

Terry A. Davis
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April 14, 2011

Mr. John Slemkewicz
Division of Economic Regulation
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

11 APR 15 11:44
DIVISION OF ECONOMIC REGULATION
TALLAHASSEE, FL

Dear Mr. Slemkewicz:

RE: Monthly Rate of Return Report

Enclosed is Gulf Power Company's Jurisdictional Rate of Return Report for the month of February, 2011.

Sincerely,

A handwritten signature in black ink that reads "Terry A. Davis". The signature is written in a cursive, flowing style.

nbn

enclosure

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

GOV 2-1-5-3

GULF POWER COMPANY
Earnings Surveillance Report Summary
February, 2011

| | (1) Actual Per Books | (2) FPSC Adjustments | (3) FPSC Adjusted | (4) Pro Forma Adjustments | (5) Pro Forma Adjusted |
|---|----------------------------|----------------------------|-------------------------|---------------------------------|------------------------------|
| I. Average Rate of Return (Jurisdictional) | | | | | |
| | (a) | (b) | | | |
| Net Operating Income | 151,931,865 | (73,301,870) | 78,629,995 | 0 | 78,629,995 |
| Average Rate Base | 2,435,409,531 | (901,586,380) | 1,533,823,151 | 0 | 1,533,823,151 |
| Average Rate of Return | 6.24% | | 5.13% | | 5.13% |
| II. Year End Rate of Return (Jurisdictional) | | | | | |
| | (a) | (b) | | | |
| Net Operating Income | 151,933,825 | (72,839,191) | 79,094,634 | 0 | 79,094,634 |
| Year End Rate Base | 2,504,583,060 | (937,166,382) | 1,567,416,678 | 0 | 1,567,416,678 |
| Year End Rate of Return | 6.07% | | 5.05% | | 5.05% |

(a) Includes AFUDC Earnings

(b) Includes Reversal of AFUDC Earnings

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

| | |
|----------|-------|
| Low | 6.46% |
| Midpoint | 6.95% |
| High | 7.25% |

IV. Financial Integrity Indicators

| | |
|--------------------------------|---------------------------------|
| A. Tie With AFUDC | 4.21 x (System per Books Basis) |
| B. Tie Without AFUDC | 4.02 x (System per Books Basis) |
| C. AFUDC To Net Income | 8.75% (System per Books Basis) |
| D. Internally Generated Funds | 58.11% (System per Books Basis) |
| E. LTD To Total Investor Funds | 49.50% (FPSC Adjusted Basis) |
| F. STD To Total Investor Funds | 1.17% (FPSC Adjusted Basis) |
| G. Return on Common Equity | 7.35% (FPSC Adjusted Basis) |
| H. Return on Common Equity | 7.35% (Proforma Basis) |

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

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

| Name and Title | Signature | Date |
|---|--|---------|
| Richard J. McMillan Corporate Planning Manager |  | 4/13/11 |

GULF POWER COMPANY
AVERAGE RATE OF RETURN
RATE BASE
February, 2011

SCHEDULE 2
PAGE 1 OF 3

| | PLANT IN SERVICE | ACCUMULATED DEPRECIATION & AMORTIZATION | NET PLANT IN SERVICE | PROPERTY HELD FOR FUTURE USE | CONSTRUCTION WORK IN PROGRESS | NUCLEAR FUEL (NET) | NET UTILITY PLANT | WORKING CAPITAL | TOTAL RATE BASE |
|--|----------------------|---|----------------------------|---------------------------------|-------------------------------------|-----------------------|----------------------|---------------------|----------------------|
| SYSTEM PER BOOKS | 3,552,276,930 | 1,242,382,960 | 2,309,893,970 | 5,664,735 | 205,244,873 | 0 | 2,520,803,578 | 227,472,137 | 2,748,275,715 |
| JURISDICTIONAL PER BOOKS | 3,205,052,675 | 1,119,959,646 | 2,085,093,029 | 5,487,488 | 114,529,030 | 0 | 2,205,109,547 | 230,299,984 | 2,435,409,531 |
| FPSC ADJUSTMENTS: | | | | | | | | | |
| ENVIRONMENTAL RECOVERY CLAUSE | (825,945,656) | (42,039,687) | (783,905,969) | | (1,411,370) | | (785,317,339) | (13,976,807) | (799,294,146) |
| INT BEARING CWIP | | | | | (62,731,642) | | (62,731,642) | 0 | (62,731,642) |
| ENERGY CONSERVATION CLAUSE | (10,381,442) | 780,707 | (11,162,149) | | (10,069) | | (11,172,218) | (1,988,677) | (13,160,896) |
| LOANS TO EMPLOYEES / RETIREES | | | | | | | | (56,171) | (56,171) |
| INTEREST AND DIVIDENDS RECEIVABLE | | | | | | | | (306,259) | (306,259) |
| FUNDED PROP RES & OTHER INVESTMENTS | | | | | | | | (12,000,452) | (12,000,452) |
| FUEL RELATED DEFERRED DEBITS | | | | | | | | (14,207,054) | (14,207,054) |
| FLAME RESISTANT CLOTHING | | | | | | | | (635) | (635) |
| ACCRUED PROVISION FOR REFUND | | | | | | | | 137,861 | 137,861 |
| SALE OF RAILCARS | | | | | | | | 33,014 | 33,014 |
| TOTAL FPSC ADJUSTMENTS | (836,327,098) | (41,258,980) | (795,068,118) | 0 | (64,153,081) | 0 | (859,221,199) | (42,365,180) | (901,586,380) |
| FPSC ADJUSTED | 2,368,725,577 | 1,078,700,666 | 1,290,024,911 | 5,487,488 | 50,375,949 | 0 | 1,345,888,348 | 187,934,803 | 1,533,823,151 |
| PRO FORMA REVENUE AND ANNUALIZATION ADJUSTMENTS | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL PRO FORMA ADJUST | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| PRO FORMA ADJUSTED | 2,368,725,577 | 1,078,700,666 | 1,290,024,911 | 5,487,488 | 50,375,949 | 0 | 1,345,888,348 | 187,934,803 | 1,533,823,151 |

