Any ineffectiveness arising from cash flow hedges is recognized currently in net income. Other derivative contracts that qualify as fair value hedges are marked to market through current period income and are recorded on a net basis in the statements of income. Cash flows from derivatives are classified on the statement of cash flows in the same category as the hedged item. The FPSC extended the moratorium on Gulf Power's fuel-hedging program until January 1, 2021 in connection with the 2017 Rate Case Settlement Agreement. The moratorium does not have an impact on the recovery of existing hedges entered into under the previously-approved hedging program. See Note 7 for additional information regarding derivatives.

Gulf Power offsets fair value amounts recognized for multiple derivative instruments executed with the same counterparty under a netting arrangement. Gulf Power had no outstanding collateral repayment obligations or rights to reclaim collateral arising from derivative instruments recognized at December 31, 2019 or 2018.

Gulf Power is exposed to potential losses related to financial instruments in the event of counterparties' nonperformance. Gulf Power has established risk management policies and controls to determine and monitor the creditworthiness of counterparties in order to mitigate Gulf Power's exposure to counterparty credit risk.

Provision for Uncollectible Accounts

All customers of Gulf Power are billed monthly. For the majority of receivables, a provision for uncollectible accounts is established based on historical collection experience and other factors. For the remaining receivables, if Gulf Power is aware of a specific customer's inability to pay, a provision for uncollectible accounts is recorded to reduce the receivable balance to the amount reasonably expected to be collected. If circumstances change, the estimate of the recoverability of accounts receivable could change as well. Circumstances that could affect this estimate include, but are not limited to, customer credit issues, customer deposits, and general economic conditions. Customers' accounts are written off once they are deemed to be uncollectible. For all periods presented, uncollectible accounts averaged less than 1% of revenues.

2. RETIREMENT BENEFITS

On January 1, 2019, Gulf Power's retiree benefit plan regulatory assets of approximately $160 million and noncurrent liabilities of approximately $80 million were reduced to zero as the pension plan was absorbed into NextEra Energy's pension plan. Gulf Power employees now participate in NextEra Energy's qualified noncontributory defined benefit pension plan. NextEra Energy uses multiemployer accounting and allocates net pension benefit income or expense to its subsidiaries based on pensionable earnings of the subsidiaries' employees. The calculation includes several components of cost, offset by the expected return on plan assets. For the year ended December 31, 2019, NextEra Energy allocated net pension benefit income to Gulf Power of $7.8 million. Certain Gulf Power employees also participate in NextEra Energy's supplemental executive retirement plan (SERP), which includes a non-qualified supplemental defined benefit pension component that provides benefits to a select group of management and highly compensated employees, and sponsors a contributory postretirement plan for other benefits for retirees of NextEra Energy and its subsidiaries meeting certain eligibility requirements.

Prior to the acquisition by NextEra Energy, Gulf Power employees participated in the Gulf Power qualified defined benefit, trusteed pension plan covering substantially all employees. This qualified defined benefit pension plan was funded in accordance with requirements of the Employee Retirement Income Security Act of 1974, as amended (ERISA). No contributions to the qualified pension plan were made for the year ended December 31, 2018. Gulf Power also provided certain non-qualified defined benefits for a select group of management and highly compensated employees, which were funded on a cash basis. In addition, Gulf Power provided certain medical care and life insurance benefits for retired employees through other postretirement benefit plans. Gulf Power funded its other postretirement trusts to the extent required by the FERC.

The following reflects Gulf Power's balances and activity under the multiple-employer method of accounting for the year ended December 31, 2018.

Actuarial Assumptions

The weighted average rates assumed in the actuarial calculations used to determine both the net periodic costs for the pension and other postretirement benefit plans for the following year and the benefit obligations as of the measurement date are presented below.

Assumptions used to determine net periodic costs:	2018
Pension plans	
Discount rate - benefit obligations	3.82%
Discount rate - interest costs	3.48%
Discount rate - service costs	3.98%
Expected long-term return on plan assets	7.95%
Annual salary increase	4.46%
Other postretirement benefit plans	
Discount rate - benefit obligations	3.69%
Discount rate - interest costs	3.30%
Discount rate - service costs	3.90%
Expected long-term return on plan assets	7.81%
Annual salary increase	4.46%

Assumptions used to determine benefit obligations:	2018
Pension plans	
Discount rate	4.51%
Annual salary increase	4.46%
Other postretirement benefit plans	
Discount rate	4.37%
Annual salary increase	4.46%

Gulf Power estimated the expected rate of return on pension plan and other postretirement benefit plan assets using a financial model to project the expected return on each current investment portfolio. The analysis projected an expected rate of return on each of the different asset classes in order to arrive at the expected return on the entire portfolio relying on each trust's target asset allocation and reasonable capital market assumptions. The financial model was based on four key inputs: anticipated returns by asset class (based in part on historical returns), each trust's target asset allocation, an anticipated inflation rate, and the projected impact of a periodic rebalancing of each trust's portfolio.

An additional assumption used in measuring the accumulated other postretirement benefit obligations (APBO) was a weighted average medical care cost trend rate. The weighted average medical care cost trend rates used in measuring the APBO as of December 31, 2018 were as follows:

	Initial Cost Trend Rate	Ultimate Cost Trend Rate	Year That Ultimate Rate is Reached
Pre-65	6.50%	4.50%	2028
Post-65 medical	5.00%	4.50%	2028
Post-65 prescription	8.00%	4.50%	2028

An annual increase or decrease in the assumed medical care cost trend rate of 1% would affect the APBO and the service and interest cost components at December 31, 2018 as follows:

	1 Percent Increase	1 Percent Decrease
	(millions)	
Benefit obligation	$ 2	$ 2
Service and interest costs	—	—

Pension Plans

The total accumulated benefit obligation for the pension plans was $481 million at December 31, 2018. Changes in the projected benefit obligations and the fair value of plan assets during the plan year ended December 31, 2018 were as follows:

	2018
	(millions)
Change in benefit obligation	
Obligation at January 1	$ 587
Service cost	16
Interest cost	20
Benefits paid	(30)
Actuarial (gain) loss	(67)
Obligation at December 31	526
Change in plan assets	
Fair value of plan assets at January 1	553
Actual return (loss) on plan assets	(40)
Employer contributions	9
Benefits paid	(30)
Fair value of plan assets at December 31	492
Accrued liability	$ (34)

At December 31, 2018, the projected benefit obligations for the qualified and non-qualified pension plans were $515 million and $11 million, respectively. All pension plan assets are related to the qualified pension plan.

Amounts recognized in the balance sheet at December 31, 2018 related to Gulf Power's pension plans consist of the following:

	2018
	(millions)
Other regulatory assets, deferred	$ 164
Other current liabilities	$ (1)
Employee benefit obligations	$ (33)

Presented below are the amounts included in regulatory assets at December 31, 2018 related to the defined benefit pension plans that had not yet been recognized in net periodic pension cost.

	2018
	(millions)
Prior service cost	$ 2
Net (gain) loss	162
Regulatory assets	$ 164

The changes in the balance of regulatory assets related to the defined benefit pension plans for the year ended December 31, 2018 are presented in the following table:

	2018
	(millions)
Regulatory assets:	
Beginning balance	$ 160
Net (gain) loss	14
Amortization of net gain (loss)	(10)
Ending balance	$ 164

Components of net periodic pension cost were as follows:

	2018
	(millions)
Service cost	$ 16
Interest cost	20
Expected return on plan assets	(40)
Recognized net (gain) loss	10
Net amortization	—
Net periodic pension cost	$ 6

Net periodic pension cost is the sum of service cost, interest cost, and other costs netted against the expected return on plan assets. The expected return on plan assets is determined by multiplying the expected rate of return on plan assets and the market-related value of plan assets. In determining the market-related value of plan assets, Gulf Power elected to amortize changes in the market value of all plan assets over five years rather than recognize the changes immediately. As a result, the accounting value of plan assets that is used to calculate the expected return on plan assets differs from the current fair value of the plan assets.

Other Postretirement Benefits

Changes in the APBO and in the fair value of plan assets during the plan year ended December 31, 2018 were as follows:

	2018
	(millions)
Change in benefit obligation	
Obligation at January 1	$ 83
Service cost	1
Interest cost	3
Benefits paid	(4)
Actuarial (gain) loss	(14)
Obligation at December 31	69
Change in plan assets	
Fair value of plan assets at January 1	20
Actual return (loss) on plan assets	(1)
Employer contributions	2
Benefits paid	(4)
Fair value of plan assets at December 31	17
Accrued liability	$ (52)

Amounts recognized in the balance sheet at December 31, 2018 related to Gulf Power's other postretirement benefit plans consist of the following:

	2018
	(millions)
Other current liabilities	$ (1)
Other regulatory liabilities, deferred	$ (4)
Employee benefit obligations	$ (51)

Approximately $(4) million was included in net regulatory liabilities at December 31, 2018, related to the net loss for the other postretirement benefit plans that had not yet been recognized in net periodic other postretirement benefit cost.

