book value of $260.1 million to Southern Power Company, an affiliated company.

On March 14, 2001, the FERC rejected certain elements of SOUTHERN's RTO proposal. For additional information on the FERC's response to SOUTHERN's proposal, reference is made to Item 1 - BUSINESS - "Integrated Southeast Utilities" in the Form 10-K. Following the March 14, 2001 order, SOUTHERN submitted a series of status reports informing the FERC of progress toward the development of a Southeastern RTO. In these status reports, SOUTHERN explained that it has entered into memoranda of understanding to develop an RTO with a number of non-jurisdictional cooperative and public power entities. In addition, SOUTHERN has entered into a memorandum of understanding with TVA to address coordination issues between their transmission systems. On July 12, 2001, the FERC issued an order on the status reports of SOUTHERN, as well as GridSouth and Entergy/Southwest Power Pool. In those orders, the FERC indicated that it favored a single RTO for the Southeast. The FERC initiated a mediation process and directed the parties to participate in the mediation for 45 days. The parties to the mediation failed to reach agreement on a single RTO for the Southeast. On November 7, 2001, the FERC suspended the December 15, 2001 deadline to form an RTO established in its order issued December 20, 1999. SOUTHERN continues to work with the other entities to develop an RTO.

Compliance costs related to the Clean Air Act and other environmental issues could affect earnings. For additional information, see Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS - "Environmental Issues" of GEORGIA and Note 3 to the financial statements of GEORGIA in the Form 10-K for information on the EPA litigation.

Reference is made to Notes (C) through (H), (K) and (M) in the "Notes to the Condensed Financial Statements" herein for discussion of various contingencies and other matters which may affect future earnings potential. Reference is also made to Part II - Item 1 - "Legal Proceedings" herein.

New Accounting Standards

Effective January 1, 2001, GEORGIA adopted FASB Statement No. 133, as amended, and changed the method of accounting for derivative instruments. Derivatives are now reflected on the Condensed Consolidated Balance Sheet at fair market value. Reference is made to Note (C) in the "Notes to the Condensed Financial Statements" herein for additional information on the adoption of Statement No. 133.

In June 2001, the FASB issued Statement No. 141, "Business Combinations," which establishes new accounting and reporting standards for business combinations and supersedes Accounting Principles Board (APB) Opinion No. 16. All business combinations initiated after June 30, 2001 must now be accounted for using the purchase method of accounting.

Also in June 2001, the FASB issued Statement No. 142, "Goodwill and Other Intangible Assets," which establishes new accounting and reporting standards for acquired goodwill and other intangible assets and supersedes APB Opinion No. 17. It addresses how intangible assets that are acquired individually or with a group of other assets (but not those acquired in a business combination) should be accounted for upon acquisition and on an ongoing basis. Goodwill and intangible assets that have indefinite useful lives will not be amortized but rather will be tested at least annually for impairment. Intangible assets that have finite useful lives will continue to be amortized over their useful lives, which are no longer limited to 40 years. The provisions of Statement No. 142 are effective beginning in 2002 and are not expected to have a material impact on GEORGIA's financial statements.

Additionally in June 2001, the FASB issued Statement No. 143, "Asset Retirement Obligations," which establishes new accounting and reporting standards for legal obligations associated with retiring assets, including decommissioning nuclear plants. The fair value of a liability for an asset retirement obligation must be recorded in the period in which it is incurred, with the cost capitalized as part of the related long-lived asset and depreciated over the asset's useful life. Changes in the liability resulting from the passage of time will be recognized as operating expenses. Statement No. 143 must be adopted by 2003. GEORGIA has not yet quantified the impact of adopting Statement No. 143 on its financial statements. Reference is made to MANAGEMENT'S DISCUSSION AND ANALYSIS - "Future Earnings Potential" of SOUTHERN, ALABAMA and GEORGIA in Item 7 and Note 1 to the financial statements of SOUTHERN, ALABAMA and GEORGIA under "Depreciation and Nuclear Decommissioning" in Item 8 of the Form 10-K.

In August 2001, the FASB issued Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which supersedes both Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," and the accounting and reporting provisions for the disposal of a segment of a business contained in APB Opinion No. 30, "Reporting the Results of Operations--Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." Statement No. 144 establishes a single accounting model for long-lived assets to be disposed of by sale and broadens the presentation of discontinued operations. The provisions of Statement No. 144 are effective beginning in 2002 and are not expected to have a material impact on GEORGIA's financial statements.

FINANCIAL CONDITION

Overview

The major change in GEORGIA's financial condition during the first nine months of 2001 was the addition of approximately $1.1 billion to utility plant. The funds for these additions and other capital requirements were derived primarily from operations and capital contributions from SOUTHERN. See GEORGIA's Condensed Statements of Cash Flows for further details.

Financing Activities

In February 2001, GEORGIA issued $350 million aggregate principal amount of senior notes consisting of $200 million of Series F 5.75% Senior Notes due January 31, 2003 and $150 million of Series G 6.20% Senior Notes due February 1, 2006. The proceeds of the sale were applied to redeem $200 million outstanding principal amount of First Mortgage Bonds, 6 5/8% Series due April 2003 and to repay a portion of GEORGIA's outstanding short-term indebtedness. Also in February 2001, GEORGIA issued $100 million of Series H 6.70% Senior Insured Quarterly Notes due March 1, 2011. The proceeds of this sale were used to repay an additional portion of GEORGIA's outstanding short-term indebtedness.

In May 2001, GEORGIA issued $150 million of Series I 5.25% Senior Notes due May 8, 2003. The proceeds of this sale were used in May 2001 to repurchase $47 million aggregate principal amount of First Mortgage Bonds, 7.70% Series due May 1, 2025, $1.9 million aggregate principal amount of First Mortgage Bonds, 6 7/8% Series due April 1, 2008 and $8.1 million aggregate principal amount of First Mortgage Bonds, 6.07% Series due December 1, 2005, and to redeem in June 2001 $75 million outstanding principal amount of GEORGIA's First Mortgage Bonds, 6.35% Series due August 1, 2003. The remainder was used to repay a portion of GEORGIA's outstanding short-term indebtedness.

In July 2001, GEORGIA sold, through public authorities, an aggregate principal amount of $58.845 million of pollution control revenue bonds due July 1, 2031. Also in July 2001, GEORGIA sold, through public authorities, $67 million of pollution control revenue bonds due July 1, 2016. The proceeds of these sales are being used to redeem various series of outstanding pollution control revenue bonds.

In September 2001, GEORGIA sold, through public authorities, $14.075 million pollution control revenue bonds due September 1, 2018 and $28.065 million pollution control revenue bonds due September 1, 2024. In October 2001, GEORGIA sold, through public authorities, $83.515 million of pollution control bonds due January 1, 2012 and $133.535 million of pollution control bonds due January 1, 2032. The proceeds of these issues were used to redeem various outstanding amounts of pollution control revenue bonds.

Capital Requirements

Reference is made to Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS of GEORGIA under "Liquidity and Capital Requirements" and "Environmental Issues" in the Form 10-K for a description of GEORGIA's capital requirements for its construction program and environmental compliance efforts.

Sources of Capital

In addition to the financing activities previously described herein, GEORGIA plans to obtain the funds required for construction and other purposes from sources similar to those used in the past. The amount, type and timing of any financings--if needed--will depend upon maintenance of adequate earnings, regulatory approval, prevailing market conditions and other factors. See Item 1 - BUSINESS - "Financing Programs" in the Form 10-K for additional information.

To meet short-term cash needs and contingencies, GEORGIA had at September 30, 2001 approximately $41.4 million of cash and cash equivalents and approximately $1.765 billion of unused credit arrangements with banks. The credit arrangements provide liquidity support to GEORGIA's obligations with respect to variable rate pollution control bonds and its commercial paper program. GEORGIA may also meet short-term cash needs through a SOUTHERN subsidiary organized to issue and sell commercial paper at the request and for the benefit of GEORGIA and other SOUTHERN subsidiaries. At September 30, 2001, GEORGIA had outstanding $105 million of notes payable and $466.6 million of commercial paper. Management believes that the need for working capital can be adequately met by utilizing lines of credit without maintaining large cash balances.

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GULF POWER COMPANY

GULF POWER COMPANY
CONDENSED STATEMENTS OF INCOME (UNAUDITED)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2001	2000	**2001**	2000
	(in thousands)		*(in thousands)*	
Operating Revenues:				
Retail sales	**$163,573**	$169,975	**$430,234**	$429,142
Sales for resale --				
Non-affiliates	**26,220**	21,480	**66,664**	49,067
Affiliates	**3,507**	18,602	**21,173**	47,835
Other revenues	**33,316**	22,476	**54,004**	27,107
Total operating revenues	**226,616**	232,533	**572,075**	553,151
Operating Expenses:				
Operation --				
Fuel	**55,982**	63,767	**158,452**	162,430
Purchased power --				
Non-affiliates	**34,954**	40,144	**59,992**	62,539
Affiliates	**15,224**	5,217	**32,804**	11,953
Other	**29,289**	27,671	**85,524**	84,838
Maintenance	**13,172**	10,527	**41,0**	40,049
Depreciation and amortization	**16,738**	16,489	**50,345**	49,299
Taxes other than income taxes	**15,753**	16,104	**42,960**	42,917
Total operating expenses	**181,112**	179,919	**471,084**	454,025
Operating Income	**45,504**	52,614	**100,991**	99,126
Other Income (Expense):				
Interest income	**518**	164	**1,025**	891
Other, net	**1,984**	(1,731)	**1,407**	(3,169)
Earnings Before Interest and Income Taxes	**48,006**	51,047	**103,423**	96,848
Interest and Other:				
Interest expenses, net	**5,705**	7,050	**18,401**	21,614
Distributions on preferred securities of subsidiary	**1,550**	1,550	**4,650**	4,650
Total interest charges and other, net	**7,255**	8,600	**23,051**	26,264
Earnings Before Income Taxes	**40,751**	42,447	**80,372**	70,584
Income taxes	**14,040**	15,955	**28,655**	26,404
Net Income Before Cumulative Effect of Accounting Change	**26,711**	26,492	**51,717**	44,180
Cumulative effect of accounting change -- less income taxes of $42 thousand	**-**	-	**68**	-
Net Income	**26,711**	26,492	**51,785**	44,180
Dividends on Preferred Stock	**54**	54	**162**	162
Net Income After Dividends on Preferred Stock	**$ 26,657**	$ 26,438	**$ 51,623**	$ 44,018

The accompanying notes as they relate to GULF are an integral part of these condensed statements.