GULF POWER COMPANY
AVERAGE RATE OF RETURN
INCOME STATEMENT
February, 2011

SCHEDULE 2
PAGE 2 OF 3

| | OPERATING REVENUES | O & M FUEL & NET INTERCHANGE | O & M OTHER | DEPRECIATION & AMORTIZATION | TAXES OTHER THAN INCOME | INCOME TAXES CURRENT | DEFERRED INCOME TAXES (NET) | INVESTMENT TAX CREDIT (NET) | GAIN/LOSS ON DISPOSITION | TOTAL OPERATING EXPENSES | NET OPERATING INCOME |
|--|--------------------|------------------------------|--------------|-----------------------------|-------------------------|----------------------|-------------------------------|-----------------------------|--------------------------|--------------------------|----------------------|
| SYSTEM PER BOOKS | 1,563,469,740 | 804,938,324 | 302,570,345 | 125,467,115 | 102,114,264 | (21,322,664) | 87,693,670 | (1,511,254) | 0 | 1,399,949,801 | 163,519,939 (a) |
| JURISDICTIONAL PER BOOKS | 1,353,618,490 | 650,952,364 | 286,470,490 | 116,847,136 | 100,379,848 | (6,471,116) | 65,139,192 | (1,149,544) | 0 | 1,212,168,370 | 141,450,120 (a) |
| LESS FPSC ADJUSTMENTS: | | | | | | | | | | | |
| ENVIRONMENTAL RECOVERY CLAUSE | (154,678,582) | | (29,904,064) | (33,918,562) | (594,022) | (34,818,541) | | | | (99,235,189) | (55,443,393) |
| GROSS RECEIPTS TAX REVENUE | (32,127,380) | | | | | (12,393,137) | | | | (12,393,137) | (19,734,243) |
| MARKETING SUPPORT ACTIVITIES | | | (100,307) | | | 38,694 | | | | (61,613) | 61,613 |
| GAIN/LOSS ON DISPOSITION | | | | | | (83) | | | 216 | 133 | (133) |
| MANAGEMENT PERQUISITES | | | (10,007) | | | 3,860 | | | | (6,147) | 6,147 |
| FRANCHISE FEE REVENUES | (40,703,811) | | | | | (15,701,495) | | | | (15,701,495) | (25,002,316) |
| RETAIL FUEL REVENUES | (605,610,457) | | | | | (233,614,234) | | | | (233,614,234) | (371,996,223) |
| ECCR and PPCC REVENUES | (58,070,732) | | | | | (22,400,785) | | | | (22,400,785) | (35,669,947) |
| INT ON TAX ASSESSMENT | | | | | | | | | | 0 | 0 |
| ECON DEV EXPENSE TOTAL | | | (1,036,836) | | | 399,959 | | | | (636,877) | 636,877 |
| ECON DEV EXPENSE ALLOWED | | | 984,994 | | | (379,961) | | | | 605,033 | (605,033) |
| LIAISON EXPENSES | | | (308,284) | | (15,799) | 125,015 | | | | (199,068) | 199,068 |
| CORP ADV & WHOLESALE EXPENSES | | (236,482) | (19,717) | | | 98,829 | | | | (157,370) | 157,370 |
| INDUSTRY ASSOCIATION DUES | | | (806) | | | 311 | | | | (495) | 495 |
| RETAIL FUEL EXPENSES | | (605,183,892) | | | | 233,449,687 | | | | (371,734,205) | 371,734,205 |
| ECCR AND PPCC EXPENSES | | (45,531,989) | (8,591,525) | (295,274) | (296,651) | 21,106,481 | | | | (33,608,959) | 33,608,959 |
| FRANCHISE FEE | | | | | (40,099,967) | 15,468,562 | | | | (24,631,405) | 24,631,405 |
| GRT, FPSC FEES ON CLAUSES & FEES | | | | | (1,515,586) | 584,637 | | | | (930,949) | 930,949 |
| GROSS RECEIPTS TAX ADJUST | | | | | (32,021,042) | 12,352,117 | | | | (19,668,925) | 19,668,925 |
| INTEREST SYNCHRONIZATION | | | | | | 6,004,849 | | | | 6,004,849 | (6,004,849) |
| TOTAL FPSC ADJUSTMENTS | (891,190,963) | (650,952,364) | (38,986,552) | (34,213,836) | (74,543,067) | (29,675,235) | 0 | 0 | 216 | (828,370,838) | (62,820,125) |
| FPSC ADJUSTED | 462,427,527 | 0 | 247,483,938 | 82,633,300 | 25,836,781 | (36,146,351) | 65,139,192 | (1,149,544) | 216 | 383,797,532 | 78,629,995 |
| PRO FORMA REVENUE ANNUALIZATION ADJUSTMENTS | | | | | | | | | | | |
| TOTAL PRO FORMA ADJUSTMENTS | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| PRO FORMA ADJUSTED | 462,427,527 | 0 | 247,483,938 | 82,633,300 | 25,836,781 | (36,146,351) | 65,139,192 | (1,149,544) | 216 | 383,797,532 | 78,629,995 |
| (a) THE ADDITION OF EARNINGS FROM AFUDC WOULD INCREASE THE SYSTEM NOI BY | | | | 10,819,674 | | | AND THE JURISDICTIONAL NOI BY | 10,481,745 | | | |
| CURRENT MO. SYSTEM PER BOOKS | 105,823,024 | 48,422,446 | 28,449,744 | 10,694,723 | 8,605,210 | (5,310,348) | 7,302,920 | (96,104) | 0 | 98,068,592 | 7,754,432 |
| CURRENT MO. JURIS PER BOOKS | 95,189,931 | 43,133,786 | 27,130,621 | 9,915,550 | 8,419,133 | (14,258,829) | 15,308,318 | (66,776) | 0 | 89,581,804 | 5,608,127 |

