

Susan D. Ritenour
Corporate Secretary, Treasurer &
Corporate Planning Manager

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March 14, 2014

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

RE: Monthly Rate of Return Report

Dear Mr. Fletcher:

Enclosed is Gulf Power Company's Jurisdictional Rate of Return Report for the month of January 2014.

Sincerely,

Susan D. Ritenour

wb

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

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FLORIDA PUBLIC SERVICE
COMMISSION
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DIVISION OF
ACCOUNTING & FINANCE

January 2014

Earnings Surveillance
Report
(Rate of Return)



GULF POWER COMPANY
Earnings Surveillance Report Summary
January, 2014

| | (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 | 171,308,067 | (64,312,004) | 106,996,063 | 0 | 106,996,063 |
| Average Rate Base | 3,025,624,780 | (1,135,772,744) | 1,889,852,036 | 0 | 1,889,852,036 |
| Average Rate of Return | 5.66% | | 5.66% | | 5.66% |
| II. Year End Rate of Return (Jurisdictional) | | | | | |
| | (a) | (b) | | | |
| Net Operating Income | 171,320,420 | (64,747,025) | 106,573,395 | 0 | 106,573,395 |
| Year End Rate Base | 3,119,332,095 | (1,188,300,631) | 1,931,031,464 | 0 | 1,931,031,464 |
| Year End Rate of Return | 5.49% | | 5.52% | | 5.52% |

(a) Includes AFUDC Earnings

(b) Includes Reversal of AFUDC Earnings

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

| | |
|----------|-------|
| Low | 5.39% |
| Midpoint | 5.75% |
| High | 6.12% |

IV. Financial Integrity Indicators

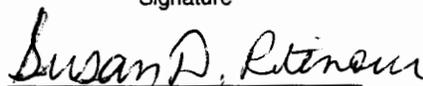
| | |
|--------------------------------|---------------------------------|
| A. Tie With AFUDC | 4.91 x (System per Books Basis) |
| B. Tie Without AFUDC | 4.73 x (System per Books Basis) |
| C. AFUDC To Net Income | 6.65% (System per Books Basis) |
| D. Internally Generated Funds | 61.60% (System per Books Basis) |
| E. LTD To Total Investor Funds | 46.11% (FPSC Adjusted Basis) |
| F. STD To Total Investor Funds | 2.83% (FPSC Adjusted Basis) |
| G. Return on Common Equity | 10.00% (FPSC Adjusted Basis) |
| H. Return on Common Equity | 10.00% (Proforma Basis) |

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

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

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

Signature



Date

3/14/14

GULF POWER COMPANY
AVERAGE RATE OF RETURN
RATE BASE
January, 2014

| | PLANT IN SERVICE | ACCUMULATED DEPRECIATION & AMORTIZATION | NET PLANT IN SERVICE | PROPERTY HELD FOR FUTURE USE | CONSTRUCTION WORK IN PROGRESS | NUCLEAR FUEL (NET) | NET UTILITY PLANT | WORKING CAPITAL | TOTAL RATE BASE |
|---|------------------------|---|----------------------|------------------------------|-------------------------------|--------------------|------------------------|---------------------|------------------------|
| SYSTEM PER BOOKS | 4,285,963,190 | 1,406,911,246 | 2,879,051,944 | 18,436,850 | 222,853,242 | 0 | 3,120,342,036 | 244,587,396 | 3,364,929,432 |
| JURISDICTIONAL PER BOOKS | 3,820,668,596 | 1,270,782,155 | 2,549,886,441 | 17,897,483 | 208,507,805 | 0 | 2,776,291,728 | 249,333,051 | 3,025,624,780 |
| FPSC ADJUSTMENTS: | | | | | | | | | |
| ENVIRONMENTAL RECOVERY CLAUSE | (1,014,763,769) | (119,474,308) | (895,289,461) | | (1,873,645) | | (897,163,106) | (7,916,142) | (905,079,248) |
| INT BEARING CWIP | | | | | (165,235,796) | | (165,235,796) | 0 | (165,235,796) |
| ENERGY CONSERVATION CLAUSE | (10,964,200) | 5,301,321 | (16,265,521) | | (4,594) | | (16,270,115) | (2,461,830) | (18,731,945) |
| TRANSMISSION INVESTMENT PURSUANT TO STIP. & SETT. | | | | | | | | 0 | 0 |
| CAPITALIZED DEF. EARNINGS ON TRANSM PURSUANT TO STIP. & SETT. | | | | | | | | 0 | 0 |
| LOANS TO EMPLOYEES / RETIREES | | | | | | | | (26,566) | (26,566) |
| FUNDED PROP RES, N. ESCAMBIA & OTHER INV. | | | | (12,621,924) | | | (12,621,924) | (4,646,921) | (17,268,845) |
| FUEL RELATED DEFERRED DEBITS | | | | | | | | (26,164,311) | (26,164,311) |
| ACCRUED PROVISION FOR REFUND | | | | | | | | 487,743 | 487,743 |
| UNAMORTIZED RATE CASE EXPENSES | | | | | | | | (3,753,776) | (3,753,776) |
| TOTAL FPSC ADJUSTMENTS | (1,025,727,969) | (114,172,987) | (911,554,982) | (12,621,924) | (167,114,035) | 0 | (1,091,290,940) | (44,481,803) | (1,135,772,744) |
| FPSC ADJUSTED | 2,794,940,627 | 1,156,609,168 | 1,638,331,459 | 5,275,559 | 41,393,770 | 0 | 1,685,000,788 | 204,851,248 | 1,889,852,036 |
| 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 | 2,794,940,627 | 1,156,609,168 | 1,638,331,459 | 5,275,559 | 41,393,770 | 0 | 1,685,000,788 | 204,851,248 | 1,889,852,036 |