GULF POWER COMPANY
CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)

	For the Nine Months Ended September 30, 2001	2000
	(in thousands)	
Operating Activities:		
Net income	**$51,785**	$ 44,180
Adjustments to reconcile net income to net cash provided from operating activities --		
Depreciation and amortization	**53,343**	52,317
Deferred income taxes and investment tax credits, net	**6,331**	(3,492)
Other, net	**(543)**	7,925
Changes in certain current assets and liabilities --		
Receivables, net	**6,919**	(3,443)
Fossil fuel stock	**(23,509)**	11,403
Materials and supplies	**(491)**	1,508
Accounts payable	**8,477**	3,635
Regulatory clauses under recovery	**(29,544)**	(3,462)
Other	**11,745**	17,254
Net cash provided from operating activities	**84,513**	127,825
Investing Activities:		
Gross property additions	**(209,747)**	(67,119)
Other	**(1,252)**	(9,832)
Net cash used for investing activities	**(210,999)**	(76,951)
Financing Activities:		
Increase (decrease) in notes payable, net	**(34,900)**	(27,500)
Proceeds --		
Other long-term debt	**159,323**	-
Capital contributions from parent company	**70,318**	8,683
Retirements --		
First mortgage bonds	**(30,000)**	-
Other long-term debt	**-**	(1,442)
Payment of preferred stock dividends	**(162)**	(162)
Payment of common stock dividends	**(40,100)**	(44,300)
Other	**(184)**	(22)
Net cash provided from (used for) financing activities	**124,295**	(64,743)
Net Change in Cash and Cash Equivalents	**(2,191)**	(13,869)
Cash and Cash Equivalents at Beginning of Period	**4,381**	15,753
Cash and Cash Equivalents at End of Period	**$ 2,190**	$ 1,884
Supplemental Cash Flow Information:		
Cash paid during the period for --		
Interest (net of amount capitalized)	**$23,064**	$25,851
Income taxes (net of refunds)	**22,043**	20,222

The accompanying notes as they relate to GULF are an integral part of these condensed statements.

GULF POWER COMPANY
CONDENSED BALANCE SHEETS

Assets	At September 30, 2001 (Unaudited)	At December 31, 2000
	(in thousands)	
Current Assets:		
Cash and cash equivalents	**$ 2,190**	$ 4,381
Receivables --		
Customer accounts receivable	**74,030**	69,820
Under recovered regulatory clauses	**27,726**	2,112
Other accounts and notes receivable	**2,885**	2,179
Affiliated companies	**2,772**	15,026
Accumulated provision for uncollectible accounts	**(1,436)**	(1,302)
Fossil fuel stock, at average cost	**40,277**	16,768
Materials and supplies, at average cost	**29,524**	29,033
Other	**7,176**	6,543
Total current assets	**185,144**	144,560
Property, Plant, and Equipment:		
In service	**1,916,208**	1,892,023
Less accumulated provision for depreciation	**902,574**	867,260
	1,013,634	[redacted],024,763
Construction work in progress	**240,655**	71,008
Total property, plant, and equipment	**1,254,289**	1,095,771
Other Property and Investments	**7,016**	4,510
Deferred Charges and Other Assets:		
Deferred charges related to income taxes	**16,565**	15,963
Prepaid pension costs	**27,788**	23,491
Debt expense, being amortized	**2,279**	2,392
Premium on reacquired debt, being amortized	**14,887**	15,866
Other	**18,519**	12,943
Total deferred charges and other assets	**80,038**	70,655
Total Assets	**$1,526,487**	$1,315,496

The accompanying notes as they relate to GULF are an integral part of these condensed statements.

GULF POWER COMPANY
CONDENSED BALANCE SHEETS

Liabilities and Stockholder's Equity	At September 30, 2001 (Unaudited)	At December 31, 2000
	(in thousands)	
Current Liabilities:		
Securities due within one year	**$ 100,000**	$ -
Notes payable	**8,100**	43,000
Accounts payable --		
Affiliated	**18,046**	17,558
Other	**51,949**	38,153
Customer deposits	**14,290**	13,474
Taxes accrued --		
Income taxes	**4,935**	3,864
Other	**17,505**	8,749
Interest accrued	**7,325**	8,324
Provision for rate refund	**3,033**	7,203
Vacation pay accrued	**4,512**	4,512
Other	**8,519**	8,432
Total current liabilities	**$ 238,214**	$ 153,269
Long-term debt	**395,531**	[redacted] 365,993
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	**167,898**	155,074
Deferred credits related to income taxes	**30,784**	38,255
Accumulated deferred investment tax credits	**24,536**	25,792
Employee benefits provisions	**36,952**	34,507
Other	**34,117**	25,992
Total deferred credits and other liabilities	**294,287**	279,620
Company obligated mandatorily redeemable preferred securities of subsidiary trusts holding company junior subordinated notes	**85,000**	85,000
Preferred stock	**4,236**	4,236
Common Stockholder's Equity:		
Common stock, without par value--		
Authorized - 992,717 shares		
Outstanding - 992,717 shares	**38,060**	38,060
Paid-in capital	**303,794**	233,476
Premium on preferred stock	**12**	12
Retained earnings	**167,353**	155,830
Total common stockholder's equity	**509,219**	427,378
Total Liabilities and Stockholder's Equity	**$1,526,487**	$1,315,496

The accompanying notes as they relate to GULF are an integral part of these condensed statements.

GULF POWER COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
RESULTS OF OPERATIONS AND FINANCIAL CONDITION

THIRD QUARTER 2001 vs. THIRD QUARTER 2000
AND
YEAR-TO-DATE 2001 vs. YEAR-TO-DATE 2000

RESULTS OF OPERATIONS

Earnings

GULF's net income after dividends on preferred stock for the third quarter and year-to-date 2001 was $26.7 million and $51.6 million, respectively, compared to $26.4 million and $44 million for the same periods in 2000. Third quarter 2001 earnings remained relatively flat due to lower operating revenues and higher operating expenses. Year-to-date 2001 earnings increased primarily due to an increase in other income and lower interest charges.

Significant income statement items appropriate for discussion include the following:

	Increase (Decrease)			
	Third Quarter		Year-To-Date	
	(in thousands)	%	(in thousands)	%
Retail sales	$(6,402)	(3.8)	$1,092	0.3
Sales for resale - non-affiliates	4,740	22.1	17,597	35.9
Sales for resale - affiliates	(15,095)	(81.1)	(26,662)	(55.7)
Other revenues	10,840	48.2	26,897	99.2
Fuel expense	(7,785)	(12.2)	(3,978)	(2.4)
Purchased power - non-affiliates	(5,190)	(12.9)	(2,547)	(4.1)
Purchased power - affiliates	10,007	191.8	20,851	174.4
Maintenance expense	2,645	25.1	958	2.4
Other, net	3,715	214.6	4,576	144.4
Interest expense, net	(1,345)	(19.1)	(3,213)	(14.9)

Retail sales. Excluding the recovery of fuel expense and certain other expenses that do not affect net income, retail sales decreased by $1.9 million, or 1.8%, for the third quarter 2001 and increased by $4.4 million, or 1.7%, year-to-date 2001. Retail sales revenue for the third quarter 2001 decreased due mainly to lower energy sales to retail customers when compared to the same period in 2000 due to milder weather. For year-to-date 2001, retail sales revenue increased due to a 2.9% increase in retail energy sales resulting from growth in the number of customers served by GULF.

Sales for resale - non-affiliates. In the third quarter 2001, sales for resale to non-affiliates increased due primarily to increased demand for energy outside of GULF's territory. For year-to-date 2001, the increase in sales for resale to non-affiliates is mainly attributed to increased unit power energy sales and higher demand for energy outside of GULF's territory. These transactions do not have a significant impact on earnings since the energy is usually sold at variable cost.

Sales for resale - affiliates and Purchased power - affiliates. Revenues from sales for resale to affiliated companies, as well as purchases of energy, within the SOUTHERN system will vary from period to period depending on demand and the availability and cost of generating resources at each company. These transactions do not have a significant impact on earnings.

Other revenues. For the third quarter and year-to-date 2001, increases in other revenues are primarily attributed to fuel clause adjustments made to other operating revenues to reflect the difference between recoverable costs and the amounts actually reflected in current rates. The recovery provisions generally equal the related expenses and have no material effect on net income.

Fuel expense. During the third quarter and year-to-date 2001, fuel expense decreased due mainly to reduced generation when compared to the same periods in 2000. Since energy expenses are generally offset by energy revenues, these expenses do not have a significant impact on net income.

Purchased power - non-affiliates. In the third quarter and year-to-date 2001, purchased power from non-affiliates decreased when compared to the corresponding periods in 2000 primarily due to purchasing lower cost energy from affiliates. Since energy expenses are generally offset by energy revenues, these expenses do not have a significant impact on net income.

Maintenance expense. The increases for the third quarter and year-to-date 2001 when compared to the same periods in the prior year are mainly due to scheduled maintenance performed on power generating and distribution facilities.

Other, net. For the third quarter and year-to-date 2001, other, net increased when compared to the corresponding periods in 2000 due primarily to a higher allowance for equity funds used during construction for the current year related to the construction of GULF's new combined cycle unit.

Interest expense, net. Decreases for the third quarter and year-to-date 2001, when compared to the corresponding periods in 2000, result from higher allowance for debt funds used during construction for the current year related to the construction of GULF's new combined cycle unit, as well as lower interest rates on notes payable and variable rate pollution control bonds.

Future Earnings Potential

The results of operations discussed above are not necessarily indicative of future earnings potential. The level of future earnings depends on numerous factors including regulatory matters and the effect of weather and the economy on energy sales.

With the enactment of the Energy Act and new legislation being discussed at federal and state levels to expand customer choice, GULF is positioning the business to meet the challenge of increasing competition. For additional information, see Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS - "Future Earnings Potential" of GULF and Item 1 - BUSINESS - "Competition" in the Form 10-K.