GULF POWER COMPANY
AVERAGE RATE OF RETURN
SYSTEM ADJUSTMENTS

SCHEDULE 2
PAGE 3 OF 3

February, 2011

| <u>RATE BASE ADJUSTMENTS</u> | <u>AMOUNT</u> | <u>INCOME STATEMENT ADJUSTMENTS</u> | <u>AMOUNT</u> | <u>TAX EFFECT</u> |
|-------------------------------------|---------------|--|---------------|-------------------|
| PLANT SCHERER | | FRANCHISE FEE REVENUES | (40,703,811) | (15,701,495) |
| INVESTMENT | (255,559,064) | IIC FUEL REVENUES | (96,158,058) | (37,092,971) |
| ACCUMULATED DEPRECIATION | 103,128,308 | FUEL REVENUES | (658,775,928) | (254,122,814) |
| ENERGY CONSERVATION COST RECOVERY | | ECONOMY PROFITS | (711,720) | (274,546) |
| INVESTMENT | (10,381,442) | ECCR, PPCC, AND ECRC REVENUES | (213,232,143) | (82,254,299) |
| ACCUMULATED DEPRECIATION | (780,707) | GROSS RECEIPTS TAX REVENUES/STORM RECOVERY REV | (32,127,380) | (12,393,137) |
| ENVIRONMENTAL RECOVERY CLAUSE | | COMPETITIVE SALES REV/TRANS REV/G/L ON SALE OF GAS | (2,085) | (804) |
| INVESTMENT | (854,544,914) | CORP ADVERTISING & WHOLESALE EXPENSES | (265,119) | 102,269 |
| ACCUMULATED DEPRECIATION | 43,509,245 | INDUSTRY ASSOCIATION DUES | (823) | 317 |
| PROPERTY HELD FOR FUTURE USE | 0 | FUEL AND PPCC EXPENSES | (804,938,383) | 310,504,981 |
| INTEREST BEARING CWIP | (64,754,094) | GAIN/LOSS ON DISPOSITION OF PROPERTY | 222 | (85) |
| SCHERER CWIP | (87,020,540) | ECON DEVELOP EXPENSE- TOTAL | (1,036,836) | 399,959 |
| ECRC CWIP | (1,460,113) | ECON DEV EXPENSE - ALLOWED | 984,994 | (379,961) |
| ECCR CWIP | (10,069) | INTEREST ON TAX ADJUSTMENT | 0 | 0 |
| TALLAHASSEE OFFICE INVESTMENT | (357) | CONSERVATION EXPENSES - O & M | (8,591,525) | 3,314,181 |
| ACCUM. DEPRECIATION | 357 | CONSERVATION EXPENSES - OTHER TAXES | (184,026) | 70,988 |
| FAS 143 NET PLANT | (14,779,455) | TALLAHASSEE OFFICE DEPRECIATION | 0 | 0 |
| WORKING CAPITAL: | | MARKETING SUPPORT ACTIVITIES | (100,307) | 38,694 |
| ECRC WORKING CAPITAL | (14,459,048) | MANAGEMENT PERQUISITES | (10,224) | 3,944 |
| LOANS TO EMPLOYEES AND RETIREES | (58,509) | FRANCHISE FEE | (40,099,967) | 15,468,562 |
| UNREALIZED LOSS ON FWD CONTRACT | (4,121) | GROSS RECEIPTS TAX EXPENSE | (32,021,042) | 12,352,117 |
| CONSERVATION/AEM INVENTORY | (1,988,677) | LIAISON EXPENSE | (331,182) | 127,753 |
| INTEREST & DIVIDENDS RECEIVABLE | (319,004) | ECRC/ECCR EXPENSES | (67,012,905) | 25,850,228 |
| PLANT SCHERER | (7,992,207) | COMPETITIVE SALES EXPENSES | 0 | 0 |
| TEMPORARY CASH INVESTMENTS | (335,213) | GRT/FPSC FEES ON CLAUSE REV ADJ & FRAN FEES | (1,515,586) | 584,637 |
| FUNDED PROP RES & OTHER INVESTMENTS | (11,678,632) | INTEREST SYNCHRONIZATION | 6,399,125 | 6,399,125 |
| FUEL RELATED DEFERRED DEBITS | (14,207,054) | | | |
| FLAME RESISTANT CLOTHING | (783) | | | |
| SALE OF RAIL CARS | 40,715 | | | |
| ACCUM. PROV. FOR RATE REFUNDS | 170,020 | | | |
| FAS 143 WORKING CAPITAL | 18,539,972 | | | |
| FAS 158 REGULATORY ASSETS | (93,603,611) | | | |
| FAS 158 REGULATORY LIABILITIES | 93,603,611 | | | |
| PPA REGULATORY ASSETS | (44,069,257) | | | |
| PPA REGULATORY LIABILITIES | 44,069,257 | | | |
| FAS 133 REGULATORY ASSETS | (16,221,674) | | | |
| FAS 133 REGULATORY LIABILITIES | 16,221,674 | | | |