GULF POWER COMPANY
AVERAGE RATE OF RETURN
INCOME STATEMENT
January, 2014

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 | 1,494,563,637 | 654,775,630 | 307,864,170 | 149,912,589 | 99,263,421 | 14,849,034 | 73,408,270 | (1,345,692) | 0 | 1,298,727,422 | 195,836,216 (a) |
| JURISDICTIONAL PER BOOKS | 1,264,403,081 | 505,043,699 | 292,063,876 | 139,223,490 | 97,549,772 | 18,181,242 | 52,275,688 | (996,026) | 0 | 1,103,341,741 | 161,061,340 (a) |
| LESS FPSC ADJUSTMENTS: | | | | | | | | | | | |
| RETAIL FUEL REVENUES & EXPENSES | (460,461,357) | (460,127,988) | | | | (128,598) | | | | (460,256,586) | (204,772) |
| PURCHASED POWER CAPACITY REVENUES & EXPENSES | (44,686,641) | (44,761,549) | | | | 28,896 | | | | (44,732,653) | 46,012 |
| ENERGY CONSERVATION COST REVENUES & EXPENSES | (27,155,313) | | (24,825,363) | (308,241) | (401,654) | (624,937) | | | | (26,160,195) | (995,119) |
| ENVIRONMENTAL COST RECOVERY CLAUSE | (144,866,877) | | (26,464,358) | (39,556,625) | (1,661,923) | (29,773,717) | | | | (97,456,623) | (47,410,254) |
| FRANCHISE FEE REVENUE & EXPENSE | (37,943,154) | | | | (37,010,175) | (359,897) | | | | (37,370,072) | (573,082) |
| GROSS RECEIPTS TAX REVENUE & ADJUSTMENT | (28,039,488) | | | | (27,714,834) | (125,236) | | | | (27,840,070) | (199,418) |
| MARKETING SUPPORT ACTIVITIES | | | (178,908) | | | 69,014 | | | | (109,894) | 109,894 |
| WHOLESALE EXPENSES | | (154,162) | | | | 59,468 | | | | (94,694) | 94,694 |
| INSTITUTIONAL ADVERTISING EXPENSE | | | (190,314) | | | 73,414 | | | | (116,900) | 116,900 |
| ECONOMIC DEVELOPMENT EXPENSE | | | (50,062) | | | 19,311 | | | | (30,751) | 30,751 |
| MGMT FINANCIAL PLANNING SERVICES | | | (37,524) | | | 14,475 | | | | (23,049) | 23,049 |
| DIRECTORS' & OFFICERS' INSURANCE | | | (44,713) | | | 17,248 | | | | (27,465) | 27,465 |
| INDUSTRY ASSOCIATION DUES | | | (71) | | | 27 | | | | (44) | 44 |
| TALLAHASSEE LIAISON EXPENSES | | | (163,238) | | (6,583) | 65,508 | | | | (104,313) | 104,313 |
| GRT, FPSC FEES ON CLAUSES & FEES | | | | | (1,325,477) | 511,303 | | | | (814,174) | 814,174 |
| (GAIN) / LOSS ON DISPOSITION | | | | | | 44,238 | | | (114,680) | (70,442) | 70,442 |
| INTEREST SYNCHRONIZATION | | | | | | 6,120,371 | | | | 6,120,371 | (6,120,371) |
| TOTAL FPSC ADJUSTMENTS | (743,152,832) | (505,043,699) | (51,954,551) | (39,864,866) | (68,120,646) | (23,989,112) | 0 | 0 | (114,680) | (689,087,554) | (54,065,277) |
| FPSC ADJUSTED | 521,250,250 | 0 | 240,109,325 | 99,358,624 | 29,429,126 | (5,807,870) | 52,275,688 | (996,026) | (114,680) | 414,254,187 | 106,996,063 |
| PRO FORMA REVENUE ANNUALIZATION ADJUSTMENTS | | | | | | | | | | | |
| TOTAL PRO FORMA ADJUSTMENTS | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| PRO FORMA ADJUSTED | 521,250,250 | 0 | 240,109,325 | 99,358,624 | 29,429,126 | (5,807,870) | 52,275,688 | (996,026) | (114,680) | 414,254,187 | 106,996,063 |
| (a) THE ADDITION OF EARNINGS FROM AFUDC WOULD INCREASE THE SYSTEM NOI BY | | | | 10,490,441 | AND THE JURISDICTIONAL NOI BY | 10,248,727 | | | | | |
| CURRENT MONTH SYSTEM PER BOOKS | 162,835,627 | 77,175,857 | 27,392,373 | 12,021,908 | 9,448,795 | 10,577,115 | 1,965,325 | (105,992) | 0 | 138,475,380 | 24,360,247 |
| CURRENT MONTH JURISDICTIONAL PER BOOKS | 125,757,379 | 46,698,479 | 25,193,756 | 11,122,934 | 9,308,720 | 9,726,137 | 1,702,194 | (76,974) | 0 | 103,675,246 | 22,082,133 |