Compliance costs related to the Clean Air Act could affect earnings if such costs are not fully recovered through GULF's Environmental Cost Recovery Clause. For additional information about the Clean Air Act and other environmental issues, see Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS - "Environmental Matters" of GULF in the Form 10-K.

In 1999, the Florida PSC approved GULF's plan to reduce its authorized rate of return, reduce retail base rates and share revenues with its customers. For additional information, see Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS - "Future Earnings Potential" of GULF in the Form 10-K.

On March 14, 2001, the FERC rejected certain elements of SOUTHERN's RTO proposal. For additional information on the FERC's response to SOUTHERN's proposal, reference is made to Item 1 - BUSINESS - "Integrated Southeast Utilities" in the Form 10-K. Following the March 14, 2001 order, SOUTHERN submitted a series of status reports informing the FERC of progress toward the development of a Southeastern RTO. In these status reports, SOUTHERN explained that it has entered into memoranda of understanding to develop an RTO with a number of non-jurisdictional cooperative and public power entities. In addition, SOUTHERN has entered into a memorandum of understanding with TVA to address coordination issues between their transmission systems. On July 12, 2001, the FERC issued an order on the status reports of SOUTHERN, as well as GridSouth and Entergy/Southwest Power Pool. In those orders, the FERC indicated that it favored a single RTO for the Southeast. The FERC initiated a mediation process and directed the parties to participate in the mediation for 45 days. The parties to the mediation failed to reach agreement on a single RTO for the Southeast. On November 7, 2001, the FERC suspended the December 15, 2001 deadline to form an RTO established in its order issued December 20, 1999. SOUTHERN continues to work with the other entities to develop an RTO.

On September 10, 2001, GULF filed a request with the Florida PSC for a base rate increase of approximately $70 million. Reference is made to Note (P) in the "Notes to the Condensed Financial Statements" herein and Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS - "Future Earnings Potential" of GULF in the Form 10-K for additional information.

Reference is also made to Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS - "Environmental Matters" and Note 3 to the financial statements of GULF in the Form 10-K for information on EPA litigation.

Reference is made to Notes (C) through (F), (K) and (P) in the "Notes to the Condensed Financial Statements" herein for discussion of various contingencies and other matters which may affect future earnings potential. Reference is also made to Part II - Item 1 - "Legal Proceedings" herein.

New Accounting Standards

Effective January 1, 2001, GULF adopted FASB Statement No. 133, as amended, and changed the method of accounting for derivative instruments. Derivatives are now reflected on the Condensed Consolidated Balance Sheet at fair market value. Reference is made to Note (C) in the "Notes to the Condensed Financial Statements" herein for additional information on the adoption of Statement No. 133.

In June 2001, the FASB issued Statement No. 141, "Business Combinations," which establishes new accounting and reporting standards for business combinations and supersedes Accounting Principles Board (APB) Opinion No. 16. All business combinations initiated after June 30, 2001 must now be accounted for using the purchase method of accounting.

Also in June 2001, the FASB issued Statement No. 142, "Goodwill and Other Intangible Assets," which establishes new accounting and reporting standards for acquired goodwill and other intangible assets and supersedes APB Opinion No. 17. It addresses how intangible assets that are acquired individually or with a group of other assets (but not those acquired in a business combination) should be accounted for upon acquisition and on an ongoing basis. Goodwill and intangible assets that have indefinite useful lives will not be amortized but rather will be tested at least annually for impairment. Intangible assets that have finite useful lives will continue to be amortized over their useful lives, which are no longer limited to 40 years. The provisions of Statement No. 142 are effective beginning in 2002 and are not expected to have a material impact on GULF's financial statements.

Additionally in June 2001, the FASB issued Statement No. 143, "Asset Retirement Obligations," which establishes new accounting and reporting standards for legal obligations associated with retiring assets, including decommissioning nuclear plants. The fair value of a liability for an asset retirement obligation must be recorded in the period in which it is incurred, with the cost capitalized as part of the related long-lived asset and depreciated over the asset's useful life. Changes in the liability resulting from the passage of time will be recognized as operating expenses. Statement No. 143 must be adopted by 2003. GULF has not yet quantified the impact of adopting Statement No. 143 on its financial statements.

In August 2001, the FASB issued Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which supersedes both Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," and the accounting and reporting provisions for the disposal of a segment of a business contained in APB Opinion No. 30, "Reporting the Results of Operations--Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." Statement No. 144 establishes a single accounting model for long-lived assets to be disposed of by sale and broadens the presentation of discontinued operations. The provisions of Statement No. 144 are effective beginning in 2002 and are not expected to have a material impact on GULF's financial statements.

FINANCIAL CONDITION

Overview

Major changes in GULF's financial condition during the first nine months of 2001 included the addition of approximately $210 million to utility plant. The funds for these additions and other capital requirements were derived primarily from operations, capital contributions from SOUTHERN and other long-term debt. See GULF's Condensed Statements of Cash Flows for further details.

Financing Activities

In August 2001, GULF issued $60 million of Series C 4.69% Senior Notes due August 1, 2003. The proceeds of the sale will be used to redeem $30 million outstanding principal amount of GULF's First Mortgage Bonds, 6 1/8% Series due July 1, 2003 and to repay a portion of GULF's short-term indebtedness. In October 2001, GULF issued $75 million of Series D 6.10% Senior Notes due September 30, 2016. The proceeds of this sale will be used to prepay a portion of a $100 million bank loan. GULF plans to continue, to the extent possible, a program to retire higher-cost debt and replace these securities with lower-cost capital.

Capital Requirements

Reference is made to Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS of GULF under "Capital Requirements for Construction" and "Environmental Matters" in the Form 10-K for a description of GULF's capital requirements for its construction program and environmental compliance efforts.

Sources of Capital

In addition to the financing activities previously described herein, GULF plans to obtain the funds required for construction and other purposes from sources similar to those used in the past. The amount, type and timing of any financings--if needed--will depend upon maintenance of adequate earnings, regulatory approval, prevailing market conditions and other factors. See Item 1 - BUSINESS - "Financing Programs" in the Form 10-K for additional information.

To meet short-term cash needs and contingencies, GULF had at September 30, 2001 approximately $2.2 million of cash and cash equivalents and $123 million of unused committed lines of credit with banks. The credit arrangements provide liquidity support to GULF's obligations with respect to variable rate pollution control bonds and commercial paper. GULF may also meet short-term cash needs through a SOUTHERN subsidiary organized to issue and sell commercial paper at the request and for the benefit of GULF and other SOUTHERN subsidiaries. At September 30, 2001, GULF had outstanding $8.1 million of commercial paper. Management believes that the need for working capital can be adequately met by utilizing lines of credit without maintaining large cash balances.

MISSISSIPPI POWER COMPANY

MISSISSIPPI POWER COMPANY
CONDENSED STATEMENTS OF INCOME (UNAUDITED)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2001	2000	**2001**	2000
	(in thousands)		*(in thousands)*	
Operating Revenues:				
Retail sales	**$145,067**	$159,862	**$387,448**	$393,573
Sales for resale --				
Non-affiliates	**67,514**	48,058	**157,239**	110,407
Affiliates	**19,859**	8,022	**55,451**	16,906
Other revenues	**3,476**	4,177	**11,039**	9,966
Total operating revenues	**235,916**	220,119	**611,177**	530,852
Operating Expenses:				
Operation --				
Fuel	**92,741**	56,878	**203,289**	146,451
Purchased power --				
Non-affiliates	**9,546**	32,578	**38,352**	49,738
Affiliates	**5,879**	12,948	**50,582**	36,003
Other	**36,208**	27,531	**95,341**	82,216
Maintenance	**13,167**	10,732	**40,456**	40,916
Depreciation and amortization	**13,986**	12,537	**39,864**	37,758
Taxes other than income taxes	**11,126**	12,972	**33,775**	37,104
Total operating expenses	**182,653**	166,176	**501,659**	430,186
Operating Income	**53,263**	53,943	**109,518**	100,666
Other Income:				
Interest income	**195**	117	**418**	257
Other, net	**1,964**	530	**4,027**	1,321
Earnings Before Interest and Income Taxes	**55,422**	54,590	**113,963**	102,244
Interest Expense and Other:				
Interest expense, net	**4,800**	6,746	**17,964**	21,189
Distributions on preferred securities of subsidiary	**678**	636	**2,034**	2,034
Total interest charges and other, net	**5,478**	7,382	**19,998**	23,223
Earnings Before Income Taxes	**49,944**	47,208	**93,965**	79,021
Income taxes	**19,061**	17,943	**35,790**	29,795
Net Income Before Cumulative Effect of Accounting Change	**30,883**	29,265	**58,175**	49,226
Cumulative effect of accounting change -- less income taxes of $43 thousand	**-**	-	**70**	-
Net Income	**30,883**	29,265	**58,245**	49,226
Dividends on Preferred Stock	**504**	503	**1,538**	1,510
Net Income After Dividends on Preferred Stock	**$ 30,379**	$ 28,762	**$ 56,707**	$ 47,716

The accompanying notes as they relate to MISSISSIPPI are an integral part of these condensed statements.

MISSISSIPPI POWER COMPANY
CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)

	For the Nine Months Ended September 30, 2001	2000
	(in thousands)	
Operating Activities:		
Net income	**$58,245**	$49,226
Adjustments to reconcile net income		
to net cash provided from operating activities --		
Depreciation and amortization	**42,868**	41,118
Deferred income taxes and investment tax credits, net	**(8,082)**	797
Other, net	**6,481**	6,502
Changes in certain current assets and liabilities --		
Receivables, net	**(20,660)**	(20,436)
Fossil fuel stock	**(23,763)**	9,821
Materials and supplies	**(2,909)**	(950)
Accounts payable	**27,625**	(8,091)
Other	**37,269**	17,887
Net cash provided from operating activities	**117,074**	95,874
Investing Activities:		
Gross property additions	**(37,433)**	(60,282)
Other	**(6,121)**	(10,602)
Net cash used for investing activities	**(43,554)**	(70,884)
Financing Activities:		
Increase (decrease) in notes payable, net	**(39,075)**	(40,500)
Proceeds --		
Other long-term debt	**-**	100,000
Capital contributions from parent company	**70,579**	9,770
Retirements --		
First mortgage bonds	**(36,000)**	-
Other long-term debt	**(20,718)**	(51,176)
Payment of preferred stock dividends	**(1,538)**	(1,510)
Payment of common stock dividends	**(37,800)**	(41,100)
Other	**(77)**	(465)
Net cash used for financing activities	**(64,629)**	(24,981)
Net Change in Cash and Cash Equivalents	**8,891**	9
Cash and Cash Equivalents at Beginning of Period	**7,531**	173
Cash and Cash Equivalents at End of Period	**$ 16,422**	$ 182
Supplemental Cash Flow Information:		
Cash paid during the period for --		
Interest (net of amount capitalized)	**$16,176**	$20,679
Income taxes (net of refunds)	**$4,493**	$3,425

The accompanying notes as they relate to MISSISSIPPI are an integral part of these condensed statements.