The change related to the other postretirement benefit plans for the plan year ended December 31, 2018 is as follows:

	2018
	(millions)
Net regulatory assets (liabilities):	
Beginning balance at January 1	$ 6
Net (gain) loss	(10)
Ending balance at December 31	$ (4)

Components of the other postretirement benefit plans' net periodic cost were as follows:

	2018
	(millions)
Service cost	$ 1
Interest cost	3
Expected return on plan assets	(2)
Net periodic postretirement benefit cost	$ 2

Benefit Plan Assets

Pension plan and other postretirement benefit plan assets were managed and invested in accordance with all applicable requirements, including ERISA and the Internal Revenue Code of 1986, as amended. Southern Company's investment policies for both the pension plan and the other postretirement benefit plans covered a diversified mix of assets, as described below. Southern Company minimized the risk of large losses primarily through diversification but also monitored and managed other aspects of risk.

The composition of Gulf Power's pension plan and other postretirement benefit plan assets as of December 31, 2018, along with the targeted mix of assets for each plan, is presented below:

	Target	2018
Pension plan assets:		
Domestic equity	26%	28%
International equity	25	25
Fixed income	23	24
Special situations	3	1
Real estate investments	14	15
Private equity	9	7
Total	100%	100%
Other postretirement benefit plan assets:		
Domestic equity	25%	27%
International equity	24	24
Domestic fixed income	25	26
Special situations	3	1
Real estate investments	14	15
Private equity	9	7
Total	100%	100%

The investment strategy for plan assets related to Gulf Power's qualified pension plan was to be broadly diversified across major asset classes. This asset allocation was established after consideration of various factors that affect the assets and liabilities of the pension plan including, but not limited to, historical and expected returns and interest rates, volatility, correlations of asset classes, the current level of assets and liabilities, and the assumed growth in assets and liabilities. Because a significant portion of the liability of the pension plan was long-term in nature, the assets were invested consistent with long-term investment expectations for return and risk. To manage the actual asset class exposures relative to the target asset allocation, Gulf Power employed a formal rebalancing program. As additional risk management, external investment managers and service providers were subject to written guidelines to ensure appropriate and prudent investment practices. Management believed the portfolio was well-diversified with no significant concentrations of risk.

Investment Strategies

Detailed below was a description of the investment strategies for each major asset category for the pension and other postretirement benefit plans disclosed above:

- ***Domestic equity.*** A mix of large and small capitalization stocks with generally an equal distribution of value and growth attributes, managed both actively and through passive index approaches.
- ***International equity.*** A mix of growth stocks and value stocks with both developed and emerging market exposure, managed both actively and through passive index approaches.
- ***Fixed income.*** A mix of domestic and international bonds.
- ***Special situations.*** Investments in opportunistic strategies with the objective of diversifying and enhancing returns and exploiting short-term inefficiencies as well as investments in promising new strategies of a longer-term nature.
- ***Real estate.*** Investments in traditional private market, equity-oriented investments in real properties (indirectly through pooled funds or partnerships) and in publicly traded real estate securities.
- ***Private equity.*** Investments in private partnerships that invest in private or public securities typically through privately-negotiated and/or structured transactions, including leveraged buyouts, venture capital, and distressed debt.

Benefit Plan Asset Fair Values

The following were the fair value measurements for the pension plan and the other postretirement benefit plan assets as of December 31, 2018. The fair values presented are prepared in accordance with GAAP. For purposes of determining the fair value of the pension plan and other postretirement benefit plan assets and the appropriate level designation, management relied on information provided by the plan's trustee. This information was reviewed and evaluated by management with changes made to the trustee information as appropriate.

Valuation methods of the primary fair value measurements disclosed in the following tables are as follows:

- ***Domestic and international equity.*** Investments in equity securities such as common stocks, American depositary receipts, and real estate investment trusts that trade on a public exchange are classified as Level 1 investments and are valued at the closing price in the active market. Equity funds with unpublished prices (i.e. pooled funds) are valued as Level 2, when the underlying holdings are comprised of Level 1 or Level 2 equity securities.
- ***Fixed income.*** Investments in fixed income securities are generally classified as Level 2 investments and are valued based on prices reported in the market place. Additionally, the value of fixed income securities takes into consideration certain items such as broker quotes, spreads, yield curves, interest rates, and discount rates that apply to the term of a specific instrument.
- ***Real estate, private equity, and special situations.*** Investments in real estate, private equity, and special situations are generally classified as Net Asset Value as a Practical Expedient, since the underlying assets typically do not have publicly available observable inputs. The fund manager values the assets using various inputs and techniques depending on the nature of the underlying investments. Techniques may include purchase multiples for comparable transactions, comparable public company trading multiples, discounted cash flow analysis, prevailing market capitalization rates, recent sales of comparable investments, and independent third-party appraisals. The fair value of partnerships is determined by aggregating the value of the underlying assets less liabilities.

The fair values of pension plan assets as of December 31, 2018 is presented below. These fair values exclude cash, receivables related to investment income and pending investments sales, and payables related to pending investment purchases. Gulf Power did not have any investments classified as Level 3 at December 31, 2018.

	December 31, 2018			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Net Asset Value as a Practical Expedient (NAV)	Total
	(millions)			
Assets:				
Domestic equity[a]	$ 89	$ 44	$ —	$ 133
International equity[a]	57	56	—	113
Fixed income:				
U.S. Treasury, government, and agency bonds	—	39	—	39
Corporate Bonds	—	51	—	51
Pooled funds	—	28	—	28
Cash Equivalents and other	11	—	—	11
Real estate investments	18	—	58	76
Special situations	—	—	7	7
Private Equity	—	—	35	35
Total	$ 175	$ 218	$ 100	$ 493

(a) Level 1 securities consist of actively traded stocks while Level 2 securities consist of pooled funds.

The fair values of other postretirement benefit plan assets as of December 31, 2018 are presented below. These fair value measurements exclude cash, receivables related to investment income and pending investments sales, and payables related to pending investment purchases. Gulf Power did not have any investments classified as Level 3 at December 31, 2018.

	December 31, 2018			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Net Asset Value as a Practical Expedient (NAV)	Total
	(millions)			
Assets:				
Domestic equity[a]	$ 3	$ 2	$ —	$ 5
International equity[a]	2	2	—	4
Fixed income:				
U.S. Treasury, government, and agency bonds	—	1	—	1
Corporate Bonds	—	2	—	2
Pooled funds	—	1	—	1
Cash Equivalents and other	1	—	—	1
Real estate investments	1	—	2	3
Private Equity	—	—	1	1
Total	$ 7	$ 8	$ 3	$ 18

(a) Level 1 securities consist of actively traded stocks while Level 2 securities consist of pooled funds.

Employee Savings Plan

Gulf Power also sponsored a 401(k) defined contribution plan covering substantially all employees and provided matching contributions up to specified percentages of an employee's eligible pay. Total matching contributions made to the plan for 2018 was $5 million.

3. JOINT OWNERSHIP AGREEMENTS

Gulf Power and Mississippi Power Company (Mississippi Power) jointly own Plant Daniel Units 1 and 2, which together represent capacity of 1,000 megawatts. Plant Daniel is a generating plant located in Jackson County, Mississippi. In accordance with the operating agreement, Mississippi Power acts as Gulf Power's agent with respect to the construction, operation, and maintenance of these units.

Gulf Power and Georgia Power Company (Georgia Power) jointly own the 818-megawatt capacity Plant Scherer Unit 3. Plant Scherer is a generating plant located near Forsyth, Georgia. In accordance with the operating agreement, Georgia Power acts as Gulf Power's agent with respect to the construction, operation, and maintenance of the unit.

At December 31, 2019, Gulf Power's percentage ownership and investment in these jointly-owned facilities were as follows:

	Plant Scherer Unit 3 (coal)	Plant Daniel Units 1&2 (coal)
	(millions)	
Plant in service	$ 423	$ 715
Accumulated depreciation	$ 146	$ 222
Construction work in progress	$ 14	$ 22
Company ownership	25%	50%

Gulf Power's proportionate share of its plant operating expenses is included in the corresponding operating expenses in the statements of income and Gulf Power is responsible for providing its own financing.

In conjunction with Southern Company's sale of Gulf Power, Mississippi Power and Gulf Power have committed to seek a restructuring of their 50% undivided ownership interests in Plant Daniel such that each of them would, after the restructuring, own 100% of a generating unit. On January 15, 2019, Gulf Power provided notice to Mississippi Power that Gulf Power will retire its share of the generating capacity of Plant Daniel on January 15, 2024. Mississippi Power has the option to purchase Gulf Power's ownership interest for $1 on January 15, 2024, provided that Mississippi Power exercises the option no later than 120 days prior to that date. Based on a site plan filing with the FPSC, in March 2020 Gulf Power reclassified the net book value of Plant Daniel of approximately $467 million to other property. The ultimate outcome of these matters remains subject to Mississippi Power's decision with respect to its purchase option and applicable regulatory approvals, including the FERC and the Mississippi Public Service Comission, and cannot be determined at this time.