GULF POWER COMPANY
AVERAGE RATE OF RETURN
SYSTEM ADJUSTMENTS
January, 2014

SCHEDULE 2
PAGE 3 OF 3

| <u>RATE BASE ADJUSTMENTS</u> | <u>AMOUNT</u> | <u>NET OPERATING INCOME STATEMENT ADJUSTMENTS</u> | <u>AMOUNT</u> | <u>TAX EFFECT</u> |
|---|-----------------|---|---------------|-------------------|
| ENVIRONMENTAL COST RECOVERY CLAUSE INVESTMENT | (1,045,294,551) | FUEL & IIC FUEL REVENUES AND ECONOMY PROFITS | (611,921,209) | (236,048,606) |
| ACCUMULATED DEPRECIATION | 123,096,089 | ENVIRONMENTAL COST RECOVERY CLAUSE REVENUES | (148,576,751) | (57,313,482) |
| CWIP | (1,934,130) | PURCHASED POWER CAPACITY COST CLAUSE REVENUES | (44,803,172) | (17,282,824) |
| ENERGY CONSERVATION COST RECOVERY INVESTMENT | (10,964,200) | ENERGY CONSERVATION COST RECOVERY CLAUSE REVENUES | (27,155,313) | (10,475,162) |
| ACCUMULATED DEPRECIATION | (5,301,321) | FUEL EXPENSE | (608,319,847) | 234,659,381 |
| CWIP | (4,594) | PURCHASED POWER CAPACITY COST EXPENSE | (46,337,903) | 17,874,846 |
| TRANSMISSION PURSUANT TO STIP. & SETT. INVESTMENT | 0 | CONSERVATION EXPENSES - DEPRECIATION AND O & M | (25,133,604) | 9,695,288 |
| FAS 143 NET PLANT | (14,837,386) | CONSERVATION EXPENSES - OTHER TAXES | (401,654) | 154,938 |
| INTEREST BEARING CWIP | (169,165,849) | ENVIRONMENTAL COST RECOVERY EXPENSE | (69,623,551) | 26,857,285 |
| PHFU - NORTH ESCAMBIA | (13,002,304) | FRANCHISE FEE REVENUES | (37,943,154) | (14,636,572) |
| | | FRANCHISE FEE | (37,010,175) | 14,276,675 |
| WORKING CAPITAL: | | GROSS RECEIPTS TAX REVENUES | (28,039,488) | (10,816,233) |
| ECRC WORKING CAPITAL | (8,148,827) | GROSS RECEIPTS TAX EXPENSE | (27,714,834) | 10,690,997 |
| CONSERVATION/AEM INVENTORY | (2,461,830) | MARKETING SUPPORT ACTIVITIES | (178,908) | 69,014 |
| CAPITALIZED DEF. EARNINGS ON TRANSMISSION PURSUANT TO STIP. & SETT. | 0 | WHOLESALE EXPENSE | (158,861) | 61,280 |
| FUNDED PROPERTY INSURANCE RESERVE | 0 | INSTITUTIONAL ADVERTISING EXPENSE | (194,064) | 74,860 |
| LOANS TO EMPLOYEES AND RETIREES | (27,726) | ECONOMIC DEVELOPMENT EXPENSE | (50,063) | 19,312 |
| INTEREST & DIVIDENDS RECEIVABLE | 0 | MGMT FINANCIAL PLANNING SERVICES | (38,352) | 14,794 |
| NORTH ESCAMBIA SITE | (4,849,962) | DIRECTORS' & OFFICERS' INSURANCE | (45,700) | 17,629 |
| UNAMORTIZED RATE CASE EXPENSE | (3,917,792) | INDUSTRY ASSOCIATION DUES | (72) | 28 |
| FUEL RELATED DEFERRED DEBITS | (26,164,311) | TALLAHASSEE LIAISON EXPENSE | (173,572) | 66,955 |
| UNREALIZED LOSS ON FWD CONTRACT | (4) | GRT/FPSC FEES ON CLAUSE REV ADJ & FRAN FEES | (1,325,477) | 511,303 |
| ACCUM. PROV. FOR RATE REFUNDS | 509,054 | COMP SALES/TRANS REV/G/L SALE GAS/PROV RT REFV. ESC REV | 99,027 | 38,200 |
| FAS 143 WORKING CAPITAL | 25,406,300 | GAIN/LOSS ON DISPOSITION OF PROPERTY | (116,789) | 45,051 |
| FAS 158 REGULATORY ASSETS | (129,364,687) | INTEREST SYNCHRONIZATION | 6,503,885 | 6,503,885 |
| FAS 158 REGULATORY LIABILITIES | 129,364,687 | | | |
| PPA REGULATORY ASSETS | (168,459,485) | | | |
| PPA REGULATORY LIABILITIES | 168,459,485 | | | |
| FAS 133 REGULATORY ASSETS | (28,781,932) | | | |
| FAS 133 REGULATORY LIABILITIES | 28,781,932 | | | |