MISSISSIPPI POWER COMPANY
CONDENSED BALANCE SHEETS

Assets	At September 30, 2001 (Unaudited)	At December 31, 2000
	(in thousands)	
Current Assets:		
Cash and cash equivalents	**$ 16,422**	$ 7,531
Receivables --		
Customer accounts receivable	**60,733**	48,001
Under recovered regulatory clauses	**13,549**	24,063
Other accounts and notes receivable	**30,989**	21,843
Affiliated companies	**19,539**	10,071
Accumulated provision for uncollectible accounts	**(882)**	(571)
Fossil fuel stock, at average cost	**34,983**	11,220
Materials and supplies, at average cost	**24,603**	21,694
Other	**14,626**	8,320
Total current assets	**214,562**	152,172
Property, Plant, and Equipment:		
In service	**1,711,684**	1,665,879
Less accumulated provision for depreciation	**687,980**	652,891
	1,023,704	1,012,988
Construction work in progress	**48,976**	60,951
Total property, plant, and equipment	**1,072,680**	1,073,939
Other Property and Investments	**1,690**	2,268
Deferred Charges and Other Assets:		
Deferred charges related to income taxes	**13,321**	13,860
Prepaid pension costs	**9,506**	6,724
Debt expense, being amortized	**4,440**	4,628
Premium on reacquired debt, being amortized	**6,890**	7,168
Other	**20,177**	14,312
Total deferred charges and other assets	**54,334**	46,692
Total Assets	**$1,343,266**	$1,275,071

The accompanying notes as they relate to MISSISSIPPI are an integral part of these condensed statements.

MISSISSIPPI POWER COMPANY
CONDENSED BALANCE SHEETS

Liabilities and Stockholders' Equity	At September 30, 2001 (Unaudited)	At December 31, 2000
	(in thousands)	
Current Liabilities:		
Securities due within one year	**$ 80,020**	$ 20
Notes payable	**16,925**	56,000
Accounts payable --		
Affiliated	**3,983**	10,715
Other	**79,022**	48,146
Customer deposits	**6,114**	5,274
Taxes accrued --		
Income taxes	**49,679**	8,769
Other	**28,776**	36,799
Interest accrued	**6,534**	4,482
Vacation pay accrued	**5,701**	5,701
Other	**10,389**	7,003
Total current liabilities	**287,143**	182,909
Long-term debt	**234,045**	370,511
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	**137,480**	139,909
Deferred credits related to income taxes	**23,880**	25,603
Accumulated deferred investment tax credits	**22,571**	23,481
Employee benefits provisions	**35,664**	34,671
Workforce reduction plan	**8,627**	9,734
Other	**32,663**	16,546
Total deferred credits and other liabilities	**260,885**	249,944
Company obligated mandatorily redeemable preferred securities of subsidiary trust holding company junior subordinated notes	**35,000**	35,000
Preferred stock	**31,809**	31,809
Common Stockholder's Equity:		
Common stock equity --		
Authorized - 1,130,000 shares		
Outstanding - 1,121,000 shares		
Par value	**37,691**	37,691
Paid-in capital	**264,740**	194,161
Premium on preferred stock	**326**	326
Retained earnings	**191,627**	172,720
Total common stockholder's equity	**494,384**	404,898
Total Liabilities and Stockholder's Equity	**$1,343,266**	$1,275,071

The accompanying notes as they relate to MISSISSIPPI are an integral part of these condensed statements.

MISSISSIPPI POWER COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
RESULTS OF OPERATIONS AND FINANCIAL CONDITION

THIRD QUARTER 2001 vs. THIRD QUARTER 2000
AND
YEAR-TO-DATE 2001 vs. YEAR-TO-DATE 2000

RESULTS OF OPERATIONS

Earnings

MISSISSIPPI's net income after dividends on preferred stock for the third quarter and year-to-date 2001 was $30.4 million and $56.7 million, respectively, compared to $28.8 million and $47.7 million for the corresponding periods of 2000. For the third quarter 2001, earnings were up mainly due to lower interest charges. The year-to-date 2001 increase in earnings is primarily attributed to higher operating revenues, higher other income and lower interest charges.

Significant income statement items appropriate for discussion include the following:

	Increase (Decrease)			
	Third Quarter		Year-To-Date	
	(in thousands)	%	(in thousands)	%
Retail sales	$(14,795)	(9.3)	$(6,125)	(1.6)
Sales for resale - non-affiliates	19,456	40.5	46,832	42.4
Sales for resale - affiliates	11,837	147.6	38,545	228.0
Fuel expense	35,863	63.1	56,838	38.8
Purchased power - non-affiliates	(23,032)	(70.7)	(11,386)	(22.9)
Purchased power - affiliates	(7,069)	(54.6)	14,579	40.5
Other operation expense	8,677	31.5	13,125	16.0
Maintenance expense	2,435	22.7	(460)	(1.1)
Taxes other than income taxes	(1,846)	(14.2)	(3,329)	(9.0)
Other, net	1,434	270.6	2,706	204.8
Interest expense, net	(1,946)	(28.8)	(3,225)	(15.2)

Retail sales. Excluding fuel revenues, which generally do not affect net income, retail sales revenue was down by $3.8 million, or 1.7%, in the third quarter 2001 and $3.5 million, or 4.0%, year-to-date 2001 when compared to the corresponding periods in 2000 due to lower retail energy sales. Retail energy sales decreased by 3.6% and 2.5% for the third quarter and year-to-date, respectively, primarily due to mild weather when compared to the same periods in 2000.

Sales for resale - non-affiliates. The third quarter and year-to-date 2001 increases in these sales are primarily attributed to increased demand for energy by non-affiliates and additional power sales as a result of the commercial operation of Plant Daniel Units 3 and 4 when compared to the corresponding periods in 2000.

Sales for resale - affiliates and Purchased power - affiliates. Revenues from sales for resale to affiliated companies, as well as purchases of energy, within the SOUTHERN system will vary from period to period depending on demand and the availability and cost of generating resources at each company. These transactions do not have a significant impact on earnings.

Fuel expense. Fuel expense in the third quarter and year-to-date 2001 increased when compared to the same periods in 2000 due primarily to the higher cost of fuel. Additionally, year-to-date 2001 fuel expense increased due to commercial operation of Plant Daniel Units 3 and 4 in the spring of 2001. Since energy expenses are generally offset by energy revenues, these expenses do not have a significant impact on earnings.

Purchased power - non-affiliates. The third quarter and year-to-date 2001 decreases are primarily due to the expiration of certain purchased power contracts and to the commercial operation of the new units at Plant Daniel in May 2001. These transactions do not have a significant impact on net income since energy expenses are generally offset by energy revenues.

Other operation expense. Increases for the third quarter and year-to-date 2001, when compared to the corresponding periods in 2000, are related to the commercial operation of Plant Daniel Units 3 and 4 which began in May 2001.

Maintenance expense. For the third quarter 2001, the increase in maintenance expense when compared to the same period in 2000 is directly related to commercial operation of Plant Daniel Units 3 and 4.

Taxes other than income taxes. These taxes were lower for the third quarter and year-to-date 2001 due principally to reduced ad valorem taxes related to a change in the tax rate compared to the same periods in the prior year.

Other, net. The third quarter and year-to-date 2001 increases are mainly due to the completion of project work requested by customers when compared to the corresponding periods in 2000.

Interest expense, net. Third quarter and year-to-date 2001 interest expenses decreased as a result of lower interest rates on debt outstanding.

Future Earnings Potential

The results of operations discussed above are not necessarily indicative of future earnings potential. The level of future earnings depends on numerous factors including regulatory matters, the effect of weather, and the economy on energy sales. On August 3, 2001, MISSISSIPPI filed a request with the Mississippi PSC to increase annual retail rate revenues by approximately $46.4 million. The requested increase would take effect in January 2002. As a result of the filing, the Mississippi PSC suspended the semi-annual evaluations under MISSISSIPPI's formula rate plan until an order is issued on MISSISSIPPI's request. Hearings on this matter were held before the Mississippi PSC on November 7, 8 and 9, 2001. The Mississippi PSC is required to rule on MISSISSIPPI'S request in early December 2001. For additional information, see Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS - "Future Earnings Potential" of MISSISSIPPI in the Form 10-K.

With the enactment of the Energy Act and new legislation being discussed at federal and state levels to expand customer choice, MISSISSIPPI is positioning the business to meet the challenge of increasing competition. For additional information, see Item 1 - BUSINESS - "Competition" and Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS - "Future Earnings Potential" of MISSISSIPPI in the Form 10-K.

MISSISSIPPI's 2001 ECO Plan filing was approved, as filed, by the Mississippi PSC on March 7, 2001, and resulted in a slight increase in customer prices. Compliance costs related to the Clean Air Act could affect

earnings if such costs cannot continue to be recovered. For additional information about the Clean Air Act and other environmental issues, see Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS - "Environmental Matters" of MISSISSIPPI in the Form 10-K.