GULF POWER COMPANY
YEAR END RATE OF RETURN
RATE BASE
February, 2011

| | PLANT IN SERVICE | ACCUMULATED DEPRECIATION & AMORTIZATION | NET PLANT IN SERVICE | PROPERTY HELD FOR FUTURE USE | CONSTRUCTION WORK IN PROGRESS | NUCLEAR FUEL (NET) | NET UTILITY PLANT | WORKING CAPITAL | TOTAL RATE BASE |
|---|------------------|---|----------------------|------------------------------|-------------------------------|--------------------|-------------------|-----------------|-----------------|
| SYSTEM PER BOOKS | 3,640,644,779 | 1,286,184,393 | 2,354,460,386 | 5,664,735 | 250,846,376 | 0 | 2,610,971,497 | 227,472,137 | 2,838,443,634 |
| JURISDICTIONAL PER BOOKS | 3,258,308,488 | 1,161,495,586 | 2,096,812,902 | 5,487,489 | 172,011,544 | 0 | 2,274,311,935 | 230,271,125 | 2,504,583,060 |
| <u>FPSC ADJUSTMENTS:</u> | | | | | | | | | |
| ENVIRONMENTAL RECOVERY CLAUSE INT BEARING CWIP | (836,695,424) | (59,197,752) | (777,497,672) | | (1,458,871) | | (778,956,543) | (13,976,807) | (792,933,350) |
| ENERGY CONSERVATION CLAUSE | (10,095,139) | 1,121,666 | (11,216,805) | | (104,627,854) | | (104,627,854) | 0 | (104,627,854) |
| LOANS TO EMPLOYEES AND RETIREES | | | | | | | | (1,988,677) | (13,205,482) |
| INTEREST AND DIVIDENDS RECEIVABLE | | | | | | | | (56,171) | (56,171) |
| NOTES RECEIVABLE | | | | | | | | (306,259) | (306,259) |
| FUNDED PROP RES & OTHER INVESTMENTS | | | | | | | | 0 | 0 |
| FUEL RELATED DEFERRED DEBITS | | | | | | | | (12,000,452) | (12,000,452) |
| FLAME RESISTANT CLOTHING | | | | | | | | (14,207,054) | (14,207,054) |
| ACCRUED PROVISION FOR REFUND | | | | | | | | (635) | (635) |
| SALE OF RAILCARS | | | | | | | | 137,861 | 137,861 |
| | | | | | | | | 33,014 | 33,014 |
| TOTAL FPSC ADJUSTMENTS | (846,790,563) | (58,076,086) | (788,714,477) | 0 | (106,086,725) | 0 | (894,801,202) | (42,365,180) | (937,166,382) |
| FPSC ADJUSTED | 2,411,517,925 | 1,103,419,500 | 1,308,098,425 | 5,487,489 | 65,924,819 | 0 | 1,379,510,733 | 187,905,945 | 1,567,416,678 |
| PRO FORMA REVENUE AND ANNUALIZATION ADJUSTMENTS | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL PRO FORMA ADJUSTMENTS | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| PRO FORMA ADJUSTED | 2,411,517,925 | 1,103,419,500 | 1,308,098,425 | 5,487,489 | 65,924,819 | 0 | 1,379,510,733 | 187,905,945 | 1,567,416,678 |