GULF POWER COMPANY
YEAR END RATE OF RETURN
RATE BASE
January, 2014

SCHEDULE 3
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 | 4,355,442,829 | 1,449,740,186 | 2,905,702,643 | 18,393,811 | 290,788,616 | 0 | 3,214,885,070 | 244,587,396 | 3,459,472,466 |
| JURISDICTIONAL PER BOOKS | 3,882,551,678 | 1,310,118,527 | 2,572,433,151 | 17,855,703 | 278,307,397 | 0 | 2,868,596,251 | 250,735,844 | 3,119,332,095 |
| FPSC ADJUSTMENTS: | | | | | | | | | |
| ENVIRONMENTAL RECOVERY CLAUSE | (1,014,860,090) | (138,645,420) | (876,214,670) | | (8,511,854) | | (884,726,524) | (7,916,142) | (892,642,666) |
| INT BEARING CWIP | | | | | (229,103,608) | | (229,103,608) | 0 | (229,103,608) |
| ENERGY CONSERVATION CLAUSE | (11,496,860) | 5,851,974 | (17,348,834) | | (59,718) | | (17,408,552) | (2,461,830) | (19,870,382) |
| TRANSMISSION INVESTMENT PURSUANT TO STIP. & SETT. | | | | | | | | 0 | 0 |
| CAPITALIZED DEF. EARNINGS ON TRANSM PURSUANT TO STIP. & SETT. | | | | | | | | 0 | 0 |
| LOANS TO EMPLOYEES AND RETIREES | | | | | | | | (26,566) | (26,566) |
| FUNDED PROP RES, N. ESCAMBIA SITE, & OTHER INV. | | | | (12,580,144) | | | (12,580,144) | (4,646,921) | (17,227,065) |
| FUEL RELATED DEFERRED DEBITS | | | | | | | | (26,164,311) | (26,164,311) |
| ACCRUED PROVISION FOR REFUND | | | | | | | | 487,743 | 487,743 |
| | | | | | | | | (3,753,776) | (3,753,776) |
| TOTAL FPSC ADJUSTMENTS | (1,026,356,950) | (132,793,446) | (893,563,504) | (12,580,144) | (237,675,180) | 0 | (1,143,818,828) | (44,481,803) | (1,188,300,631) |
| FPSC ADJUSTED | 2,856,194,728 | 1,177,325,081 | 1,678,869,647 | 5,275,559 | 40,632,217 | 0 | 1,724,777,423 | 206,254,041 | 1,931,031,464 |
| 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 | 2,856,194,728 | 1,177,325,081 | 1,678,869,647 | 5,275,559 | 40,632,217 | 0 | 1,724,777,423 | 206,254,041 | 1,931,031,464 |