On March 14, 2001, the FERC rejected certain elements of SOUTHERN's RTO proposal. For additional information on the FERC's response to SOUTHERN's proposal, reference is made to Item 1 - BUSINESS - "Integrated Southeast Utilities" in the Form 10-K. Following the March 14, 2001 order, SOUTHERN submitted a series of status reports informing the FERC of progress toward the development of a Southeastern RTO. In these status reports, SOUTHERN explained that it has entered into memoranda of understanding to develop an RTO with a number of non-jurisdictional cooperative and public power entities. In addition, SOUTHERN has entered into a memorandum of understanding with TVA to address coordination issues between their transmission systems. On July 12, 2001, the FERC issued an order on the status reports of SOUTHERN, as well as GridSouth and Entergy/Southwest Power Pool. In those orders, the FERC indicated that it favored a single RTO for the Southeast. The FERC initiated a mediation process and directed the parties to participate in the mediation for 45 days. The parties to the mediation failed to reach agreement on a single RTO for the Southeast. On November 7, 2001, the FERC suspended the December 15, 2001 deadline to form an RTO established in its order issued December 20, 1999. SOUTHERN continues to work with the other entities to develop an RTO.

Reference is also made to Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS - "Environmental Matters" and Note 3 to the financial statements of MISSISSIPPI in the Form 10-K for information on EPA litigation.

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Additionally in June 2001, the FASB issued Statement No. 143, "Asset Retirement Obligations," which establishes new accounting and reporting standards for legal obligations associated with retiring assets, including decommissioning nuclear plants. The fair value of a liability for an asset retirement obligation must be recorded in the period in which it is incurred, with the cost capitalized as part of the related long-lived asset and depreciated over the asset's useful life. Changes in the liability resulting from the passage of time will be recognized as operating expenses. Statement No. 143 must be adopted by 2003. MISSISSIPPI has not yet quantified the impact of adopting Statement No. 143 on its financial statements.

In August 2001, the FASB issued Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which supersedes both Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," and the accounting and reporting provisions for the disposal of a segment of a business contained in APB Opinion No. 30, "Reporting the Results of Operations--Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." Statement No. 144 establishes a single accounting model for long-lived assets to be disposed of by sale and broadens the presentation of discontinued operations. The provisions of Statement No. 144 are effective beginning in 2002 and are not expected to have a material impact on MISSISSIPPI's financial statements.

FINANCIAL CONDITION

Overview

Major changes in MISSISSIPPI's financial condition during the first nine months of 2001 included the addition of approximately $37.4 million to utility plant. The funds for these additions and other capital requirements were derived primarily from operations and capital contributions from SOUTHERN. See MISSISSIPPI's Condensed Statements of Cash Flows for further details.

Financing Activities

Reference is made to Item 7 – MANAGEMENT'S DISCUSSION AND ANALYSIS – "Financing Activity" and Note 4 to the financial statements of MISSISSIPPI in the Form 10-K. Effective May 4, 2001, in connection with commercial operation of a 1,064-megawatt natural gas combined cycle facility, MISSISSIPPI entered into the initial 10-year lease term with Escatawpa Funding, Limited Partnership. The final completion cost will be approximately $370 million. Reference is made to Note (L) in the "Notes to the Condensed Financial Statements" herein for additional information.

MISSISSIPPI plans to continue, to the extent possible, a program to retire higher-cost debt and replace these securities with lower-cost capital.

Capital Requirements

Reference is made to Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS of MISSISSIPPI under "Capital Requirements for Construction," "Environmental Matters" and "Other Capital Requirements" and Note 3 to the financial statements in the Form 10-K for a description of MISSISSIPPI's capital requirements for its construction program, environmental compliance efforts, sinking fund requirements and maturities of long-term debt.

Sources of Capital

In addition to the financing activities previously described herein, MISSISSIPPI plans to obtain the funds required for construction and other purposes from sources similar to those used in the past. The amount, type and timing of any financings--if needed--will depend upon maintenance of adequate earnings, regulatory approval, prevailing market conditions and other factors. See Item 1 - BUSINESS - "Financing Programs" in the Form 10-K for additional information.

To meet short-term cash needs and contingencies, MISSISSIPPI had at September 30, 2001 approximately $16.4 million of cash and cash equivalents and approximately $124.3 million of unused committed credit arrangements with banks. The credit arrangements provide liquidity support to MISSISSIPPI's obligation with respect to variable rate pollution control bonds and commercial paper. MISSISSIPPI may also meet short-term cash needs through a SOUTHERN subsidiary organized to issue and sell commercial paper at the request and for the benefit of MISSISSIPPI and other SOUTHERN subsidiaries. At September 30, 2001, MISSISSIPPI had outstanding $16.9 million of commercial paper. Management believes that the need for working capital can be adequately met by utilizing lines of credit without maintaining large cash balances.

SAVANNAH ELECTRIC
AND
POWER COMPANY

SAVANNAH ELECTRIC AND POWER COMPANY
CONDENSED STATEMENTS OF INCOME (UNAUDITED)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2001	2000	**2001**	2000
	(in thousands)		*(in thousands)*	
Operating Revenues:				
Retail sales	**$88,398**	$94,979	**$217,533**	$215,087
Sales for resale --				
Non-affiliates	**3,808**	1,973	**7,382**	3,539
Affiliates	**638**	1,297	**2,516**	4,051
Other revenues	**739**	600	**1,813**	1,342
Total operating revenues	**93,583**	98,849	**229,244**	224,019
Operating Expenses:				
Operation --				
Fuel	**18,096**	19,676	**40,609**	46,186
Purchased power --				
Non-affiliates	**13,510**	14,510	**21,592**	22,103
Affiliates	**12,391**	12,518	**41,096**	29,138
Other	**12,959**	13,538	**38,110**	38,186
Maintenance	**4,336**	4,653	**15,333**	14,797
Depreciation and amortization	**6,461**	6,309	**19,381**	18,927
Taxes other than income taxes	**3,934**	3,585	**10,679**	9,939
Total operating expenses	**71,687**	74,789	**186,800**	179,276
Operating Income	**21,896**	24,060	**42,444**	44,743
Other Income (Expense):				
Interest income	**33**	51	**150**	130
Other, net	**126**	(124)	**(188)**	(528)
Earnings Before Interest and Income Taxes	**22,055**	23,987	**42,406**	44,345
Interest Charges and Other:				
Interest expense, net	**3,049**	3,190	**9,589**	9,390
Distributions on preferred securities of subsidiary	**685**	685	**2,055**	2,055
Total interest charges and other, net	**3,734**	3,875	**11,644**	11,445
Earnings Before Income Taxes	**18,321**	20,112	**30,762**	32,900
Income taxes	**7,012**	7,761	**11,753**	12,619
Net Income Before Cumulative Effect of Accounting Change	**11,309**	12,351	**19,009**	20,281
Cumulative effect of accounting change -- less income taxes of $14 thousand	**-**	-	**22**	-
Net Income	**$ 11,309**	$ 12,351	**$ 19,031**	$ 20,281

The accompanying notes as they relate to SAVANNAH are an integral part of these condensed statements.

SAVANNAH ELECTRIC AND POWER COMPANY
CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)

	For the Nine Months Ended September 30, 2001	2000
	(in thousands)	
Operating Activities:		
Net income	**$19,031**	$20,281
Adjustments to reconcile net income		
to net cash provided from operating activities --		
Depreciation and amortization	**20,865**	20,161
Deferred income taxes and investment tax credits, net	**(10,667)**	235
Other, net	**5,273**	4,602
Changes in certain current assets and liabilities --		
Receivables, net	**1,468**	(22,257)
Fossil fuel stock	**(973)**	770
Materials and supplies	**(633)**	(802)
Accounts payable	**(13,186)**	(266)
Other	**27,760**	4,006
Net cash provided from operating activities	**48,938**	26,730
Investing Activities:		
Gross property additions	**(25,404)**	(20,325)
Other, net	**(472)**	(2,504)
Net cash used for investing activities	**(25,876)**	(22,829)
Financing Activities:		
Increase (decrease) in notes payable, net	**(19,160)**	15,800
Proceeds --		
Other long-term debt	**65,000**	-
Capital contributions from parent company	**277**	-
Retirements --		
First mortgage bonds	**(20,642)**	-
Other long-term debt	**(30,630)**	(374)
Payment of common stock dividends	**(16,300)**	(18,300)
Other	**(394)**	(12)
Net cash used for financing activities	**(21,849)**	(2,886)
Net Change in Cash and Cash Equivalents	**1,213**	1,015
Cash and Cash Equivalents at Beginning of Period	**-**	6,553
Cash and Cash Equivalents at End of Period	**$1,213**	$7,568
Supplemental Cash Flow Information:		
Cash paid during the period for --		
Interest (net of amount capitalized)	**$10,503**	$9,036
Income taxes (net of refunds)	**(1,982)**	10,955

The accompanying notes as they relate to SAVANNAH are an integral part of these condensed statements.

SAVANNAH ELECTRIC AND POWER COMPANY
CONDENSED BALANCE SHEETS

Assets	At September 30, 2001 (Unaudited)	At December 31, 2000
	(in thousands)	
Current Assets:		
Cash and cash equivalents	**$ 1,213**	$ -
Receivables --		
Customer accounts receivable	**42,488**	28,189
Under recovered retail fuel clause revenue	**24,055**	39,632
Other accounts and notes receivable	**1,082**	1,412
Affiliated companies	**922**	738
Accumulated provision for uncollectible accounts	**(451)**	(407)
Fossil fuel stock, at average cost	**8,112**	7,140
Materials and supplies, at average cost	**9,577**	8,944
Prepaid Taxes	**-**	8,651
Other	**1,056**	377
Total current assets	**88,054**	94,676
Property, Plant, and Equipment:		
In service	**853,110**	829,270
Less accumulated provision for depreciation	**399,232**	382,030
	453,878	447,240
Construction work in progress	**6,555**	6,782
Total property, plant, and equipment	**460,433**	454,022
Other Property and Investments	**2,631**	2,066
Deferred Charges and Other Assets:		
Deferred charges related to income taxes	**12,012**	12,404
Cash surrender value of life insurance for deferred compensation plans	**17,632**	17,954
Debt expense, being amortized	**3,252**	3,003
Premium on reacquired debt, being amortized	**7,061**	7,575
Other	**3,113**	2,527
Total deferred charges and other assets	**43,070**	43,463
Total Assets	**$594,188**	$594,227

The accompanying notes as they relate to SAVANNAH are an integral part of these condensed statements.