GULF POWER COMPANY
YEAR END RATE OF RETURN
INCOME STATEMENT
February, 2011

SCHEDULE 3
PAGE 2 OF 3

| | OPERATING REVENUES | O & M FUEL & NET INTERCHANGE | O & M OTHER | DEPRECIATION & AMORTIZATION | TAXES OTHER THAN INCOME | INCOME TAXES CURRENT | DEFERRED INCOME TAXES (NET) | INVESTMENT TAX CREDIT (NET) | GAIN/LOSS ON DISPOSITION | TOTAL OPERATING EXPENSES | NET OPERATING INCOME |
|---|--------------------|------------------------------|--------------|-----------------------------|-------------------------|----------------------|-----------------------------|-----------------------------|--------------------------|--------------------------|----------------------|
| SYSTEM PER BOOKS | 1,563,469,740 | 804,938,324 | 302,570,345 | 125,467,115 | 102,114,264 | (21,322,664) | 87,693,670 | (1,511,254) | 0 | 1,399,949,801 | 163,519,939 (a) |
| JURISDICTIONAL PER BOOKS | 1,353,618,490 | 650,952,364 | 286,470,490 | 116,847,136 | 100,379,848 | (6,467,522) | 65,133,638 | (1,149,544) | 0 | 1,212,166,410 | 141,452,080 (a) |
| LESS FPSC ADJUSTMENTS: | | | | | | | | | | | |
| ENVIRONMENTAL RECOVERY CLAUSE | (154,678,582) | | (29,904,064) | (33,918,562) | (594,022) | (34,818,541) | | | | (99,235,189) | (55,443,393) |
| GROSS RECEIPTS TAX REVENUE | (32,127,380) | | | | | (12,393,137) | | | | (12,393,137) | (19,734,243) |
| MARKETING SUPPORT ACTIVITIES | | | (100,307) | | | 38,694 | | | | (61,613) | 61,613 |
| GAIN/LOSS ON DISPOSITION | | | | | | (83) | | | 216 | 133 | (133) |
| MANAGEMENT PERQUISITES | | | (10,007) | | | 3,860 | | | | (6,147) | 6,147 |
| FRANCHISE FEE REVENUES | (40,703,811) | | | | | (15,701,495) | | | | (15,701,495) | (25,002,316) |
| RETAIL FUEL REVENUES | (605,610,457) | | | | | (233,614,234) | | | | (233,614,234) | (371,996,223) |
| ECCR & PPCC REVENUES | (58,070,732) | | | | | (22,400,785) | | | | (22,400,785) | (35,669,947) |
| INT ON TAX ASSESSMENT | | | | | | | | | | 0 | 0 |
| ECON DEV EXPENSE TOTAL | | | (1,036,836) | | | 399,959 | | | | (636,877) | 636,877 |
| ECON DEV EXPENSE ALLOWED | | | 984,994 | | | (379,961) | | | | 605,033 | (605,033) |
| LIAISON EXPENSES | | | (308,284) | | (15,799) | 125,015 | | | | (199,068) | 199,068 |
| CORP ADV & WHOLESale EXPENSES | | (236,482) | (19,717) | | | 98,829 | | | | (157,370) | 157,370 |
| INDUSTRY ASSOCIATION DUES | | | (806) | | | 311 | | | | (495) | 495 |
| RETAIL FUEL EXPENSES | | (605,183,892) | | | | 233,449,687 | | | | (371,734,205) | 371,734,205 |
| ECCR AND PPCC EXPENSES | | (45,531,989) | (8,591,525) | (295,274) | (296,651) | 21,106,481 | | | | (33,608,959) | 33,608,959 |
| FRANCHISE FEE | | | | | (40,099,967) | 15,468,562 | | | | (24,631,405) | 24,631,405 |
| GRT, FPSC FEES ON CLAUSES & FFEEs | | | | | (1,515,586) | 584,637 | | | | (930,949) | 930,949 |
| GROSS RECEIPTS TAX ADJUST | | | | | (32,021,042) | 12,352,117 | | | | (19,668,925) | 19,668,925 |
| INTEREST SYNCHRONIZATION | | | | | | 5,542,170 | | | | 5,542,170 | (5,542,170) |
| TOTAL FPSC ADJUSTMENTS | (891,190,963) | (650,952,364) | (38,986,552) | (34,213,836) | (74,543,067) | (30,137,914) | 0 | 0 | 216 | (828,833,517) | (62,357,446) |
| FPSC ADJUSTED | 462,427,527 | 0 | 247,483,938 | 82,633,300 | 25,836,781 | (36,605,436) | 65,133,638 | (1,149,544) | 216 | 383,332,893 | 79,094,634 |
| PRO FORMA REVENUE ANNUALIZATION ADJUSTMENTS | | | | | | | | | | | |
| TOTAL PRO FORMA ADJUSTMENTS | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| PRO FORMA ADJUSTED | 462,427,527 | 0 | 247,483,938 | 82,633,300 | 25,836,781 | (36,605,436) | 65,133,638 | (1,149,544) | 216 | 383,332,893 | 79,094,634 |

(a) THE ADDITION OF EARNINGS FROM AFUDC WOULD INCREASE THE SYSTEM NOI BY 10,819,674 AND THE JURISDICTIONAL NOI BY 10,481,745