GULF POWER COMPANY
YEAR END RATE OF RETURN
INCOME STATEMENT
January, 2014

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 INVESTMENT TAXES (NET) | INVESTMENT TAX CREDIT (NET) | (GAIN)/LOSS ON DISPOSITION | TOTAL OPERATING EXPENSES | NET OPERATING INCOME |
|--|--------------------|------------------------------|--------------|-----------------------------|------------------------------|----------------------|---------------------------------|-----------------------------|----------------------------|--------------------------|----------------------|
| SYSTEM PER BOOKS | 1,494,563,637 | 654,775,630 | 307,864,170 | 149,912,589 | 99,263,421 | 14,849,034 | 73,408,270 | (1,345,692) | 0 | 1,296,727,422 | 195,836,216 (a) |
| JURISDICTIONAL PER BOOKS | 1,264,403,081 | 505,043,699 | 292,063,876 | 139,223,490 | 97,549,772 | 18,184,894 | 52,259,683 | (996,026) | 0 | 1,103,329,388 | 161,073,693 (a) |
| LESS FPSC ADJUSTMENTS: | | | | | | | | | | | |
| RETAIL FUEL REVENUES & EXPENSES | (460,461,357) | (460,127,988) | | | | (128,598) | | | | (460,256,586) | (204,772) |
| PURCHASED POWER CAPACITY REVENUES & EXPENSE: | (44,686,641) | (44,761,549) | | | | 28,896 | | | | (44,732,653) | 46,012 |
| ENERGY CONSERVATION COST REVENUES & EXPENSE: | (27,155,313) | | (24,825,363) | (308,241) | (401,654) | (624,937) | | | | (26,160,195) | (995,119) |
| ENVIRONMENTAL COST RECOVERY CLAUSE | (144,866,877) | | (26,464,358) | (39,556,625) | (1,661,923) | (29,773,717) | | | | (97,456,623) | (47,410,254) |
| FRANCHISE FEE REVENUE & EXPENSE | (37,943,154) | | | | (37,010,175) | (359,897) | | | | (37,370,072) | (573,082) |
| GROSS RECEIPTS TAX REVENUE & ADJUSTMENT | (28,039,488) | | | | (27,714,834) | (125,236) | | | | (27,840,070) | (199,418) |
| MARKETING SUPPORT ACTIVITIES | | | (178,908) | | | 69,014 | | | | (109,894) | 109,894 |
| WHOLESALE EXPENSES | | (154,162) | | | | 59,468 | | | | (94,694) | 94,694 |
| INSTITUTIONAL ADVERTISING EXPENSE | | | (190,314) | | | 73,414 | | | | (116,900) | 116,900 |
| ECONOMIC DEVELOPMENT EXPENSE | | | (50,062) | | | 19,311 | | | | (30,751) | 30,751 |
| MGMT FINANCIAL PLANNING SERVICES | | | (37,524) | | | 14,475 | | | | (23,049) | 23,049 |
| DIRECTORS' & OFFICERS' INSURANCE | | | (44,713) | | | 17,248 | | | | (27,465) | 27,465 |
| INDUSTRY ASSOCIATION DUES | | | (71) | | | 27 | | | | (44) | 44 |
| TALLAHASSEE LIAISON EXPENSES | | | (163,238) | | (6,583) | 65,508 | | | | (104,313) | 104,313 |
| GRT, FPSC FEES ON CLAUSES & FEES | | | | | (1,325,477) | 511,303 | | | | (814,174) | 814,174 |
| (GAIN) / LOSS ON DISPOSITION | | | | | | 44,238 | | | (114,680) | (70,442) | 70,442 |
| INTEREST SYNCHRONIZATION | | | | | | 6,555,392 | | | | 6,555,392 | (6,555,392) |
| TOTAL FPSC ADJUSTMENTS | (743,152,832) | (505,043,699) | (51,954,551) | (39,864,866) | (68,120,646) | (23,554,091) | 0 | 0 | (114,680) | (688,652,533) | (54,500,298) |
| FPSC ADJUSTED | 521,250,250 | 0 | 240,109,325 | 99,358,624 | 29,429,126 | (5,369,197) | 52,259,683 | (996,026) | (114,680) | 414,676,855 | 106,573,395 |
| PRO FORMA REVENUE ANNUALIZATION ADJUSTMENTS | | | | | | | | | | | |
| TOTAL PRO FORMA ADJUSTMENTS | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| PRO FORMA ADJUSTED | 521,250,250 | 0 | 240,109,325 | 99,358,624 | 29,429,126 | (5,369,197) | 52,259,683 | (996,026) | (114,680) | 414,676,855 | 106,573,395 |
| (a) THE ADDITION OF EARNINGS FROM AFUDC WOULD INCREASE THE SYSTEM NOI BY | | | | 10,490,441 | AND THE JURISDICTIONAL NOI B | 10,246,727 | | | | | |