4. INCOME TAXES

NextEra Energy will file a consolidated federal income tax return and various combined and separate state tax returns on behalf of Gulf Power. Under the tax sharing agreement between NextEra Energy and certain of its subsidiaries, Gulf Power's income tax provision reflects the use of the "separate return method," except that tax benefits that could not be used on a separate return basis, but are used on the consolidated tax return, are recorded by the subsidiary that generated the tax benefits. Any remaining consolidated income tax benefits or expenses are recorded at the corporate level. Included in other regulatory assets and other regulatory liabilities on Gulf Power's balance sheet is the revenue equivalent of the difference in deferred income taxes computed under accounting rules as compared to regulatory accounting rules.

Prior to acquisition, on behalf of Gulf Power, Southern Company filed a consolidated federal income tax return and various combined and separate state income tax returns using the "separate return method". In accordance with IRS regulations, each company is jointly and severally liable for the federal tax liability.

The components of income taxes are as follows:

	Years Ended December 31,	
	2019	2018
	(millions)	
Federal:		
Current	$ 41	$ (26)
Deferred	(12)	(2)
Total federal	29	(28)
State:		
Current	1	(1)
Deferred	12	9
Total state	13	8
Total income tax expense (benefit)	$ 42	$ (20)

The income tax effects of temporary differences giving rise to consolidated deferred income tax liabilities and assets are as follows:

	December 31,	
	2019	2018
	(millions)	
Deferred tax liabilities:		
Property-related	$ 708	$ 676
Property damage reserve	53	65
Other	51	150
Total deferred income tax liabilities	812	891
Deferred tax assets and valuation allowance:		
Employee benefit obligations	4	61
Asset retirement obligations	46	45
Other	136	163
Net deferred tax assets	186	269
Net deferred income tax liabilities	$ 626	$ 622

Gulf Power has tax-related regulatory assets (deferred income tax charges) and regulatory liabilities (deferred income tax credits). The regulatory assets are primarily attributable to tax benefits flowed through to customers in prior years and taxes applicable to capitalized interest. The regulatory liabilities are primarily attributed to deferred taxes previously recognized at rates higher than the current enacted tax law. See Note 1 - Retail Base Rates.

At December 31, 2019 , Gulf Power had state of Florida net operating loss (NOL) carryforwards totaling approximately $151 million, resulting in a net deferred tax asset of approximately $7 million. As a result of Florida conforming with the provisions of the Tax Reform Legislation, the NOLs can be carried forward indefinitely with no expiration date.

At December 31, 2019, Gulf Power had approximately $5 million of federal tax credit carryforwards with expiration dates ranging from 2031-2038.

Effective Tax Rate

A reconciliation of the federal statutory income tax rate to the effective income tax rate is as follows:

	Years Ended December 31,	
	2019	2018
Statutory federal income tax rate	21.0%	21.0 %
Increases (reductions) resulting from:		
State income tax, net of federal deduction	4.6	4.4
Non-deductible book depreciation	—	0.5
Flowback of excess deferred income taxes	(7.0)	(39.4)
Other, net	0.2	(0.6)
Effective income tax rate (benefit)	18.8%	(14.1)%

Unrecognized Tax Benefits

Gulf Power recognizes tax positions that are "more likely than not" of being sustained upon examination by the appropriate taxing authorities. Gulf Power has no unrecognized tax benefits for the periods presented. Gulf Power classifies interest on tax uncertainties as interest expense. Gulf Power did not accrue interest for unrecognized tax benefits nor accrue any penalties on uncertain tax positions.

Prior to January 1, 2019, Gulf Power was included in Southern Company's consolidated federal tax return and various combined and separate state income tax returns. The IRS has finalized its audits of Southern Company's consolidated federal income tax returns through 2018. Southern Company is a participant in the Compliance Assurance Process of the IRS. The audits for Southern Company's state income tax returns have either been concluded, or the statute of limitations has expired, for years prior to 2015.

5. FINANCING

Long-term debt consists of the following:

	December 31, 2019	December 31, 2018
	(millions)	
Long-term notes payable:		
4.75% due 2020	$ 175	$ 175
3.10% due 2022	100	100
3.30% to 5.10% due 2027-2044	715	715
Variable Term Loan due 2021 (1 Month Libor + 0.55)	300	—
Total Long-term notes payable	1,290	990
Pollution control revenue bonds:		
2.10% due 2022	—	37
2.60% due 2023	33	33
1.80% to 2.00% due 2037-2039	107	157
Variable rate (1.71% at 12/31/19) due 2022	41	4
Variable rates (1.71% to 1.73% at 12/31/19) due 2039-2042	78	78
Variable rates (1.71% to 1.77% at 12/31/19) due 2044-2049	150	—
Total pollution control revenue bonds	409	309
Unamortized debt discount	(4)	(4)
Unamortized debt issuance expense	(10)	(9)
Total long-term debt	1,685	1,286
Less current portion of long-term debt	175	—
Total long-term debt, excluding current portion	$ 1,510	$ 1,286

Maturities through 2023 applicable to total long-term debt include $175 million in 2020, $300 million in 2021, $141 million in 2022, $33 million in 2023. There are no scheduled maturities in 2024.

Senior Notes

At December 31, 2019 and 2018, Gulf Power had a total of $990 million of senior notes outstanding. These senior notes are effectively subordinate to all secured debt of Gulf Power, which totaled approximately $41 million at December 31, 2019 and 2018, respectively.

Pollution Control Revenue Bonds

Pollution control revenue bond obligations represent loans to Gulf Power from public authorities of funds derived from sales by such authorities of revenue bonds issued to finance pollution control and solid waste disposal facilities. Gulf Power is required to make payments sufficient for the authorities to meet principal and interest requirements of such bonds. The amount of tax- exempt pollution control revenue bond obligations outstanding at December 31, 2019 and 2018 was $409 million and $309 million, respectively.

Outstanding Classes of Capital Stock

Gulf Power has preferred stock, Class A preferred stock, preference stock, and common stock authorized. Gulf Power's preferred stock and Class A preferred stock, without preference between classes, would rank senior to Gulf Power's preference stock and common stock with respect to payment of dividends and voluntary or involuntary dissolution. No shares of preferred stock or Class A preferred stock were outstanding at December 31, 2019 or 2018. Gulf Power's preference stock would rank senior to the common stock with respect to the payment of dividends and voluntary or involuntary dissolution. No shares of preference stock were outstanding at December 31, 2019 or 2018.

Dividend Restrictions

Gulf Power can only pay dividends out of retained earnings or paid-in-capital.

Assets Subject to Lien

Gulf Power has granted a lien on its property at Plant Daniel in connection with the issuance of two series of pollution control revenue bonds with an aggregate outstanding principal amount of $41 million as of December 31, 2019.

Bank Credit Arrangements

Gulf Power has a revolving credit facility with available capacity at December 31, 2019 in the amount of $900 million with a maturity date of 2024. The revolving credit facility provides for the issuance of letters of credit up to $75 million at December 31, 2019. The entire amount of the revolving credit facility is available for general corporate purposes and to provide additional liquidity in the event of a loss to Gulf Power's operating facilities. Gulf Power's syndicated revolving credit facility is also available to support the purchase of approximately $269 million of its tax exempt bonds in the event they are tendered by individual bondholders and not remarketed prior to maturity.

For short-term needs, Gulf Power borrows primarily through a commercial paper program that has the liquidity support of the revolving credit facility described above. At December 31, 2019 Gulf power had $392 million in short-term borrowings including $192 million of commercial paper with a weighted average interest rate of 2.1%. There were no short term borrowings as of December 31, 2018.

6. FAIR VALUE MEASUREMENTS

Fair value measurements are based on inputs of observable and unobservable market data that a market participant would use in pricing the asset or liability. The use of observable inputs is maximized where available and the use of unobservable inputs is minimized for fair value measurement and reflects a three-tier fair value hierarchy that prioritizes inputs to valuation techniques used for fair value measurement.

- Level 1 consists of observable market data in an active market for identical assets or liabilities.
- Level 2 consists of observable market data, other than that included in Level 1, that is either directly or indirectly observable.
- Level 3 consists of unobservable market data. The input may reflect the assumptions of Gulf Power of what a market participant would use in pricing an asset or liability. If there is little available market data, then Gulf Power's own assumptions are the best available information.

In the case of multiple inputs being used in a fair value measurement, the lowest level input that is significant to the fair value measurement represents the level in the fair value hierarchy in which the fair value measurement is reported.

Liabilities measured at fair value on a recurring basis, together with their associated level of the fair value hierarchy, were as follows:

	Fair Value Measurements Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
		(millions)		
As of December 30, 2019:				
Liabilities: Energy-related derivatives	$ —	$ 1	$ —	$ 1
As of December 31, 2018				
Liabilities: Energy-related derivatives	$ —	$ 6	$ —	$ 6

Valuation Methodologies

The energy-related derivatives primarily consist of over-the-counter financial products for natural gas and physical power products, including, from time to time, basis swaps. These are standard products used within the energy industry and are valued using the market approach. The inputs used are mainly from observable market sources, such as forward natural gas prices, power prices, implied volatility, and overnight index swap interest rates. Interest rate derivatives are also standard over-the-counter products that are valued using observable market data and assumptions commonly used by market participants. See Note 7 for additional information on how these derivatives are used.