GULF POWER COMPANY
YEAR END RATE OF RETURN
SYSTEM ADJUSTMENTS
February, 2011

SCHEDULE 3
PAGE 3 OF 3

| <u>RATE BASE ADJUSTMENTS</u> | <u>AMOUNT</u> | <u>INCOME STATEMENT ADJUSTMENTS</u> | <u>AMOUNT</u> | <u>TAX EFFECT</u> |
|-------------------------------------|---------------|--|---------------|-------------------|
| PLANT SCHERER | | FRANCHISE FEE REVENUES | (40,703,811) | (15,701,495) |
| INVESTMENT | (290,775,478) | IIC FUEL REVENUES | (96,158,058) | (37,092,971) |
| ACCUMULATED DEPRECIATION | 104,869,801 | FUEL REVENUES | (658,775,928) | (254,122,814) |
| ENERGY CONSERVATION COST RECOVERY | | ECONOMY PROFITS | (711,720) | (274,546) |
| INVESTMENT | (10,095,139) | ECCR, PPCC, AND ECRC REVENUES | (213,232,143) | (82,254,299) |
| ACCUMULATED DEPRECIATION | (1,121,666) | GROSS RECEIPTS TAX REVENUES/STORM RECOVERY REV | (32,127,380) | (12,393,137) |
| ENVIRONMENTAL RECOVERY CLAUSE | | COMPETITIVE SALES REV/TRANS REV/G/L ON SALE OF GAS | (2,085) | (804) |
| INVESTMENT | (864,854,829) | CORP ADVERTISING & WHOLESALE EXPENSES | (265,119) | 102,269 |
| ACCUMULATED DEPRECIATION | 61,207,494 | INDUSTRY ASSOCIATION DUES | (823) | 317 |
| PROPERTY HELD FOR FUTURE USE | 0 | FUEL AND PPCC EXPENSES | (804,938,383) | 310,504,981 |
| INTEREST BEARING CWIP | (108,001,030) | GAIN/LOSS ON DISPOSITION OF PROPERTY | 222 | (85) |
| SCHERER CWIP | (73,287,334) | ECON DEVELOP EXPENSE- TOTAL | (1,036,836) | 399,959 |
| ECRC CWIP | (1,507,794) | ECON DEV EXPENSE - ALLOWED | 984,994 | (379,961) |
| ECCR CWIP | (0) | INTEREST ON TAX ADJUSTMENT | 0 | 0 |
| TALLAHASSEE OFFICE INVESTMENT | (357) | CONSERVATION EXPENSES - O & M | (8,591,525) | 3,314,181 |
| ACCUM. DEPRECIATION | 357 | CONSERVATION EXPENSES - OTHER TAXES | (184,026) | 70,988 |
| FAS 143 NET PLANT | (14,716,329) | TALLAHASSEE OFFICE DEPRECIATION | 0 | 0 |
| WORKING CAPITAL: | | MARKETING SUPPORT ACTIVITIES | (100,307) | 38,694 |
| ECRC WORKING CAPITAL | (14,459,048) | MANAGEMENT PERQUISITES | (10,224) | 3,944 |
| LOANS TO EMPLOYEES AND RETIREES | (58,509) | FRANCHISE FEE | (40,099,967) | 15,468,562 |
| UNREALIZED LOSS ON FWD CONTRACT | (4,121) | GROSS RECEIPTS TAX EXPENSE | (32,021,042) | 12,352,117 |
| CONSERVATION/AEM INVENTORY | (1,988,677) | LIAISON EXPENSE | (331,182) | 127,753 |
| INTEREST & DIVIDENDS RECEIVABLE | (319,004) | ECRC/ECCR EXPENSES | (67,012,905) | 25,850,228 |
| PLANT SCHERER | (8,241,882) | COMPETITIVE SALES EXPENSES | 0 | 0 |
| TEMPORARY CASH INVESTMENTS | (335,213) | GRT/FPSC FEES ON CLAUSE REV ADJ & FRAN FEES | (1,515,586) | 584,637 |
| FUNDED PROP RES & OTHER INVESTMENTS | (11,678,632) | INTEREST SYNCHRONIZATION | 5,831,643 | 5,831,643 |
| FUEL RELATED DEFERRED DEBITS | (14,207,054) | | | |
| FLAME RESISTANT CLOTHING | (783) | | | |
| SALE OF RAIL CARS | 40,715 | | | |
| ACCUM. PROV. FOR RATE REFUNDS | 170,020 | | | |
| FAS 143 WORKING CAPITAL | 18,539,972 | | | |
| FAS 158 REGULATORY ASSETS | (93,603,611) | | | |
| FAS 158 REGULATORY LIABILITIES | 93,603,611 | | | |
| PPA REGULATORY ASSETS | (44,069,257) | | | |
| PPA REGULATORY LIABILITIES | 44,069,257 | | | |
| FAS 133 REGULATORY ASSETS | (16,221,674) | | | |
| FAS 133 REGULATORY LIABILITIES | 16,221,674 | | | |