GULF POWER COMPANY
YEAR END RATE OF RETURN
SYSTEM ADJUSTMENTS
January, 2014

SCHEDULE 3
PAGE 3 OF 3

| <u>RATE BASE ADJUSTMENTS</u> | <u>AMOUNT</u> | <u>NET OPERATING INCOME STATEMENT ADJUSTMENTS</u> | <u>AMOUNT</u> | <u>TAX EFFECT</u> |
|---|-----------------|---|---------------|-------------------|
| ENVIRONMENTAL COST RECOVERY CLAUSE INVESTMENT | (1,045,569,396) | FUEL & IIC FUEL REVENUES AND ECONOMY PROFITS | (611,921,209) | (236,048,606) |
| ACCUMULATED DEPRECIATION | 142,840,781 | ENVIRONMENTAL COST RECOVERY CLAUSE REVENUES | (148,576,751) | (57,313,482) |
| CWIP | (8,769,420) | PURCHASED POWER CAPACITY COST CLAUSE REVENUES | (44,803,172) | (17,282,824) |
| ENERGY CONSERVATION COST RECOVERY INVESTMENT | (11,496,860) | ENERGY CONSERVATION COST RECOVERY CLAUSE REVENUES | (27,155,313) | (10,475,162) |
| ACCUMULATED DEPRECIATION | (5,851,974) | FUEL EXPENSE | (608,319,847) | 234,659,381 |
| CWIP | (59,718) | PURCHASED POWER CAPACITY COST EXPENSE | (46,337,903) | 17,874,846 |
| TRANSMISSION PURSUANT TO STIP. & SETT. INVESTMENT | 0 | CONSERVATION EXPENSES - DEPRECIATION AND O & M | (25,133,604) | 9,695,288 |
| FAS 143 NET PLANT | (15,266,718) | CONSERVATION EXPENSES - OTHER TAXES | (401,654) | 154,936 |
| INTEREST BEARING CWIP | (234,552,726) | ENVIRONMENTAL COST RECOVERY EXPENSE | (69,623,551) | 26,857,285 |
| PHFU - NORTH ESCAMBIA | (12,959,265) | FRANCHISE FEE REVENUES | (37,943,154) | (14,636,572) |
| WORKING CAPITAL: | | FRANCHISE FEE | (37,010,175) | 14,276,675 |
| ECRC WORKING CAPITAL | (8,148,827) | GROSS RECEIPTS TAX REVENUES | (28,039,488) | (10,816,233) |
| CONSERVATION/AEM INVENTORY | (2,461,830) | GROSS RECEIPTS TAX EXPENSE | (27,714,834) | 10,690,997 |
| CAPITALIZED DEF. EARNINGS ON TRANSMISSION PURSUANT TO STIP. & SETT. | 0 | MARKETING SUPPORT ACTIVITIES | (178,908) | 69,014 |
| FUNDED PROPERTY INSURANCE RESERVE | 0 | WHOLESALE EXPENSE | (158,861) | 61,280 |
| LOANS TO EMPLOYEES AND RETIREES | (27,726) | INSTITUTIONAL ADVERTISING EXPENSE | (194,064) | 74,860 |
| INTEREST & DIVIDENDS RECEIVABLE | 0 | ECONOMIC DEVELOPMENT EXPENSE | (50,063) | 19,312 |
| NORTH ESCAMBIA SITE | (4,849,962) | MGMT FINANCIAL PLANNING SERVICES | (38,352) | 14,794 |
| UNAMORTIZED RATE CASE EXPENSE | (3,917,792) | DIRECTORS' & OFFICERS' INSURANCE | (45,700) | 17,629 |
| FUEL RELATED DEFERRED DEBITS | (26,164,311) | INDUSTRY ASSOCIATION DUES | (72) | 28 |
| UNREALIZED LOSS ON FWD CONTRACT | (4) | TALLAHASSEE LIAISON EXPENSE | (173,572) | 66,955 |
| ACCUM. PROV. FOR RATE REFUNDS | 509,054 | GRT/FPSC FEES ON CLAUSE REV ADJ & FRAN FEES | (1,325,477) | 511,303 |
| FAS 143 WORKING CAPITAL | 25,406,300 | COMP SALES/TRANS REV/G/L SALE GAS/PROV RT REFN. ESC REV | 99,027 | 38,200 |
| FAS 158 REGULATORY ASSETS | (129,364,687) | GAIN/LOSS ON DISPOSITION OF PROPERTY | (116,789) | 45,051 |
| FAS 158 REGULATORY LIABILITIES | 129,364,687 | INTEREST SYNCHRONIZATION | 6,987,649 | 6,987,649 |
| PPA REGULATORY ASSETS | (168,459,485) | | | |
| PPA REGULATORY LIABILITIES | 168,459,485 | | | |
| FAS 133 REGULATORY ASSETS | (28,781,932) | | | |