7. DERIVATIVES

Gulf Power is exposed to commodity price risk. To manage the volatility attributable to this exposure, Gulf Power nets its exposures, where possible, to take advantage of natural offsets and may enter into various derivative transactions for the remaining exposures pursuant to Gulf Power's policies in areas such as counterparty exposure and risk management practices. Gulf Power's policy is that derivatives are to be used primarily for hedging purposes and mandates strict adherence to all applicable risk management policies. Derivative positions are monitored using techniques including, but not limited to, market valuation, value at risk, stress testing, and sensitivity analysis. Derivative instruments are recognized at fair value in the balance sheets as either assets or liabilities and are presented on a net basis. See Note 6 for additional information. In the statements of cash flows, the cash impacts of settled energy-related derivatives are recorded as operating activities.

Energy-Related Derivatives

Gulf Power enters into energy-related derivatives to hedge exposures to electricity, gas, and other fuel price changes. However, due to cost-based rate regulations and other various cost recovery mechanisms, Gulf Power has limited exposure to market volatility in energy-related commodity prices. Gulf Power manages fuel-hedging programs, implemented per the guidelines of the FPSC, through the use of financial derivative contracts, which is expected to continue to mitigate price volatility. The FPSC approved a stipulation and agreement that prospectively imposed a moratorium on Gulf Power's fuel-hedging program from October 2016 through December 31, 2017. In connection with the 2017 Rate Case Settlement Agreement, the FPSC extended the moratorium on Gulf Power's fuel-hedging program until January 1, 2021. The moratorium does not have an impact on the recovery of existing hedges entered into under the previously-approved hedging program.

Energy-related derivative contracts which are designated as regulatory hedges relate primarily to Gulf Power's fuel-hedging programs, where gains and losses are initially recorded as regulatory liabilities and assets, respectively, and then are included in fuel expense as the underlying fuel is used in operations and ultimately recovered through the fuel cost recovery clause.

Some energy-related derivative contracts require physical delivery as opposed to financial settlement, and this type of derivative is both common and prevalent within the electric industry. When an energy-related derivative contract is settled physically, any cumulative unrealized gain or loss is reversed and the contract price is recognized in the respective line item representing the actual price of the underlying goods being delivered.

At December 31, 2019, the net volume of energy-related derivative contracts for natural gas positions totaled 0.7 mmBtu for Gulf Power, with the longest hedge date of 2020.

Derivative Financial Statement Presentation and Amounts

Gulf Power enters into derivative contracts that may contain certain provisions that permit intra-contract netting of derivative receivables and payables for routine billing and offsets related to events of default and settlements. Fair value amounts of derivative assets and liabilities on the balance sheets are presented net to the extent that there are netting arrangements or similar agreements with the counterparties.

At December 31, 2019 and 2018, the fair value of energy-related derivatives of $1 million and $6 million, respectively, were reflected on the balance sheets in other current liabilities and the corresponding pre-tax effects of unrealized derivative gains arising from energy-related derivatives designated as regulatory hedging instruments and deferred were reflected on the balance sheets in current other regulatory assets.

Contingent Features

Gulf Power does not have any credit arrangements that would require material changes in payment schedules or terminations as a result of a credit rating downgrade. There are certain derivatives that could require collateral, but not accelerated payment, in the event of various credit rating changes of certain affiliated companies. At December 31, 2019 and 2018, Gulf Power had no collateral posted with derivative counterparties to satisfy these arrangements.

At December 31, 2019, and 2018, the fair value of derivative liabilities with contingent features was immaterial. However, because of joint and several liability features underlying these derivatives, the maximum potential collateral requirements arising from the credit risk related contingent features, at a rating below investment grade, were approximately $1 million as of December 31, 2019 and December 31, 2018, and include certain agreements that could require collateral in the event that one or more Southern Company power pool participants has a credit rating change to below investment grade. Following the sale of Gulf Power to NextEra Energy, Gulf Power is continuing to participate in the Southern Company power pool for a defined transition period that, subject to certain potential adjustments, is scheduled to end on January 1, 2024. Some derivative contracts do not contain credit ratings downgrade triggers, but do contain provisions that require certain financial measures be maintained and/or have credit-related cross-default triggers. In the event these provisions were triggered, Gulf Power could be required to post additional collateral of up to approximately $1 million at December 31, 2019.

Generally, collateral may be provided by a NextEra Energy guaranty, letter of credit, or cash. If collateral is required, fair value amounts recognized for the right to reclaim cash collateral or the obligation to return cash collateral are not offset against fair value amounts recognized for derivatives executed with the same counterparty.

Gulf Power is exposed to losses related to financial instruments in the event of counterparties' nonperformance. Gulf Power only enters into agreements and material transactions with counterparties that have investment grade credit ratings by Moody's Investors Service, Inc. and S&P Global Ratings, a division of S&P Global Inc., or with counterparties who have posted collateral to cover potential credit exposure. Gulf Power has also established risk management policies and controls to determine and monitor the creditworthiness of counterparties in order to mitigate Gulf Power's exposure to counterparty credit risk.

8. LEASES

Gulf Power adopted the new lease accounting standard effective January 1, 2019 on a prospective basis. Gulf Power elected (i) not to reassess whether any expired or existing contracts are/or contain leases, (ii) not to reassess the lease classification for any expired or existing leases, (iii) not to reassess initial direct costs for any existing leases, (iv) not to reevaluate land easements if they were not previously accounted for as leases, (v) not to apply hindsight when assessing lease term and impairment of the right-of-use (ROU) asset, (vi) not to apply the recognition requirements for short-term leases, (vii) not to separate non-lease components from associated lease components for substantially all classes of underlying assets and (viii) to apply transition requirements at adoption date and not apply the new requirements to comparative periods, including disclosures.

Upon adoption of the new lease standard, ROU assets and lease liabilities in connection with operating leases at Gulf Power were recorded. ROU assets are included in noncurrent other assets, lease liabilities are included in current and noncurrent other liabilities on Gulf Power's balance sheet. The ROU assets were netted against the deferred capacity expense of $82 million that were included within other current and other noncurrent liabilities on the balance sheet at January 1, 2019. Operating lease expense is primarily included in fuel, purchased power and interchange expense on Gulf Power's statement of income.

Operating ROU assets and lease liabilities were recorded primarily related to a purchased power agreement; such amounts totaled approximately $206 million at December 31, 2019, of which $64 million is included in regulatory assets. At December 31, 2019, approximately $148 million of lease liabilities is included in noncurrent other liabilities and $58 million is included in current other liabilities on Gulf Power's balance sheet. Gulf Power's lease liabilities at December 31, 2019 were calculated using a weighted-average incremental borrowing rate at the lease implementation of 3.39% and a weighted average remaining lease term of 3.4 years. Gulf Power's operating lease expense for the year ended December 31, 2019 was $64 million and is primarily included within fuel, purchased power and interchange expense. Rental expense for operating leases, as reported under the previous lease standard, for the year ended December 31, 2018 was $84 million and included within fuel, purchased power and interchange expense.

For the year ended December 31, 2019, cash paid for amounts included in the measurement of lease liabilities was $64 million and included within operating cash flows on the statement of cash flow.

Operating leases primarily have fixed payments with expiration dates ranging from 2020 to 2023. At December 31, 2019, expected lease payments over the remaining terms of the operating leases for each of the following calendar years (in millions):

2020	$ 64
2021	64
2022	64
2023	26
Total lease payments	218
Less: imputed interest	(12)
Total lease obligation	$ 206

The following table presents estimated minimum lease payments under operating leases as reported under the previous lease standard for each of the following calendar years as of December 31, 2018 (in millions):

2019	$	83
2020		82
2021		81
2022		81
2023		33
2024 and thereafter		4
Total lease payments	$	364

9. COMMITMENTS

Fuel and Purchased Power Agreements

To supply a portion of the fuel requirements of its generating plants, Gulf Power has entered into various long-term commitments for the procurement and delivery of fossil fuel not recognized on the balance sheets. For the year ended December 31, 2019 and 2018, Gulf Power incurred fuel expense of $376 million and $421 million, respectively, the majority of which was purchased under long-term commitments. Gulf Power expects that a substantial amount of its future fuel needs will continue to be purchased under long-term commitments.

In addition, Gulf Power has entered into various long-term commitments for the purchase of capacity, energy, and transmission, some of which are accounted for as operating leases (see Note 8). The energy-related costs associated with PPAs are recovered through the fuel cost recovery clause. The capacity and transmission-related costs associated with PPAs are recovered through the purchased power capacity cost recovery clause. Capacity expense was $75 million and $74 million for 2019 and 2018, respectively.

10. SUBSEQUENT EVENTS

Gulf Power evaluates events or transactions that occur after the balance sheet date but before the financial statements are issued for potential recognition or disclosure in the financial statements. Gulf Power has evaluated subsequent events through April 22, 2020, which is the date the financial statements were available to be issued, and except as noted below, no additional disclosures are required.

Gulf Power is monitoring the global outbreak of the novel coronavirus (COVID-19) and is taking steps intended to mitigate the potential risks to Gulf Power posed by COVID-19. This is an evolving situation, which has disrupted the capital markets and economic activity in areas in which Gulf Power, its customers or its vendors do business, and these disruptions could continue for a prolonged period or increase. Gulf Power is continuing to monitor developments affecting its workforce, customers, suppliers and markets and intends to take additional measures as Gulf Power believes are warranted. Gulf Power is currently unable to estimate the impact of these events on its financial position or results of operations.