GULF POWER COMPANY
 CAPITAL STRUCTURE
 FPSC ADJUSTED BASIS
 February, 2011

SCHEDULE 4

| AVERAGE | SYSTEM PER BOOKS | RETAIL PER BOOKS | ADJUSTMENTS | | ADJUSTED RETAIL | RATIO (%) | LOW POINT | | | MIDPOINT | | | HIGH POINT | | |
|-----------------------------|----------------------|----------------------|----------------------|----------|----------------------|-----------------|-----------|---------------|-----------|---------------|-----------|---------------|------------|---------------|--|
| | | | PRO RATA | SPECIFIC | | | COST RATE | WEIGHTED COST | COST RATE | WEIGHTED COST | COST RATE | WEIGHTED COST | COST RATE | WEIGHTED COST | |
| LONG TERM DEBT | 1,182,817,255 | 1,044,175,309 | (386,552,744) | 0 | 657,622,565 | 42.87 | 4.44 | 1.90 | 4.44 | 1.90 | 4.44 | 1.90 | 4.44 | 1.90 | |
| SHORT TERM DEBT | 42,532,978 | 24,641,642 | (9,122,313) | 0 | 15,519,329 | 1.01 | 0.34 | 0.00 | 0.34 | 0.00 | 0.34 | 0.00 | 0.34 | 0.00 | |
| PREFERRED STOCK | 97,998,345 | 84,222,366 | (31,179,043) | 0 | 53,043,323 | 3.46 | 6.42 | 0.22 | 6.42 | 0.22 | 6.42 | 0.22 | 6.42 | 0.22 | |
| CUSTOMER DEPOSITS | 34,862,643 | 35,024,111 | (12,965,894) | 0 | 22,058,217 | 1.44 | 6.32 | 0.09 | 6.32 | 0.09 | 6.32 | 0.09 | 6.32 | 0.09 | |
| COMMON EQUITY | 1,068,996,748 | 956,549,442 | (354,113,728) | 0 | 602,435,714 | 39.28 | 10.75 | 4.22 | 12.00 | 4.71 | 12.75 | 4.71 | 12.75 | 5.01 | |
| DEFERRED INCOME TAXES | 338,191,160 | 312,112,821 | (115,543,881) | 0 | 196,568,940 | 12.82 | | | | | | | | | |
| FASB 109 DEFERRED TAXES | (30,506,395) | (28,154,010) | 10,422,589 | 0 | (17,731,421) | (1.16) | | | | | | | | | |
| TAX CREDITS - ZERO COST | 0 | 0 | 0 | 0 | 0 | 0.00 | | | | | | | | | |
| TAX CREDITS - WEIGHTED COST | 8,625,720 | 6,837,850 | (2,531,366) | 0 | 4,306,484 | 0.28 | 7.41 | 0.02 | 7.99 | 0.02 | 8.33 | 0.02 | 8.33 | 0.02 | |
| TOTAL | 2,743,518,454 | 2,435,409,531 | (901,586,380) | 0 | 1,533,823,151 | 100.00 % | | 6.46 % | | 6.95 % | | 7.25 % | | | |

| YEAR-END | SYSTEM PER BOOKS | RETAIL PER BOOKS | ADJUSTMENTS | | ADJUSTED RETAIL | RATIO (%) | LOW POINT | | | MIDPOINT | | | HIGH POINT | | |
|-----------------------------|----------------------|----------------------|----------------------|----------|----------------------|-----------------|-----------|---------------|-----------|---------------|-----------|---------------|------------|---------------|--|
| | | | PRO RATA | SPECIFIC | | | COST RATE | WEIGHTED COST | COST RATE | WEIGHTED COST | COST RATE | WEIGHTED COST | COST RATE | WEIGHTED COST | |
| LONG TERM DEBT | 1,194,938,548 | 1,044,818,436 | (390,950,785) | 0 | 653,867,651 | 41.72 | 4.63 | 1.93 | 4.63 | 1.93 | 4.63 | 1.93 | 4.63 | 1.93 | |
| SHORT TERM DEBT | 32,703,855 | 14,775,937 | (5,528,869) | 0 | 9,247,068 | 0.59 | 0.36 | 0.00 | 0.36 | 0.00 | 0.36 | 0.00 | 0.36 | 0.00 | |
| PREFERRED STOCK | 97,998,345 | 85,686,814 | (32,062,343) | 0 | 53,624,471 | 3.42 | 6.33 | 0.22 | 6.33 | 0.22 | 6.33 | 0.22 | 6.33 | 0.22 | |
| CUSTOMER DEPOSITS | 35,863,194 | 35,792,220 | (13,392,754) | 0 | 22,399,466 | 1.43 | 6.71 | 0.10 | 6.71 | 0.10 | 6.71 | 0.10 | 6.71 | 0.10 | |
| COMMON EQUITY | 1,110,067,869 | 982,928,393 | (367,792,732) | 0 | 615,135,661 | 39.25 | 10.75 | 4.22 | 12.00 | 4.71 | 12.75 | 4.71 | 12.75 | 5.00 | |
| DEFERRED INCOME TAXES | 396,075,447 | 365,803,482 | (136,876,565) | 0 | 228,926,917 | 14.60 | | | | | | | | | |
| FASB 109 DEFERRED TAXES | (34,057,880) | (31,454,843) | 11,769,792 | 0 | (19,685,051) | (1.26) | | | | | | | | | |
| TAX CREDITS - ZERO COST | 0 | 0 | 0 | 0 | 0 | 0.00 | | | | | | | | | |
| TAX CREDITS - WEIGHTED COST | 7,883,862 | 6,232,621 | (2,332,126) | 0 | 3,900,495 | 0.25 | 7.55 | 0.02 | 8.13 | 0.02 | 8.48 | 0.02 | 8.48 | 0.02 | |
| TOTAL | 2,841,473,240 | 2,504,583,060 | (937,166,382) | 0 | 1,567,416,678 | 100.00 % | | 6.49 % | | 6.98 % | | 7.27 % | | | |