SAVANNAH ELECTRIC AND POWER COMPANY
CONDENSED BALANCE SHEETS

Liabilities and Stockholder's Equity	At September 30, 2001 (Unaudited)	At December 31, 2000
	(in thousands)	
Current Liabilities:		
Securities due within one year	$ 768	$ 30,698
Notes payable	26,240	45,400
Accounts payable --		
Affiliated	4,721	16,153
Other	5,816	7,738
Customer deposits	6,082	5,696
Taxes accrued --		
Income taxes	9,928	3,450
Other	4,621	1,435
Interest accrued	5,434	4,541
Vacation pay accrued	2,382	2,276
Other	7,000	7,973
Total current liabilities	72,992	125,360
Long-term debt	160,560	116,902
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	79,418	79,756
Deferred credits related to income taxes	14,604	16,038
Accumulated deferred investment tax credits	10,118	10,616
Deferred compensation plans	13,139	11,968
Employee benefits provisions	12,828	9,236
Other	12,526	9,357
Total deferred credits and other liabilities	142,633	136,971
Company obligated mandatorily redeemable preferred securities of subsidiary trusts holding company junior subordinated notes	40,000	40,000
Common Stockholder's Equity:		
Common stock, par value $5 per share --		
Authorized - 16,000,000 shares		
Outstanding - 10,844,635 shares		
Par value	54,223	54,223
Paid-in capital	11,543	11,265
Retained earnings	112,237	109,506
Total common stockholder's equity	178,003	174,994
Total Liabilities and Stockholder's Equity	$594,188	$594,227

The accompanying notes as they relate to SAVANNAH are an integral part of these condensed statements.

SAVANNAH ELECTRIC AND POWER COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
RESULTS OF OPERATIONS AND FINANCIAL CONDITION

THIRD QUARTER 2001 vs. THIRD QUARTER 2000
AND
YEAR-TO-DATE 2001 vs. YEAR-TO-DATE 2000

RESULTS OF OPERATIONS

Earnings

SAVANNAH's net income for the third quarter and year-to-date 2001 was $11.3 million and $19.0 million, respectively, as compared to $12.4 million and $20.3 million for the corresponding periods of 2000. Third quarter 2001 earnings were down $1 million, or 8.4%, primarily due to lower operating revenues. Year-to-date 2001 earnings decrease of $1.2 million, or 6.2%, is primarily attributed to higher operating expenses.

Significant income statement items appropriate for discussion include the following:

	Increase (Decrease)			
	Third Quarter		Year-To-Date	
	(in thousands)	%	(in thousands)	%
Retail sales	$(6,581)	(6.9)	$ 2,446	1.1
Sales for resale - non-affiliates	1,835	93.0	3,843	108.6
Sales for resale - affiliates	(659)	(50.8)	(1,535)	(37.9)
Fuel expense	(1,580)	(8.0)	(5,577)	(12.1)
Purchased power - non-affiliates	(1,000)	(6.9)	(511)	(2.3)
Purchased power - affiliates	(127)	(1.0)	11,958	41.0
Taxes other than income taxes	349	9.7	740	7.4

Retail sales. Excluding fuel revenues, which do not affect net income, retail sales revenue decreased by $1.6 million, or 3%, for the third quarter of 2001 and decreased by $0.5 million, or 0.4%, year-to-date 2001 when compared to the corresponding periods in 2000. During the third quarter 2001, retail sales revenue decreased primarily due to decreases in retail energy sales of 2.3% and 4.6%, respectively, to residential and industrial customers. Retail energy sales to residential customers were affected by the mild weather and industrial energy sales were affected by reduced demand from industrial customers using energy during off-peak hours and a slowing economy in the third quarter of 2001. The year-to-date 2001 increase in retail sales revenue is attributed to a 1.6% increase in energy sales to retail customers caused by growth in the number of customers served by SAVANNAH, partially offset by a decrease in industrial sales revenue.

Sales for resale - non-affiliates. For the third quarter and year-to-date 2001, these sales to non-affiliates revenues were higher due mainly to increased energy sales to non-affiliated wholesale customers when compared to the corresponding periods in 2000. These transactions do not have a significant impact on earnings since the energy is usually sold at variable cost.

Sales for resale - affiliates and Purchased power - affiliates. Revenues from sales for resale to affiliated companies, as well as purchases of energy, within the SOUTHERN system will vary from period to period depending on demand and the availability and cost of generating resources at each company. These transactions do not have a significant impact on earnings.

Fuel expense. During the third quarter and year-to-date 2001, reduced generation due to lower demand for energy and lower average cost of fuel consumed resulted in fuel expense being lower when compared to the same periods in 2000.

Purchased power - non-affiliates. The third quarter and year-to-date 2001 decreases are primarily due to lower demand for energy in SAVANNAH's service area. These transactions do not have a significant impact on net income since energy expenses are generally offset by energy revenues.

Taxes other than income taxes. The increases for the third quarter and year-to-date 2001 are primarily attributed to higher franchise fees related to an increase in SAVANNAH's billed revenues.

Future Earnings Potential

The results of operations discussed above are not necessarily indicative of future earnings potential. The level of future earnings depends on numerous factors including regulatory matters and the effect of weather and the economy on energy sales.

With the enactment of the Energy Act and new legislation being discussed at federal and state levels to expand customer choice, SAVANNAH is positioning the business to meet the challenge of increasing competition. For additional information, see Item 1 - BUSINESS - "Competition" and Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS - "Future Earnings Potential" of SAVANNAH in the Form 10-K.

Compliance costs related to the Clean Air Act and other environmental issues could affect earnings if such costs cannot be offset. For additional information about the Clean Air Act and other environmental issues, see Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS - "Environmental Matters" of SAVANNAH in the Form 10-K.

On March 14, 2001, the FERC rejected certain elements of SOUTHERN's RTO proposal. For additional information on the FERC's response to SOUTHERN's proposal, reference is made to Item 1 - BUSINESS - "Integrated Southeast Utilities" in the Form 10-K. Following the March 14, 2001 order, SOUTHERN submitted a series of status reports informing the FERC of progress toward the development of a Southeastern RTO. In these status reports, SOUTHERN explained that it has entered into memoranda of understanding to develop an RTO with a number of non-jurisdictional cooperative and public power entities. In addition, SOUTHERN has entered into a memorandum of understanding with TVA to address coordination issues between their transmission systems. On July 12, 2001, the FERC issued an order on the status reports of SOUTHERN, as well as GridSouth and Entergy/Southwest Power Pool. In those orders, the FERC indicated that it favored a single RTO for the Southeast. The FERC initiated a mediation process and directed the parties to participate in the mediation for 45 days. The parties to the mediation failed to reach agreement on a single RTO for the Southeast. On November 7, 2001, the FERC suspended the December 15, 2001 deadline to form an RTO established in its order issued December 20, 1999. SOUTHERN continues to work with the other entities to develop an RTO.

Reference is also made to Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS - "Environmental Matters" and Note 3 to the financial statements of SAVANNAH in the Form 10-K for information on EPA litigation.

Reference is made to Notes (C) through (F), (K) and (M) in the "Notes to the Condensed Financial Statements" herein for discussion of various contingencies and other matters which may affect future earnings potential. Reference is also made to Part II - Item 1 - "Legal Proceedings" herein.

New Accounting Standards

Effective January 1, 2001, SAVANNAH adopted FASB Statement No. 133, as amended, and changed the method of accounting for derivative instruments. Derivatives are now reflected on the Condensed Consolidated Balance Sheet at fair market value. Reference is made to Note (C) in the "Notes to the Condensed Financial Statements" herein for additional information on the adoption of Statement No. 133.

In June 2001, the FASB issued Statement No. 141, "Business Combinations," which establishes new accounting and reporting standards for business combinations and supersedes Accounting Principles Board (APB) Opinion No. 16. All business combinations initiated after June 30, 2001 must now be accounted for using the purchase method of accounting.

Also in June 2001, the FASB issued Statement No. 142, "Goodwill and Other Intangible Assets," which establishes new accounting and reporting standards for acquired goodwill and other intangible assets and supersedes APB Opinion No. 17. It addresses how intangible assets that are acquired individually or with a group of other assets (but not those acquired in a business combination) should be accounted for upon acquisition and on an ongoing basis. Goodwill and intangible assets that have indefinite useful lives will not be amortized but rather will be tested at least annually for impairment. Intangible assets that have finite useful lives will continue to be amortized over their useful lives, which are no longer limited to 40 years. The provisions of Statement No. 142 are effective beginning in 2002 and are not expected to have a material impact on SAVANNAH's financial statements.

Additionally in June 2001, the FASB issued Statement No. 143, "Asset Retirement Obligations," which establishes new accounting and reporting standards for legal obligations associated with retiring assets, including decommissioning nuclear plants. The fair value of a liability for an asset retirement obligation must be recorded in the period in which it is incurred, with the cost capitalized as part of the related long-lived asset and depreciated over the asset's useful life. Changes in the liability resulting from the passage of time will be recognized as operating expenses. Statement No. 143 must be adopted by 2003. SAVANNAH has not yet quantified the impact of adopting Statement No. 143 on its financial statements.

In August 2001, the FASB issued Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which supersedes both Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," and the accounting and reporting provisions for the disposal of a segment of a business contained in APB Opinion No. 30, "Reporting the Results of Operations--Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." Statement No. 144 establishes a single accounting model for long-lived assets to be disposed of by sale and broadens the presentation of discontinued operations. The provisions of Statement No. 144 are effective beginning in 2002 and are not expected to have a material impact on SAVANNAH's financial statements.

FINANCIAL CONDITION

Overview

Major changes in SAVANNAH's financial condition during the first nine months of 2001 included the addition of approximately $25.4 million to utility plant. The funds for these additions and other capital requirements were derived primarily from operations, credit arrangements with banks and financings. See SAVANNAH's Condensed Statements of Cash Flows for further details.

Financing Activities

In May 2001, SAVANNAH issued $65 million aggregate principal amount of senior notes consisting of $20 million of Series B 5.12% Senior Notes due May 15, 2003 and $45 million of Series C 6.55% Senior Notes due May 15, 2008. The proceeds of the sale were used to redeem in June 2001 the $20 million outstanding principal amount of SAVANNAH's First Mortgage Bonds, 6 3/8% Series due July 1, 2003 and to repay $30 million in bank loans and a portion of SAVANNAH's outstanding short-term indebtedness.

SAVANNAH plans to continue, to the extent possible, a program to retire higher-cost debt and replace these securities with lower-cost capital.