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Gulf Power Company
Quarterly Financial Statements
June 30, 2020 and 2019
(Unaudited)

DEFINITIONS

Term	Meaning
FERC	Federal Energy Regulatory Commission
FPL	Florida Power & Light Company
FPSC	Florida Public Service Commission
Gulf Power	Gulf Power Company
NextEra Energy	NextEra Energy, Inc.
power pool	The operating arrangement whereby the integrated generating resources of the traditional electric operating companies and Southern Power (excluding subsidiaries) are subject to joint commitment and dispatch in order to serve their combined load obligations
Southern Company	The Southern Company
traditional electric operating companies	Alabama Power Company, Georgia Power Company, Gulf Power and Mississippi Power Company

GULF POWER COMPANY
STATEMENTS OF INCOME
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(millions)			
Operating Revenues	$ 333	$ 366	$ 660	$ 694
Operating Expenses:				
Fuel, purchased power and interchange	99	137	210	260
Other operations and maintenance	63	61	127	130
Acquisition-related	—	18	—	18
Depreciation and amortization	71	56	139	106
Taxes other than income taxes and other - net	26	26	51	55
Total operating expenses	259	298	527	569
Operating Income	74	68	133	125
Other Income (Expense):				
Interest expense, net of amounts capitalized	(11)	(14)	(26)	(27)
Other income (expense) - net	7	1	12	—
Total other income (expense) - net	(4)	(13)	(14)	(27)
Income Before Income Taxes	70	55	119	98
Income taxes	15	10	25	17
Net Income	$ 55	$ 45	$ 94	$ 81

The accompanying notes are an integral part of these financial statements.

GULF POWER COMPANY
BALANCE SHEETS
(unaudited)

	June 30, 2020	December 31, 2019
	(millions)	
PROPERTY, PLANT and EQUIPMENT		
Electric plant in service and other property	$ 5,673	$ 5,616
Construction work in progress	745	765
Accumulated depreciation and amortization	(1,464)	(1,629)
Total property, plant and equipment - net	4,954	4,752
CURRENT ASSETS		
Cash and cash equivalents	11	6
Customer receivables, net of allowances of $3 and $1, respectively	159	143
Materials, supplies and fossil fuel inventory	145	127
Regulatory assets	137	124
Other	87	52
Total current assets	539	452
OTHER ASSETS		
Regulatory assets	411	425
Other assets	241	229
Total other assets	652	654
TOTAL ASSETS	$ 6,145	$ 5,858
CAPITALIZATION		
Common stock (without par value) - authorized shares	$ 678	$ 678
Additional paid-in capital	1,714	1,013
Retained earnings	119	26
Accumulated other comprehensive loss	(1)	(1)
Total common shareholder's equity	2,510	1,716
Long-term debt	1,560	1,510
Total capitalization	4,070	3,226
CURRENT LIABILITIES		
Commercial Paper	12	192
Other short-term debt	200	200
Current portion of long-term debt	—	175
Accounts payable	119	301
Customer deposits	36	34
Accrued interest and taxes	34	29
Regulatory liabilities	11	25
Other	164	173
Total current liabilities	576	1,129
OTHER LIABILITIES AND DEFERRED CREDITS		
Asset retirement obligations	99	113
Deferred income taxes	641	626
Regulatory liabilities	561	527
Other	198	237
Total other liabilities and deferred credits	1,499	1,503
COMMITMENTS AND CONTINGENCIES		
TOTAL CAPITALIZATION AND LIABILITIES	$ 6,145	$ 5,858

The accompanying notes are an integral part of these financial statements.

GULF POWER COMPANY
STATEMENTS OF CASH FLOWS
(unaudited)

	Six months ended June 30, 2020	Six months ended June 30, 2019
	(millions)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 94	$ 81
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	139	106
Other amortization	1	29
Deferred income taxes	37	13
Cost recovery clauses and franchise fees	(36)	(31)
Other - net	(13)	(15)
Changes in operating assets and liabilities:		
Current assets	(31)	(53)
Noncurrent assets	19	(29)
Current liabilities	(55)	(62)
Noncurrent liabilities	(4)	15
Net cash provided by operating activities	151	54
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(508)	(248)
Other - net	1	—
Net cash used in investing activities	(507)	(248)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuances of long-term debt	51	105
Retirements of long-term debt	(176)	(105)
Net change in commercial paper	(180)	100
Capital contributions from parent company	700	100
Other - net	(1)	—
Net cash provided by financing activities	394	200
Net increase in cash, cash equivalents and restricted cash	38	6
Cash, cash equivalents, and restricted cash at beginning of period	69	9
Cash, cash equivalents, and restricted cash at end of period	$ 107	$ 15
Supplemental Cash Flow Information:		
Noncash transactions:		
Accrued property additions at quarter-end	$ 62	$ 37

The accompanying notes are an integral part of these financial statements.

GULF POWER COMPANY
NOTES TO FINANCIAL STATEMENTS
(unaudited)

The accompanying financial statements should be read in conjunction with the 2019 Annual Financial Statements of Gulf Power. In the opinion of Gulf Power management, all adjustments (consisting of normal recurring accruals) considered necessary for fair financial statement presentation have been made. The results of operations for an interim period generally will not give a true indication of results for the year.

1. PROPOSED MERGER

On May 1, 2020, NextEra Energy, together with its wholly owned public utility operating companies, FPL and Gulf Power, filed an application with the FERC for approval to merge Gulf Power with and into FPL, with FPL as the surviving entity. Subject to FERC approval, the merger would be effective January 1, 2021. While Gulf Power will cease being a distinct corporate entity at the time of the merger, FPL will continue to provide service to customers in Gulf Power's service territory in northwest Florida under the existing Gulf Power brand during 2021, as a separate operating division with separate retail and wholesale rates. A decision from the FERC is expected on or before October 28, 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Affiliate Transactions

Certain services are provided to Gulf Power by FPL at direct or allocated fully loaded cost. Corporate support services provided by FPL primarily include corporate governance, accounting, financial, consulting, human resources systems and programs, education and training, legal, payroll, management and administrative, computer services, software maintenance and license fees. Other services provided by FPL include business operations, engineering and construction, development, customer service and information technology. Charges for these services are billed to Gulf Power in accordance with FPL's policy and amounted to $8 million and $29 million, and $9 million and $33 million for the three and six months ended June 30, 2020, and 2019 respectively.

Beginning in June 2020, Gulf Power utilized the assistance of FPL to obtain natural gas to meet its requirements. All costs associated with services provided by FPL were direct billed at cost to Gulf Power. All costs associated with natural gas purchases are recoverable through the fuel cost recovery clause.

Property Plant and Equipment

Based on a site plan filing with the FPSC, Gulf Power reclassified the net book value of Plant Daniel of approximately $467 million to other property in March 2020.

Restricted Cash

At June 30, 2020 and December 31, 2019, Gulf Power had approximately $97 million and $63 million, respectively, of restricted cash, of which approximately $46 million and $30 million, respectively, is included in current other assets and the remaining balance is included in noncurrent other assets on the balance sheets. Restricted cash is primarily related to bond proceeds held for construction.

3. RETIREMENT BENEFITS

Gulf Power employees participate in NextEra Energy's qualified noncontributory defined benefit pension plan. NextEra Energy uses multi-employer accounting and allocates net pension benefit income or expense to its subsidiaries based on pensionable earnings of the subsidiaries' employees. The calculation includes several components of cost, offset by the expected return on plan assets. For the three and six months ended June 30, 2020 and 2019, NextEra Energy allocated net pension benefit income of $1.7 million and $3.4 million, and $1.9 million and $3.9 million, respectively. Certain Gulf Power employees also participate in NextEra Energy's supplemental executive retirement plan (SERP), which includes a non-qualified supplemental defined benefit pension component that provides benefits to a select group of management and highly compensated employees, and sponsors a contributory postretirement plan for other benefits for retirees of NextEra Energy and its subsidiaries meeting certain eligibility requirements.

4. INCOME TAXES

NextEra Energy will file a consolidated federal income tax return and various combined and separate state tax returns on behalf of Gulf Power. Under the tax sharing agreement between NextEra Energy and certain of its subsidiaries, Gulf Power's income tax provision reflects the use of the "separate return method," except that tax benefits that could not be used on a separate return basis, but are used on the consolidated tax return, are recorded by the subsidiary that generated the tax benefits. Any remaining consolidated income tax benefits or expenses are recorded at the corporate level. Included in other regulatory assets and other regulatory liabilities on Gulf Power's balance sheet is the revenue equivalent of the difference in deferred income taxes computed under accounting rules as compared to regulatory accounting rules.