GULF POWER COMPANY
Financial Integrity Indicators
February, 2011

A. Times Interest Earned with AFUDC

| | |
|---|-------------|
| Earnings Before Interest | 169,640,585 |
| AFUDC - Debt | 3,083,227 |
| Income Taxes | 65,073,638 |
| | <hr/> |
| Total | 237,797,450 |
| Interest Charges (Before Deducting AFUDC - Debt) | 56,512,116 |
| | <hr/> |
| T.I.E. With AFUDC | 4.21 x |

B. Times Interest Earned without AFUDC

| | |
|---|-------------|
| Earnings Before Interest | 169,640,585 |
| AFUDC - Other | (7,736,447) |
| Income Taxes | 65,073,638 |
| | <hr/> |
| Total | 226,977,776 |
| Interest Charges (Before Deducting AFUDC - Debt) | 56,512,116 |
| | <hr/> |
| T.I.E. Without AFUDC | 4.02 x |

C. Percent AFUDC To Net Income Available
for Common Stockholders

| | |
|---|-------------|
| AFUDC - Debt | 3,083,227 |
| X (1 - Income Tax Rate) | 0.6143 |
| | <hr/> |
| Subtotal | 1,893,872 |
| AFUDC - Other | 7,736,447 |
| | <hr/> |
| Total | 9,630,319 |
| | <hr/> |
| Net Income Available for Common Stockholders | 110,009,197 |
| | <hr/> |
| Percent AFUDC to Available Net Income | 8.75% |

D. Percent Internally Generated Funds

| | |
|---|---------------|
| Net Income | 116,211,697 |
| Preferred Dividends | (6,202,500) |
| Common Dividends | (105,725,000) |
| AFUDC (Debt & Other) | (10,819,674) |
| Depreciation & Amortization | 133,519,069 |
| Deferred Income Taxes | 87,692,240 |
| Investment Tax Credits | 0 |
| Other | (17,157,374) |
| | <hr/> |
| Total | 197,518,457 |
| | <hr/> |
| Construction Expenditures (Excluding AFUDC Other & Debt) | 339,889,650 |
| | <hr/> |
| Percent Internally Generated Funds | 58.11% |

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

| | |
|----------------------------|---------------|
| Long Term Debt | 657,622,565 |
| Short Term Debt | 15,519,329 |
| Preferred Stock | 53,043,323 |
| Common Equity | 602,435,714 |
| | <hr/> |
| Total | 1,328,620,931 |
| | <hr/> |
| % Long Term Debt To Total | 49.50% |
| | <hr/> |
| % Short Term Debt To Total | 1.17% |

G. FPSC Adjusted Average Jurisdictional Return
On Common Equity

| | G. FPSC ADJ. | H. PROFORMA |
|---|-----------------|----------------|
| FPSC Adjusted Average Earned Rate of Return | 5.13% | 5.13% |
| Less: Reconciled Average Retail Weighted Cost Rates For: | | |
| Long Term Debt | (1.90) | (1.90) |
| Short Term Debt | (0.00) | (0.00) |
| Preferred Stock | (0.22) | (0.22) |
| Customer Deposits | (0.09) | (0.09) |
| Tax Credits - Weighted Cost (Common Equity at Midpoint) | (0.02) | (0.02) |
| | <hr/> | <hr/> |
| Subtotal | (2.24) | (2.24) |
| | <hr/> | <hr/> |
| Total | 2.89 | 2.89 |
| Divided by Common Equity Ratio | 39.28 | 39.28 |
| | <hr/> | <hr/> |
| Jurisdictional Return on Common Equity | 7.35% | 7.35% |

GULF POWER COMPANY
Storm Accrual - Twelve Month to Date
February, 2011

Supplemental 1

| <u>Month</u> | <u>Year</u> | <u>\$</u> |
|-------------------|-------------|--------------------------------|
| March | 2010 | 291,667 |
| April | 2010 | 291,667 |
| May | 2010 | 291,667 |
| June | 2010 | 291,667 |
| July | 2010 | 291,667 |
| August | 2010 | 291,667 |
| September | 2010 | 291,667 |
| October | 2010 | 291,667 |
| November | 2010 | 291,667 |
| December | 2010 | 291,663 |
| January | 2011 | 291,667 |
| February | 2011 | 291,667 |
| 12 - M-T-D | | <u><u>3,500,000</u></u> |