Sources of Capital

SAVANNAH plans to obtain the funds required for construction and other purposes from sources similar to those used in the past. The amount, type and timing of any financings--if needed--will depend upon maintenance of adequate earnings, regulatory approval, prevailing market conditions and other factors. See Item 1 - BUSINESS - "Financing Programs" in the Form 10-K for additional information.

To meet short-term cash needs and contingencies, SAVANNAH had at September 30, 2001 approximately $1.2 million of cash and cash equivalents and approximately $65.5 million of unused committed credit arrangements with banks. The credit arrangements provide liquidity support to SAVANNAH's obligation with respect to variable rate pollution control bonds and commercial paper. SAVANNAH may also meet short-term cash needs through a SOUTHERN subsidiary organized to issue and sell commercial paper at the request and for the benefit of SAVANNAH and other SOUTHERN subsidiaries. At September 30, 2001, SAVANNAH had outstanding $26.2 million of commercial paper. Since SAVANNAH has no major generating plants under construction, management believes that the need for working capital can be adequately met by utilizing lines of credit.

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR
THE SOUTHERN COMPANY AND SUBSIDIARY COMPANIES
ALABAMA POWER COMPANY
GEORGIA POWER COMPANY
GULF POWER COMPANY
MISSISSIPPI POWER COMPANY
SAVANNAH ELECTRIC AND POWER COMPANY

INDEX TO APPLICABLE NOTES TO
FINANCIAL STATEMENTS BY REGISTRANT

Registrant	Applicable Notes
SOUTHERN	A, B, C, D, E, F, G, H, I, J, K, N, Q
ALABAMA	A, C, D, E, F, K, N
GEORGIA	A, C, D, E, F, G, H, K, M
GULF	A, C, D, E, F, K, P
MISSISSIPPI	A, C, D, E, F, K, L, O
SAVANNAH	A, C, D, E, F, K, M

THE SOUTHERN COMPANY AND SUBSIDIARY COMPANIES
ALABAMA POWER COMPANY
GEORGIA POWER COMPANY
GULF POWER COMPANY
MISSISSIPPI POWER COMPANY
SAVANNAH ELECTRIC AND POWER COMPANY

NOTES TO THE CONDENSED FINANCIAL STATEMENTS:

(A) The condensed financial statements of the registrants included herein have been prepared by each registrant, without audit, pursuant to the rules and regulations of the SEC. In the opinion of each registrant's management, the information regarding such registrant furnished herein reflects all adjustments necessary to present fairly the results of operations for the periods ended September 30, 2001 and 2000. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to such rules and regulations, although each registrant believes that the disclosures regarding such registrant are adequate to make the information presented not misleading. It is suggested that these condensed financial statements of each registrant be read in conjunction with the financial statements of such registrant and the notes thereto included in the Form 10-K. Certain prior period amounts have been reclassified to conform with current period presentation. Due to seasonal variations in the demand for energy, operating results for the periods presented do not necessarily indicate operating results for the entire year.

(B) Reference is made to Note 11 to the financial statements of SOUTHERN in Item 8 and MANAGEMENT'S DISCUSSION AND ANALYSIS - "Overview of Consolidated Earnings" and "Discontinued Operations" of SOUTHERN in Item 7 of the Form 10-K for information on the spin off of Mirant.

On April 2, 2001, SOUTHERN completed the spin off of Mirant with a tax free distribution to SOUTHERN's shareholders of its remaining ownership of 272 million Mirant shares. Shares from the spin off were distributed at a ratio of approximately 0.4 share of Mirant common stock for every share of SOUTHERN common stock held at the record date. The distribution resulted in charges of approximately $3,323 million and $260 million to SOUTHERN's paid-in capital and retained earnings, respectively.

As a result of the spin off, SOUTHERN's financial statements reflect Mirant as discontinued operations. All historical financial statements presented and footnotes have been reclassified to conform to this presentation, with the historical assets and liabilities of Mirant presented on the Condensed Consolidated Balance Sheet as net assets of discontinued operations.

(C) On January 1, 2001, SOUTHERN and its subsidiaries adopted FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended. Statement No. 133 requires that certain derivative instruments be recorded in the balance sheet as either an asset or liability measured at fair value and that changes in the fair value be recognized currently in earnings unless specific hedge accounting criteria are met.

SOUTHERN utilizes financial instruments to reduce its exposure to changes in interest rates and foreign currency exchange rates. Such financial instruments are generally structured so that their terms are substantially identical to (and their changes in market value are highly correlated to) those of SOUTHERN's recorded liabilities or unrecorded firm commitments. Thus, these instruments generally qualify as hedges under Statement No. 133.

The integrated Southeast utilities also enter into commodity related forward and option contracts to limit exposure to changing prices on certain fuel purchases and electricity purchases and sales. Substantially all of the integrated Southeast utilities' bulk energy purchases and sales contracts meet the definition of a derivative under Statement No. 133. In many cases, these contracts qualify for Statement No. 133's normal purchase and sale exception and are, therefore, accounted for under the accrual method. Others qualify as cash flow hedges of anticipated transactions, resulting in the deferral of related gains and losses in other comprehensive income until the hedged transactions occur. Any ineffectiveness is recognized currently in net income. Contracts that do not qualify for the normal purchase and sale exception and do not meet the hedge requirements are marked to market through current period income.

The cumulative effect of adoption was a reduction of approximately $300 million in comprehensive income, which was all related to discontinued operations. The impact on net income was immaterial to each of the integrated Southeast utilities individually and less than $0.01 per share to SOUTHERN on a consolidated basis. The mark to market adjustments recorded during the third quarter of 2001 were also immaterial. The application and interpretation of Statement No. 133's requirements are still evolving and further guidance from the FASB is expected, which could further impact the financial statements of SOUTHERN and the integrated Southeast utilities. Also, as wholesale energy markets mature, the accounting for future transactions could be significantly impacted by Statement No. 133, resulting in more volatility in net income and comprehensive income.

Reference is made to MANAGEMENT'S DISCUSSION AND ANALYSIS - "Market Price Risk" of SOUTHERN and the integrated Southeast utilities in Item 7 for each of the registrants in the Form 10-K, and Note 1 to the financial statements of SOUTHERN under the caption "Financial Instruments for Non-Trading Activities" in Item 8 of the Form 10-K.

(D) SOUTHERN, ALABAMA, GEORGIA, GULF, MISSISSIPPI and SAVANNAH engage in price risk management activities. Reference is made to MANAGEMENT'S DISCUSSION AND ANALYSIS - "Market Price Risk" in SOUTHERN; and "Exposure to Market Risks," in ALABAMA, GEORGIA, GULF, MISSISSIPPI and SAVANNAH. Reference is also made to Note 1 to the financial statements of SOUTHERN, ALABAMA and GEORGIA in Item 8 of the Form 10-K for a discussion of these activities.

In May 2001, the Georgia PSC ordered that SAVANNAH implement a natural gas/oil hedging program effective June 1, 2001. In June 2001, the Mississippi PSC approved MISSISSIPPI's Energy Cost Management Clause, effective June 1, 2001. In November 2001, the Alabama PSC approved ALABAMA's energy hedging program effective November 1, 2001. These programs have been designed as a means to mitigate the effects of volatile fuel prices and to better match the cost recovery of fuel and energy related transactions.

(E) The integrated Southeast utilities are subject to the provisions of FASB Statement No. 71, Accounting for the Effects of Certain Types of Regulation. In the event that a portion of a company's operations is no longer subject to these provisions, the company would be required to write off related regulatory assets and liabilities that are not specifically recoverable, and determine if any other assets have been impaired. For additional information, see Note 1 to the financial statements of each registrant in Item 8 of the Form 10-K.

(F) Reference is made to Note 3 to the financial statements of SOUTHERN, ALABAMA, GEORGIA, GULF, MISSISSIPPI and SAVANNAH in Item 8 of the Form 10-K for information on EPA litigation.

(G) Reference is made to Note 3 to the financial statements of SOUTHERN and GEORGIA in Item 8 of the Form 10-K for information concerning a three-year rate order approved by the Georgia PSC effective January 1, 1999. The order decreased annual retail rates by $262 million effective January 1, 1999 and by an additional $24 million effective January 1, 2000. The order further provides for $85 million each year, plus up to $50 million annually of any earnings above a 12.5% retail return on common equity during the second and third years, to be applied to accelerated amortization or depreciation of assets. In May 2000, the Georgia PSC ordered that these funds be maintained in a regulatory liability account and that interest be accrued on the account at the prime rate. These amounts are reflected on the balance sheets in deferred credits and other liabilities, other. Two-thirds of any additional earnings above the 12.5% return will be applied to rate reductions and the remaining one-third retained by GEORGIA. Pursuant to this provision, GEORGIA recognized accelerated amortization of $14.6 million in the third quarter of 2001, $25.9 million in the third quarter of 2000, $63.8 million year-to-date 2001 and $113.8 million year-to-date 2000. As mandated by the Georgia PSC, GEORGIA has recorded accumulated interest of $21.9 million on the amounts in the regulatory liability account.

Pursuant to GEORGIA's existing rate order, GEORGIA was required to file a general rate case with the Georgia PSC by July 1, 2001. Accordingly, on June 29, 2001, GEORGIA filed a rate plan with the Georgia PSC. GEORGIA's filing showed a base rate revenue deficiency of $103 million for the test period. GEORGIA's rate plan proposal waives the base rate increase in favor of a five-year plan that includes several modifications to the existing rate order. GEORGIA requested to continue operating within an earnings band, but requested that the mid-point of the band be increased by 100 basis points, to a range of between 11% and 13.5 % return on equity. As part of the proposal, GEORGIA also requested a continuation of the sharing mechanism that was approved in 1998. The new proposal would allow customers to keep two-thirds of any amount above the earnings range that can be attributed to weather, while GEORGIA would keep one-third. GEORGIA and its customers would each keep half of all other earnings above the range. GEORGIA also proposed a certified capacity cost recovery clause that would become effective on June 1, 2002. In its direct testimony filed on October 12, 2001, the Advocate Staff of the Georgia PSC proposed certain adjustments to GEORGIA's general rate case filing that indicate a $418 million revenue surplus. The Advocate Staff supports a three-year continuation of the current rate plan without the modifications proposed by GEORGIA and rejects the proposed certified capacity cost recovery clause. GEORGIA disagrees with the Advocate Staff's proposed adjustments. The Georgia PSC is expected to issue its decision by December 20, 2001 to be effective January 1, 2002.