Effective Tax Rate

A reconciliation of the federal statutory income tax rate to the effective income tax rate is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Statutory federal income tax rate	21.0%	21.0%	21.0%	21.0%
State income tax, net of federal deduction	4.3	5.0	4.2	4.6
Amortization of deferred regulatory credit	(3.0)	(8.0)	(3.1)	(9.0)
Other, net	(1.3)	0.6	(1.4)	0.7
Effective income tax rate	21.0%	18.6%	20.7%	17.3%

5. FINANCING

In June 2020, Gulf Power issued $50 million of variable rate tax-exempt industrial development revenue bonds with a maturity date of 2050. The interest rate is variable based on an underlying index plus a specified margin. Also in June 2020, Gulf Power remarketed pollution control revenue bonds with a principal balance of $42 million from a fixed rate of 2.0% to a variable daily rate based on an underlying index plus a specified margin.

6. FAIR VALUE MEASUREMENTS

Fair value measurements are based on inputs of observable and unobservable market data that a market participant would use in pricing the asset or liability. The use of observable inputs is maximized where available and the use of unobservable inputs is minimized for fair value measurement and reflects a three-tier fair value hierarchy that prioritizes inputs to valuation techniques used for fair value measurement. The fair value of assets and liabilities are determined using either unadjusted quoted prices in active markets (Level 1) or pricing inputs that are observable (Level 2) whenever that information is available and using unobservable inputs (Level 3) to estimate fair value only when relevant observable inputs are not available. In the case of multiple inputs being used in a fair value measurement, the lowest level input that is significant to the fair value measurement represents the level in the fair value hierarchy in which the fair value measurement is reported.

At December 31, 2019, Gulf Power had liabilities measured at fair value on a recurring basis relating to energy-related derivatives of $1 million (Level 2). At June 30, 2020, there were no energy-related derivatives.

Valuation Methodologies

The energy-related derivatives primarily consist of over-the-counter financial products for natural gas and physical power products, including, from time to time, basis swaps. These are standard products used within the energy industry and are valued using the market approach. The inputs used are mainly from observable market sources, such as forward natural gas prices, power prices, implied volatility, and overnight index swap interest rates. Interest rate derivatives are also standard over-the-counter products that are valued using observable market data and assumptions commonly used by market participants. See Note 7 for additional information on how these derivatives are used.

7. DERIVATIVES

Gulf Power is exposed to commodity price risk. To manage the volatility attributable to this exposures, Gulf Power nets its exposures, where possible, to take advantage of natural offsets and may enter into various derivative transactions for the remaining exposures pursuant to Gulf Power's policies in areas such as counterparty exposure and risk management practices. Gulf Power's policy is that derivatives are to be used primarily for hedging purposes and mandates strict adherence to all applicable risk management policies. Derivative positions are monitored using techniques including, but not limited to, market valuation, value at risk, stress testing, and sensitivity analysis. Derivative instruments are recognized at fair value in the balance sheets as either assets or liabilities and are presented on a net basis. See Note 6 for additional information. In the statements of cash flows, the cash impacts of settled energy-related derivatives are recorded as operating activities.

Energy-Related Derivatives

Gulf Power enters into energy-related derivatives to hedge exposures to electricity, gas, and other fuel price changes. However, due to cost-based rate regulations and other various cost recovery mechanisms, Gulf Power has limited exposure to market volatility in energy-related commodity prices. Gulf Power manages fuel-hedging programs, implemented per the guidelines of the FPSC, through the use of financial derivative contracts, which is expected to continue to mitigate price volatility. The FPSC approved a stipulation and agreement that prospectively imposed a moratorium on Gulf Power's fuel-hedging program in October 2016 through December 31, 2017. In connection with the 2017 Rate Case Settlement Agreement, the FPSC extended the moratorium on Gulf Power's fuel-hedging program until January 1, 2021. The moratorium does not have an impact on the recovery of existing hedges entered into under the previously-approved hedging program.

Energy-related derivative contracts which are designated as regulatory hedges relate primarily to Gulf Power's fuel-hedging programs, where gains and losses are initially recorded as regulatory liabilities and assets, respectively, and then are included in fuel expense as the underlying fuel is used in operations and ultimately recovered through the fuel cost recovery clause.

Some energy-related derivative contracts require physical delivery as opposed to financial settlement, and this type of derivative is both common and prevalent within the electric industry. When an energy-related derivative contract is settled physically, any cumulative unrealized gain or loss is reversed and the contract price is recognized in the respective line item representing the actual price of the underlying goods being delivered.

At June 30, 2020, there were no energy-related derivative contracts for natural gas positions.

Derivative Financial Statement Presentation and Amounts

Gulf Power enters into energy-related and interest rate derivative contracts that may contain certain provisions that permit intra-contract netting of derivative receivables and payables for routine billing and offsets related to events of default and settlements. Fair value amounts of derivative assets and liabilities on the balance sheets are presented net to the extent that there are netting arrangements or similar agreements with the counterparties. At June 30, 2020 and December 31, 2019, the fair value of energy-related derivatives was not material.

Contingent Features

Gulf Power does not have any credit arrangements that would require material changes in payment schedules or terminations as a result of a credit rating downgrade. There are certain derivatives that could require collateral, but not accelerated payment, in the event of various credit rating changes of certain affiliated companies. At June 30, 2020 and December 31, 2019, Gulf Power had no collateral posted with derivative counterparties to satisfy these arrangements.

At June 30, 2020, Gulf Power did not have any energy related derivative contracts. At December 31, 2019, the fair value of derivative liabilities with contingent features was immaterial. However, following the sale of Gulf Power to NextEra Energy, Gulf Power is continuing to participate in the Southern Company power pool for a defined transition period that, subject to certain potential adjustments, is scheduled to end on January 1, 2024. Gulf Power's participation in the Southern Company power pool could require collateral in the event one or more Southern Company power pool participants has a credit rating change to below investment grade. At June 30, 2020, Gulf Power has no collateral requirements.

Generally, collateral may be provided by a NextEra Energy guaranty, letter of credit, or cash. If collateral is required, fair value amounts recognized for the right to reclaim cash collateral or the obligation to return cash collateral are not offset against fair value amounts recognized for derivatives executed with the same counterparty.

Gulf Power is exposed to losses related to financial instruments in the event of counterparties' nonperformance. Gulf Power only enters into agreements and material transactions with counterparties that have investment grade credit ratings by Moody's Investors Service, Inc. and S&P Global Ratings, a division of S&P Global Inc., or with counterparties who have posted collateral to cover potential credit exposure. Gulf Power has also established risk management policies and controls to determine and monitor the creditworthiness of counterparties in order to mitigate Gulf Power's exposure to counterparty credit risk.

8. LEASES

Gulf Power has operating leases primarily related to a purchased power agreement. At June 30, 2020 and December 31, 2019, Gulf Power's right-of-use assets for operating leases totaled $177 million and $206 million, respectively, of which $54 million and $64 million is included in regulatory assets. At June 30, 2020 and December 31, 2019, approximately $118 million and $148 million, respectively, of lease liabilities is included in noncurrent other liabilities and $59 million and $58 million is in included in current other liabilities on Gulf Power's balance sheets. Gulf Power's lease liabilities at June 30, 2020 and December 31, 2019 were both calculated using a weighted-average incremental borrowing rate at the lease inception of 3.39%, and a weighted average remaining lease term of 2.9 years and 3.6 years, respectively. Gulf Power's operating lease expense for the three and six months ended June 30, 2020 and 2019 was $14 million and $29 million respectively, and $14 million and $28 million, respectively, and is primarily included within fuel, purchased power and interchange expense.

For the six months ended June 30, 2020 and 2019, cash paid for amounts included in the measurement of lease liabilities was $32 million and $28 million, respectively, and included within operating cash flows on the statement of cash flow.

Operating leases primarily have fixed payments with expiration dates ranging from 2020 to 2023. At June 30, 2020 , expected lease payments over the remaining terms of the operating leases for each of the following calendar years (in millions):

Remainder of 2020	$	32
2021		64
2022		64
2023		26
Total lease payments		186
Less: imputed interest		(9)
Total lease obligation	$	177

9. SUBSEQUENT EVENTS

On July 27, 2020, the FPSC issued an order approving Gulf Power's petition to establish a regulatory asset for the recording and preservation of incremental bad debt expense and safety related costs attributable to COVID-19 (COVID costs). In response to the significant economic and societal impact and increased unemployment attributable to COVID-19, and similar to actions taken by utilities across the country, Gulf Power proactively suspended disconnections for non-payment of overdue balances. Gulf Power has and continues to undertake safety-related actions to ensure its employees, contractors, and customers are protected from COVID-19 by obtaining materials and equipment to limit the potential spread of COVID-19 at its facilities. Gulf Power acknowledges that the FPSC's approval of deferred accounting treatment for the COVID costs does not constitute approval of the recovery of these deferred costs that would be subject to review when Gulf Power's base rates are next reset.

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APPENDIX C

ORIGINAL OPINION OF FORMER BOND COUNSEL

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B B
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March 31, 2009

Goldman, Sachs & Co.
New York, New York

Board of County Commissioners
Escambia County, Florida

Gulf Power Company
Pensacola, Florida

The Bank of New York Mellon Trust Company, N.A.
Atlanta, Georgia

Re: $65,000,000 Escambia County, Florida Solid Waste Disposal Revenue Bonds (Gulf Power Company Project), First Series 2009

Ladies and Gentlemen:

We have acted as Co-Bond Counsel in connection with the issuance by Escambia County, Florida (the "County") of $65,000,000 aggregate principal amount of its Solid Waste Disposal Revenue Bonds (Gulf Power Company Project), First Series 2009 (the "Bonds"). The Bonds are being issued pursuant to the Florida Industrial Development Financial Act, which, as amended, appears as Part II of Chapter 159, Florida Statutes, Sections 159.25 to 159.431, inclusive, and a Trust Indenture relating to the Bonds dated as of March 1, 2009 (the "Indenture) between the County and The Bank of New York Mellon Trust Company, N.A., as trustee (said banking corporation and any bank or trust company becoming successor trustee under the Indenture being herein called the "Trustee").