GULF POWER COMPANY
CAPITAL STRUCTURE
FPSC ADJUSTED BASIS
January, 2014

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 (%) |
| LONG TERM DEBT | 1,221,146,961 | 1,102,291,390 | (413,783,138) | 0 | 688,508,252 | 36.43 | 4.74 | 1.73 | 4.74 | 1.73 | 4.74 | 1.73 |
| SHORT TERM DEBT | 103,741,177 | 67,766,686 | (25,438,566) | 0 | 42,328,120 | 2.24 | 0.38 | 0.01 | 0.38 | 0.01 | 0.38 | 0.01 |
| PREFERENCE STOCK | 127,861,500 | 115,451,525 | (43,338,717) | 0 | 72,112,808 | 3.82 | 6.20 | 0.24 | 6.20 | 0.24 | 6.20 | 0.24 |
| CUSTOMER DEPOSITS | 34,802,266 | 35,083,139 | (13,169,668) | 0 | 21,913,471 | 1.16 | 2.38 | 0.03 | 2.38 | 0.03 | 2.38 | 0.03 |
| COMMON EQUITY | 1,217,195,741 | 1,105,022,850 | (414,808,486) | 0 | 690,214,364 | 36.52 | 9.25 | 3.38 | 10.25 | 3.74 | 11.25 | 4.11 |
| DEFERRED INCOME TAXES | 690,662,307 | 634,954,439 | (238,352,075) | 0 | 396,602,364 | 20.99 | | | | | | |
| FASB 109 DEFERRED TAXES | (42,250,578) | (38,842,706) | 14,580,951 | 0 | (24,261,755) | (1.28) | | | | | | |
| TAX CREDITS - ZERO COST | 0 | 0 | 0 | 0 | 0 | 0.00 | | | | | | |
| TAX CREDITS - WEIGHTED COST | 4,619,310 | 3,897,457 | (1,463,045) | 0 | 2,434,412 | 0.13 | 6.96 | 0.01 | 7.43 | 0.01 | 7.91 | 0.01 |
| TOTAL | 3,357,778,684 | 3,025,624,780 | (1,135,772,744) | 0 | 1,889,852,036 | 100.00 % | | 5.39 % | | 5.75 % | | 6.12 % |

| 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 (%) |
| LONG TERM DEBT | 1,207,342,457 | 1,082,883,382 | (412,521,324) | 0 | 670,362,058 | 34.72 | 4.72 | 1.64 | 4.72 | 1.64 | 4.72 | 1.64 |
| SHORT TERM DEBT | 122,684,848 | 84,424,393 | (32,161,231) | 0 | 52,263,162 | 2.71 | 0.23 | 0.01 | 0.23 | 0.01 | 0.23 | 0.01 |
| PREFERENCE STOCK | 146,503,864 | 131,401,492 | (50,057,022) | 0 | 81,344,470 | 4.21 | 6.14 | 0.26 | 6.14 | 0.26 | 6.14 | 0.26 |
| CUSTOMER DEPOSITS | 34,355,021 | 34,259,714 | (13,051,140) | 0 | 21,208,574 | 1.10 | 2.31 | 0.03 | 2.31 | 0.03 | 2.31 | 0.03 |
| COMMON EQUITY | 1,273,761,494 | 1,158,527,289 | (441,337,654) | 0 | 717,189,635 | 37.14 | 9.25 | 3.44 | 10.25 | 3.81 | 11.25 | 4.18 |
| DEFERRED INCOME TAXES | 727,684,222 | 663,632,758 | (252,808,999) | 0 | 410,823,759 | 21.27 | | | | | | |
| FASB 109 DEFERRED TAXES | (42,940,482) | (39,160,820) | 14,918,202 | 0 | (24,242,618) | (1.26) | | | | | | |
| TAX CREDITS - ZERO COST | 0 | 0 | 0 | 0 | 0 | 0.00 | | | | | | |
| TAX CREDITS - WEIGHTED COST | 3,949,302 | 3,363,887 | (1,281,463) | 0 | 2,082,424 | 0.11 | 7.01 | 0.01 | 7.50 | 0.01 | 7.99 | 0.01 |
| TOTAL | 3,473,340,726 | 3,119,332,095 | (1,188,300,631) | 0 | 1,931,031,464 | 100.00 % | | 5.37 % | | 5.74 % | | 6.12 % |

GULF POWER COMPANY
Financial Integrity Indicators
January, 2014

A. Times Interest Earned with AFUDC

| | |
|---|--------------------|
| Earnings Before Interest | 200,296,003 |
| AFUDC - Debt | 3,636,035 |
| Income Taxes | 87,298,068 |
| | <u>291,230,106</u> |
| Total | 291,230,106 |
| Interest Charges (Before Deducting AFUDC - Debt) | <u>59,335,300</u> |
| T.I.E. With AFUDC | <u>4.91 x</u> |