(H) Reference is made to Note 3 to the financial statements of SOUTHERN and GEORGIA in Item 8 of the Form 10-K for information regarding GEORGIA's designation as a potentially responsible party under the Comprehensive Environmental Response, Compensation and Liability Act and other environmental contingencies.

(I) SOUTHERN has made separate guarantees to certain counterparties regarding performance of contractual commitments by Mirant's trading and marketing subsidiaries. At September 30, 2001, the total notional amount of guarantees was $80.5 million and the estimated fair value of net contractual commitments outstanding was approximately $6.4 million. Based upon a statistical analysis of credit risk, SOUTHERN's potential exposure under these contractual commitments would not materially differ from the estimated fair value. Subsequent to the spin off, Mirant began paying SOUTHERN a monthly fee of 1% on the average aggregate maximum principal amount of all guarantees outstanding until they are replaced or expire. Mirant must use reasonable efforts to release SOUTHERN from all such support arrangements and will indemnify SOUTHERN for any obligations incurred.

Reference is made to Note 9 to the financial statements of SOUTHERN under the caption "Guarantees" in Item 8 of the Form 10-K.

(J) With respect to Mobile Energy, reference is made to Note 3 to the financial statements of SOUTHERN in Item 8 and to Legal Proceedings in Item 3 of the Form 10-K for information relating to (i) petitions for Chapter 11 bankruptcy relief which were filed in the U. S. Bankruptcy Court for the Southern District of Alabama and (ii) proposed settlement discussions among the affected parties.

(K) Reference is made to Note 3 to the financial statements of each registrant in Item 8 and to Legal Proceedings in Item 3 of the Form 10-K for information relating to various lawsuits.

(L) Effective May 4, 2001, in connection with commercial operation of the 1,064-megawatt natural gas combined cycle facility at MISSISSIPPI's Plant Daniel (the "Facility"), MISSISSIPPI entered into the initial 10-year lease term under its lease arrangement for the Facility with Escatawpa Funding, Limited Partnership. The final completion cost will be approximately $370 million. The lease provides for a residual value guarantee (approximately 71% of the acquisition cost) by MISSISSIPPI that is due upon termination of the lease in certain circumstances. The lease also includes purchase and renewal options. Upon termination of the lease, at MISSISSIPPI's option, MISSISSIPPI may either exercise its purchase option or the Facility can be sold to a third party. MISSISSIPPI expects the fair market value of the leased facility to substantially reduce or eliminate MISSISSIPPI's payment under the residual value guarantee. The annual amount of future minimum operating lease payments exclusive of any payment related to this guarantee will approximate $30 million during the initial term.

(M) In April 2001, SAVANNAH received an order from the Georgia PSC allowing SAVANNAH to set the fuel cost recovery rate to recover its approximately $40 million deferred fuel balance over three years and to recover approximately $137 million in projected annual fuel and purchased power costs, for a total recovery of approximately $150 million per year. The order "capped" energy strip purchases at $100 per megawatt. Any purchase agreement for summer energy strips priced in excess of the "cap" requires that the amount above $100 per megawatt be "imputed" as capacity and recovered through non-fuel rates. In a reconsideration of the SAVANNAH order, decided in a June 11, 2001 Administrative Session, the Georgia PSC ordered that all costs for energy purchases contracted for prior to April 30, 2001 may be recovered through the fuel clause. In May 2001, the Georgia PSC approved an increase to the retail fuel rate allowing GEORGIA to recover $87 million of unrecovered fuel costs over the next 24 months.

(N) Reference is made to Note 3 to the financial statements of SOUTHERN and ALABAMA in Item 8 of the Form 10-K for information relating to retail rate adjustment procedures. Effective July 2001, retail rates were adjusted under Rate CNP, Certificated New Plant, which allows ALABAMA to begin to recover costs for a new generating plant after it goes into commercial operation. ALABAMA placed Plant Barry, Unit 7 into commercial operation on May 1, 2001. Effective October 2001, ALABAMA increased retail rates by 2% under the Rate RSE, Rate Stabilization Equalization.

(O) On August 3, 2001, MISSISSIPPI filed a request with the Mississippi PSC to increase annual retail rate revenues by approximately $46.4 million. Hearings on this matter were held before the Mississippi PSC on November 7, 8 and 9, 2001. The Mississippi PSC is required to rule on MISSISSIPPI's request in early December 2001. The requested increase would be effective in January 2002.

(P) On September 10, 2001, GULF filed a request for a base rate increase with the Florida PSC. The total amount of the requested increase is approximately $70 million based on a return on equity of 13.0%. The requested increase is designed to cover the costs associated with the commercial operation of GULF's Plant Smith Unit 3 and other operating costs. Hearings in this matter are currently set for February 25 through March 1, 2002, with a decision by the Florida PSC expected in early May 2002. There can be no assurance that the request, as submitted by GULF, will be approved by the Florida PSC.

(Q) SOUTHERN's reportable business segment is the five integrated Southeast utilities that provide electric service in four states. Net income and total assets for discontinued operations are included in the Reconciling Eliminations columns. The All Other category includes parent SOUTHERN, which does not allocate operating expenses to business segments, and segments below the quantitative threshold for separate disclosure. These segments include telecommunications, energy products and services, and leasing and financing services. Intersegment revenues are not material. Financial data for business segments for the periods covered in the Form 10-Q are as follows:

	Integrated Southeast Utilities	All Other	Reconciling Eliminations	Consolidated
		(in millions)		
Three Months Ended September 30, 2001:				
Operating revenues	$ 3,082	$ 88	$ (5)	$ 3,165
Segment net income (loss)	546	8	-	554
Nine Months Ended September 30, 2001:				
Operating revenues	$ 7,806	$ 207	$ (17)	$ 7,996
Segment net income (loss)	1,021	(17)	142	1,146
Total assets at September 30, 2001	$28,822	$2,773	$(1,796)	$29,799
Three Months Ended September 30, 2000:				
Operating revenues	$ 3,142	$ 65	$ (9)	$ 3,198
Segment net income (loss)	560	(36)	90	614
Nine Months Ended September 30, 2000:				
Operating revenues	$ 7,619	$ 184	$ (31)	$ 7,772
Segment net income (loss)	1,017	(87)	271	1,201
Total assets at December 31, 2000	$26,917	$2,200	$2,245	$31,362

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

(1) Cooper et al. v. GEORGIA, SOUTHERN, SCS and Southern Company Energy Solutions, Inc. (Superior Court of Fulton County, Georgia)

On October 11, 2001, the United States District Court for the Northern District of Georgia denied plaintiffs' motion for class certification. On October 24, 2001, the plaintiffs filed a motion to reconsider the order denying class certification. The defendants filed a brief in opposition to the motion to reconsider on October 29, 2001. The final outcome of the case cannot now be determined. Reference is made to Note 3 to SOUTHERN's and GEORGIA's financial statements in Item 8 of the Form 10-K under the caption "Race Discrimination Litigation" for additional information.

(2) Reference is made to the Notes to the Condensed Financial Statements herein for information regarding certain legal and administrative proceedings in which SOUTHERN and its reporting subsidiaries are involved.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits.

Exhibit 24 - (a) Powers of Attorney and resolutions. (Designated in the Form 10-K for the year ended December 31, 2000, File Nos. 1-3526, 1-3164, 1-6468, 0-2429, 0-6849 and 1-5072 as Exhibits 24(a), 24(b), 24(c), 24(d), 24(e) and 24(f), respectively, and incorporated herein by reference.)

(b) Reports on Form 8-K.

ALABAMA filed a Current Report on Form 8-K dated August 22, 2001:
Items reported: Items 5 and 7
Financial statements filed: None

GULF filed Current Reports on Form 8-K dated July 31, 2001 and October 5, 2001:
Items reported: Items 5 and 7
Financial statements filed: None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof.

THE SOUTHERN COMPANY

By *H. Allen Franklin*
Chairman and Chief Executive Officer
(Principal Executive Officer)

By *Gale E. Klappa*
Financial Vice President, Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)

By */s/ Wayne Boston*
(Wayne Boston, Attorney-in-fact)

Date: November 13, 2001

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof.

ALABAMA POWER COMPANY

By *Charles D. McCrary*
President and Chief Executive Officer
(Principal Executive Officer)

By *William B. Hutchins, III*
Executive Vice President, Chief Financial Officer and Treasurer
(Principal Financial Officer)

By */s/ Wayne Boston*
(Wayne Boston, Attorney-in-fact)

Date: November 13, 2001

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof.

GEORGIA POWER COMPANY

By *David M. Ratcliffe*
President and Chief Executive Officer
(Principal Executive Officer)

By *Thomas A. Fanning*
Executive Vice President, Treasurer and Chief Financial Officer
(Principal Financial Officer)

By */s/ Wayne Boston*
(Wayne Boston, Attorney-in-fact)

Date: November 13, 2001

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof.

GULF POWER COMPANY

By *Travis J. Bowden*
President and Chief Executive Officer
(Principal Executive Officer)

By *Ronnie Labrato*
Vice President, Chief Financial Officer and Comptroller
(Principal Financial and Accounting Officer)

By */s/ Wayne Boston*
(Wayne Boston, Attorney-in-fact)

Date: November 13, 2001

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof.

MISSISSIPPI POWER COMPANY

By *Michael D. Garrett*
President and Chief Executive Officer
(Principal Executive Officer)

By *Michael W. Southern*
Vice President, Treasurer and Chief Financial Officer
(Principal Financial and Accounting Officer)

By */s/ Wayne Boston*
(Wayne Boston, Attorney-in-fact)

Date: November 13, 2001

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof.

SAVANNAH ELECTRIC AND POWER COMPANY

By *Anthony R. James*
President and Chief Executive Officer
(Principal Executive Officer)

By *Kirby R. Willis*
Vice President, Treasurer and Chief Financial Officer
(Principal Financial and Accounting Officer)

By */s/ Wayne Boston*
(Wayne Boston, Attorney-in-fact)

Date: November 13, 2001