The proceeds of the Bonds are to be used to finance the acquisition, construction, installation and equipping of certain solid waste disposal facilities located at the James F. Crist Generating Plant in Escambia County, Florida (the "Plant") of Gulf Power Company (the "Company"). The solid waste disposal facilities at the Plant to be financed or refinanced with the proceeds of the Bonds are referred to herein as the "Project". The County has entered into a Loan Agreement with the Company, dated as of March 1, 2009 (the "Agreement"), under the provisions of which the County agrees to loan to the Company the proceeds of the Bonds to provide for the acquisition, construction, installation and equipping of the Project. To evidence the loan made pursuant to the Agreement, the Company will execute and deliver, concurrently with the issuance of the Bonds, a non-negotiable promissory note (the "Note"). The Agreement provides for payments by the Company of amounts sufficient to pay the principal of, premium, if any, and interest on, and purchase price of, the Bonds as the same shall become due and payable. The Bonds are payable solely from the payments made by the Company pursuant to the

1027651.1

Agreement and the Note.

In our capacity as Co-Bond Counsel, we have examined such documents, records of the County and other instruments as we deem necessary to enable us to express the opinions set forth below, including original counterparts or certified copies of the Indenture, the Agreement and certain other documents. As to questions of fact material to our opinion, we have relied upon (a) representations of the County and the Company, (b) certified proceedings and other certifications of public officials furnished to us, (c) certifications by officials of the Company, and (d) representations of the Company relating to the use of the proceeds of the Bonds, and the design, scope, function, cost and economic useful life of the Project and the relationship of the Project to the Plant which it is designed to serve, contained in a certificate of the Company, dated the date of this opinion, without undertaking to verify the same by independent investigation.

Our opinions regarding authority and actions by the County are based upon direct inquiries by us, examination of a certified copy of the proceedings of the County relating to the authorization and issuance of the Bonds and opinions of Alison Perdue, Counsel to the County, and Lott & Associates, P. L., Co-Bond Counsel for the County, of even date herewith as to the authority, procedures and actions of the County taken with regard to the authorization and issuance of the Bonds. The opinion expressed in the second sentence of paragraph 3 below pertaining to the priority of the security interest granted to the Trustee by virtue of the Trust Indenture is based upon the results of the search of the records of the Florida Department of State Division of Corporations, a copy of which is attached to this opinion.

Based on the foregoing, it is our opinion that:

1. The County is a political subdivision of the State of Florida validly existing under Florida law, with full authority to undertake the Project, to execute deliver and perform its obligations under the Agreement and the Indenture, to issue and sell the Bonds, to lend the proceeds of the Bonds to the Company to finance or refinance the Project, and to execute, deliver and perform its obligations under the Indenture, the Agreement and the Purchase Contract, dated March 26, 2009, between the County and Goldman, Sachs & Co., as Underwriter.

2. The Agreement has been duly authorized, executed and delivered by the County and the Company and constitutes a legal, valid and binding obligation of the County in accordance with its terms.

3. The Indenture has been duly authorized, executed and delivered by the County and, assuming due authorization, execution and delivery of the Indenture by, and the binding effect of the same upon, the Trustee, constitutes a valid and binding obligation of the County enforceable upon the County in accordance with its terms. By the terms of the Indenture, the County's rights in the Agreement and in all revenues and receipts received or to be received thereunder (except for rights to indemnification and payment of expenses) have been effectively assigned to the Trustee as security for the Bonds, and the Indenture creates a valid security interest in favor of the Trustee in and to such rights first and prior to any other security interest, to the extent one can establish priority by filing of a UCC-1 financing statement under the Florida Uniform Commercial Code. We express no opinion as to priority of a security interest that may be perfected by means other than filing of a UCC-1 financing statement under the Florida

Uniform Commercial Code.

4. The Bonds have been duly authorized, executed and delivered by the County and are valid and binding limited obligations of the County, payable solely in accordance with their terms and entitled to the benefit and security of the Indenture.

5. Under existing law, interest on the Bonds is exempt from all State of Florida income taxation, except estate taxes and taxes imposed by Chapter 220, Florida Statutes, on interest, income or profits on debt obligations owned by corporations.

6. Under existing law, interest on the Bonds is excluded from gross income for federal income tax purposes, except for interest on any Bond for any period during which such Bond is held by a "substantial user" of the Project or a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code"). Under existing law, interest on the Bonds will not be treated as a specific tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations and will not be includable in adjusted current earnings in computing the federal alternative minimum tax imposed on corporations. The opinion set forth in the first sentence of this paragraph is rendered in reliance upon certain certifications and representations of the County and the Company made at the time of issuance of the Bonds, and is subject to the condition that the County and the Company comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be and continue to be excluded from gross income for federal income tax purposes. The County and the Company have covenanted to comply with such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

The Bonds will initially bear interest at an Initial Long-Term Interest Rate (as such term is defined in the Indenture). The Indenture provides that the method of determining interest on the Bonds may be changed to a Daily Rate, a Weekly Rate, a Commercial Paper Rate, an Index Rate or a Long-Term Interest Rate (each as therein defined) and certain other changes may be made to the terms of the Bonds and related documents if the Trustee receives an opinion of counsel stating in effect that such conversion or change will not cause interest on the Bonds to be included in gross income. We express no opinion about the effect of such future events.

The obligations of the parties with respect to the documents described above are subject, in part, to the provisions of the Federal Bankruptcy Code and any applicable bankruptcy, insolvency, reorganization, moratorium or similar law relating to or affecting the enforcement of creditors' rights now or hereafter in effect. Such obligations are also subject to principles of equity which may limit the specific enforcement of certain remedies, but which do not affect the validity of such documents and do not make inadequate other remedies available to the holders of the Bonds for the enforcement of such obligations.

Respectfully submitted,

Balch & Bingham LLP

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APPENDIX D

OPINION OF BOND COUNSEL ON CONVERSION

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November _, 2020

Escambia County, Florida
Chairman of the Board of Commissioners
Pensacola, Florida

U.S. Bancorp Investments, Inc.
and U.S. Bank Municipal Products
Group, a division of U.S. Bank National
Association, as Successor Remarketing Agent
New York, New York

U.S. Bank National Association
Global Corporate Trust
Atlanta, Georgia

Re: **$65,000,000 Escambia County, Florida Solid Waste Disposal Revenue Bonds (Gulf Power Company Project), First Series 2009**

We are serving as Bond Counsel in connection with the remarketing of the above-referenced bonds (the "Bonds") of Escambia County, Florida (the "Issuer"). We have examined such laws and other documents as we have deemed necessary to render this opinion, including the Trust Indenture, dated as of March 1, 2009 (the "Indenture"), between the Issuer and U.S. Bank National Association (the "Trustee"), as successor trustee to The Bank of New York Mellon Trust Company, N.A. The Bonds were issued on March 31, 2009. This opinion is given pursuant to the requirements of Sections 2.02(b)(1) and 2.02(d) of the Indenture. Capitalized terms used but not otherwise defined herein shall have the meanings assigned to such terms in the Indenture.

On the date hereof Gulf Power Company delivered notice as required by the Indenture to change the Determination Method for the Bonds on November 19, 2020 from the current Long-Term Interest Rate to a new Daily Rate (the "Conversion"). We are of the opinion as of the date hereof and under existing law that the Conversion is permitted by the laws of the State of Florida and the Indenture and will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds pursuant to the Internal Revenue Code of 1986, as amended.

Except as described in the preceding paragraph, we have not been engaged, nor have we undertaken, any investigation as to the use of the proceeds of the Bonds or the continuing exclusion of interest on the Bonds from gross income for federal income tax purposes since the date of issuance of the Bonds, and we express no opinion with respect thereto.

This letter is furnished by us for the sole benefit of the addressees, and no other person or entity shall be entitled to rely upon this opinion, to quote from this opinion in whole or in part, or to use this opinion for any other purpose without our express written consent in each instance. Delivery of this opinion to a non-client does not create an attorney-client relationship.

Very truly yours,

APPENDIX E

FORM OF AMENDED AND RESTATED RULE 15C2-12 UNDERTAKING

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GULF POWER COMPANY

AMENDED AND RESTATED 15C2-12 UNDERTAKING

This Amended and Restated 15c2-12 Undertaking (the "Disclosure Undertaking") is dated November 19, 2020 by GULF POWER COMPANY (the "Company"), in connection with the sale of $65,000,000 Escambia County, Florida Solid Waste Disposal Revenue Bonds (Gulf Power Company Project), First Series 2009 (the "Bonds"). The Bonds were issued pursuant to a Trust Indenture dated as of March 1, 2009 (the "Indenture"), between Escambia County, Florida (the "Issuer") and U.S. Bank National Association, as successor trustee (the "Trustee"). The proceeds of the Bonds were provided by the Issuer to the Company pursuant to a Loan Agreement dated as of March 1, 2009 (the "Loan Agreement") between Company and the Issuer. This Disclosure Undertaking amends and restates the 15c2-12 Undertaking entered into by the Company in connection with the Bonds as of December 1, 2017 (the "Prior Undertaking").