B. Times Interest Earned without AFUDC

| | |
|---|--------------------|
| Earnings Before Interest | 200,296,003 |
| AFUDC - Other | (6,854,406) |
| Income Taxes | 87,298,068 |
| | <u>280,739,665</u> |
| Total | 280,739,665 |
| Interest Charges (Before Deducting AFUDC - Debt) | <u>59,335,300</u> |
| T.I.E. Without AFUDC | <u>4.73 x</u> |

C. Percent AFUDC To Net Income Available for Common Stockholders

| | |
|---|--------------------|
| AFUDC - Debt | 3,636,035 |
| X (1 - Income Tax Rate) | 0.61425 |
| | <u>2,233,434</u> |
| Subtotal | 2,233,434 |
| AFUDC - Other | 6,854,406 |
| | <u>9,087,840</u> |
| Total | 9,087,840 |
| Net Income Available for Common Stockholders | <u>136,659,794</u> |
| Percent AFUDC to Available Net Income | <u>6.65%</u> |

D. Percent Internally Generated Funds

| | |
|---|--------------------|
| Net Income | 144,596,738 |
| Preference Dividends | (7,936,944) |
| Common Dividends | (117,350,000) |
| AFUDC (Debt & Other) | (10,490,441) |
| Depreciation & Amortization | 158,359,546 |
| Deferred Income Taxes | 73,385,833 |
| Investment Tax Credits | 0 |
| Other | (42,964,730) |
| | <u>197,600,002</u> |
| Total | 197,600,002 |
| Construction Expenditures (Excluding AFUDC Other & Debt) | <u>320,799,896</u> |
| Percent Internally Generated Funds | <u>61.60%</u> |

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 | 688,508,252 |
| Short Term Debt | 42,328,120 |
| Preference Stock | 72,112,808 |
| Common Equity | <u>690,214,364</u> |
| Total | <u>1,493,163,544</u> |
| % Long Term Debt To Total | <u>46.11%</u> |
| % Short Term Debt To Total | <u>2.83%</u> |

G. FPSC Adjusted Average Jurisdictional Return On Common Equity

| | G. FPSC ADJ. | H. PROFORMA |
|---|-----------------|----------------|
| FPSC Adjusted Average Earned Rate of Return | 5.66% | 5.66% |
| Less: Reconciled Average Retail Weighted Cost Rates For: | | |
| Long Term Debt | (1.73) | (1.73) |
| Short Term Debt | (0.01) | (0.01) |
| Preference Stock | (0.24) | (0.24) |
| Customer Deposits | (0.03) | (0.03) |
| Tax Credits - Weighted Cost (Common Equity at Midpoint) | <u>(0.01)</u> | <u>(0.01)</u> |
| Subtotal | <u>(2.01)</u> | <u>(2.01)</u> |
| Total | 3.65 | 3.65 |
| Divided by Common Equity Ratio | <u>36.52</u> | <u>36.52</u> |
| Jurisdictional Return on Common Equity | <u>10.00%</u> | <u>10.00%</u> |

GULF POWER COMPANY
Storm Accrual - Twelve Month to Date
January, 2014

Supplemental 1

| <u>Month</u> | <u>Year</u> | <u>\$</u> |
|-------------------|-------------|--------------------------------|
| February | 2013 | 291,667 |
| March | 2013 | 291,667 |
| April | 2013 | 291,667 |
| May | 2013 | 291,667 |
| June | 2013 | 291,667 |
| July | 2013 | 291,667 |
| August | 2013 | 291,667 |
| September | 2013 | 291,667 |
| October | 2013 | 291,667 |
| November | 2013 | 291,667 |
| December | 2013 | 291,667 |
| January | 2014 | 291,663 |
| 12 - M-T-D | | <u><u>3,500,000</u></u> |

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GULF POWER COMPANY
SUPPLEMENTAL SURVEILLANCE REPORT INFORMATION
COMMERCIAL/INDUSTRIAL SERVICE RIDER
JANUARY 2014

CONFIDENTIAL

The information below is presented to comply with FPSC Order No. PSC-96-1219-FOF-EI and FPSC Order No. PSC-01-0390-TRF-EI. This supplemental information is to be treated as confidential. For CSA-3, it is estimated that the contract execution-to-date revenues, excluding tax and franchise fees, that would have been produced by the application of Gulf Power's otherwise applicable standard tariff rates to the affected load would have been [REDACTED] than the revenues actually received by Gulf Power pursuant to the executed CSA. Although this dollar amount is required to be calculated and reported, Gulf believes a more accurate representation of the impact of CSA-3 on Gulf's general body of customers is shown in the paragraph below.

For CSA-3, it is estimated that the contract execution-to-date net benefit to Gulf's customers, as represented by the contribution toward fixed costs associated with sales under CSA-3 which would not have occurred in the absence of CSA-3, is [REDACTED].