Section 1. Purpose of the Disclosure Undertaking. This Disclosure Undertaking is being executed and delivered by the Company for the benefit of the Beneficial Owners (defined below) and in order to assist the Participating Underwriter in complying with the Rule (defined below). The Company acknowledges that the Issuer has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Disclosure Undertaking, and the Issuer has no liability to any person, including any Beneficial Owner, with respect to any such reports, notices or disclosures.

Section 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Undertaking unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean the information described in Section 3(a) hereof or a Form 10-K (as defined in Section 3(b) hereof).

"Beneficial Owner" shall mean, while the Bonds are held in a book-entry only system, the actual purchaser of each Bond, the ownership interest of which is to be recorded on the records of the direct and indirect participants of DTC, and otherwise shall mean the holder of Bonds.

"Commission" shall mean the Securities and Exchange Commission, or any successor body thereto.

"EMMA" shall mean the Electronic Municipal Market Access system and the EMMA Continuing Disclosure Service of MSRB, or any successor thereto approved by the United States Securities and Exchange Commission, as a repository for municipal continuing disclosure information pursuant to the Rule.

"Financial Obligation" means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b); provided that "financial obligation" shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

"Listed Events" shall mean any of the events listed in Section 4(a) of this Disclosure Undertaking.

"MSRB" means the Municipal Securities Rulemaking Board, or any successor thereto.

"Participating Underwriter" shall mean the original underwriter of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Commission under the Securities Exchange Act of 1934 (the "Exchange Act"), as the same may be amended from time to time.

Section 3. Provision of Financial Information.

(a) With respect to the Company's fiscal years ending December 31, 2020 and thereafter, if a Form 10-K (as defined below) is not filed with the Commission, the Company shall provide to the MSRB audited financial statements prepared in accordance with generally accepted accounting principles (GAAP) of the type set forth in the Reoffering Circular dated November 9, 2020, delivered with respect to the reoffering of the Bonds, not later than one hundred twenty (120) days after the end of the Company's fiscal year.

(b) If the Company shall file with the Commission, with respect to the Company's fiscal years ending December 31, 2020 and thereafter, reports on Form 10-K under Sections 13 or 15(d) of the Exchange Act, including any successor provisions thereto (the "Form 10-K"), then the Company shall provide to the MSRB (i) a copy of such Form 10-K or (ii) notice on an annual basis that the Form 10-K constitutes the annual financial information with respect to the Company required under the Rule, not later than one hundred twenty (120) days after the end of the Company's fiscal year.

(c) The Company shall, in a timely manner, provide to the MSRB notice of failure by the Company to file any Annual Report by the date due.

Section 4. Reporting of Events.

(a) The Company shall provide, in a timely manner not in excess of ten business days after the occurrence of the event, to the MSRB notice of the occurrence of any of the following events with respect to the Bonds:

(1) principal and interest payment delinquencies;

(2) non-payment related defaults, if material;

(3) any unscheduled draws on debt service reserves reflecting financial difficulties;

(4) unscheduled draws on credit enhancement facilities reflecting financial difficulties;

(5) substitution of credit or liquidity providers or their failure to perform;

(6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(7) modifications to rights of the holders of the Bonds, if material;

(8) bond calls, if material, and tender offers;

(9) defeasances;

(10) release, substitution, or sale of property securing repayment of the Bonds, if material;

(11) rating changes;

(12) bankruptcy, insolvency, receivership or similar event of the Company;

(13) the consummation of a merger, consolidation, or acquisition involving the Company or the sale of all or substantially all of the assets of the Company, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(14) appointment of a successor or additional trustee or the change of name of a trustee, if material;

(15) Incurrence of (a) a Financial Obligation of the Company, if material, or (b) an agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Company, any of which affect security holders, if material; and

(16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Company, any of which reflect financial difficulties.

(b) Neither the terms of the Loan Agreement, the Indenture nor the Bonds require that any debt service reserve fund be established.

Section 5. Termination of Reporting Obligation. The Company's obligations under this Disclosure Undertaking shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds. If the Company's obligations under the Loan Agreement and this Disclosure Undertaking are assumed in full by some other entity, such entity shall be responsible for compliance with this Disclosure Undertaking in the same manner as if it were the Company and the Company shall have no further responsibility hereunder. The Company shall provide timely notice to the MSRB of the termination of the Company's obligations under this Disclosure Undertaking pursuant to an assumption of its obligations hereunder.

Section 6. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Undertaking, the Company may amend this Disclosure Undertaking with the written consent of the Trustee (and the Trustee shall agree to any amendment so requested by the Company that does not change the duties of the Trustee hereunder, provided it receives indemnity satisfactory to it) or waive any provision hereof, but only in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the obligor with respect to the Bonds or the type of business conducted by said obligor, provided that (1) the undertaking, as amended or following such waiver, would have complied with the requirements of the Rule on the date of an adjustment of the Interest Rate Period, after taking into account any amendments to the Rule as well as any change in circumstances, and (2) the amendment or waiver does not materially impair the interests of the holders of Bonds, in the opinion of the Trustee or counsel expert in federal securities laws reasonably satisfactory to both the Company and the Trustee, or is approved by not less than the Beneficial Owners of a majority in aggregate principal amount of the outstanding Bonds.

In the event of any amendment to the type of financial or operating data provided in an Annual Report provided pursuant to Section 3(b) hereof, or any change in accounting principles reflected in such Annual Report, the Company agrees that the Annual Report will explain, in narrative form, the reasons for the amendment or change and the effect of such change, including comparative information, where appropriate. To the extent not otherwise included in such Annual Report, the Company will also provide timely notice of any change in accounting principles to the MSRB.

Section 7. Additional Information. Nothing in this Disclosure Undertaking shall be deemed to prevent the Company from disseminating any other information, using the means of dissemination set forth in this Disclosure Undertaking or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Undertaking. If the Company chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Undertaking, the Company shall have no obligation under this Disclosure Undertaking to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 8. Default. In the event of a failure of the Company to comply with any provision of this Disclosure Undertaking, the Trustee may (and, at the request of the Beneficial Owners of not less than fifty-one percent (51%) of the aggregate principal amount of outstanding Bonds, shall) subject to the same conditions, limitations and procedures that would apply under the Indenture if the breach were an event of default under the Indenture (each, an "Event of Default"), or any Beneficial Owner may, take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Company to comply with its obligations under this Disclosure Undertaking; provided, that, to the extent permitted by the securities laws, any Beneficial Owner's right to challenge the adequacy of the information provided in accordance with the undertaking of the Company described in Section 3 and Section 4 hereof shall be subject to the same limitations as those set forth in Article X of the Indenture with respect to Events of Default thereunder. A default under this Disclosure Undertaking shall not be deemed an Event of Default under the Indenture or the Loan Agreement, and the sole remedy under this Disclosure Undertaking in the event of any failure of the Company to comply with this Disclosure Undertaking shall be an action to compel performance. The Trustee shall be entitled to rely conclusively upon any written evidence provided by the Company regarding the provision of information to the MSRB.

The Company agrees to pay the Trustee from time to time reasonable compensation for services provided by the Trustee in connection with this Disclosure Undertaking and to pay or reimburse the Trustee upon request for all reasonable fees, expenses, disbursements and advances incurred or made in accordance with this Disclosure Undertaking (including reasonable compensation and the expenses and disbursements of its counsel and of all agents and other persons regularly in its employ) or as a result of the Company's failure to perform its obligations hereunder, except to the extent that any such fees, expenses, disbursement or advance is due to the negligence or willful misconduct of the Trustee.

Section 9. Beneficiaries. This Disclosure Undertaking shall inure solely to the benefit of the Issuer, the Company, the Trustee, the Participating Underwriter, and Beneficial Owners, and shall create no rights in any other person or entity.

Section 10. Submission of Documents to the MSRB. Unless otherwise required by law, all documents provided to the MSRB pursuant to this Disclosure Undertaking shall be provided to the MSRB in an electronic, word-searchable format and shall be accompanied by identifying information, in each case as prescribed by the MSRB.

Section 11. Amendment and Restatement. This Disclosure Undertaking amends, restates and supersedes the Prior Undertaking in all respects.

Section 12. Governing Law. This Disclosure Undertaking shall be governed by and construed in accordance with the laws of the State of New York.

[signatures on following page]

IN WITNESS WHEREOF, the Company has duly executed and delivered this Disclosure Undertaking as of the day and year first written above.

GULF POWER COMPANY

By:_________________________________
Name:
Title:

ACCEPTED AND AGREED:

U.S. BANK NATIONAL ASSOCIATION

By:_________________________________
Name:
Title:

Gulf Power®

Mixed Sources
Product group from well managed forests, controlled sources and recycled wood or fiber.

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