

NOT A NEW ISSUE -- BOOK-ENTRY ONLY

King & Spalding LLP (“Bond Counsel”) delivered its opinion with respect to the Bonds described below on the date of original issuance of such Bonds to the effect that interest on such Bonds, as of the date of such opinion, was not includable in gross income for federal income tax purposes under existing statutes, rulings and court decisions, and under applicable regulations and proposed regulations, except for interest on any such Bond for any period during which such Bond is held by a “substantial user” of the facilities financed or refinanced thereby or a “related person” as defined in Section 147(a) of the Internal Revenue Code of 1986, as amended, and would not be treated as an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations, but such interest will be includable in adjusted current earnings in computing the federal alternative minimum tax imposed on certain corporations. In the opinion of Bond Counsel, conversion of the interest rate on the Bonds as described herein will not, by itself, adversely affect the exclusion from gross income of the interest on such Bonds for federal income tax purposes, based on assumptions and subject to the limitations described under “TAX EXEMPTION.” In the opinion of Bond Counsel, interest on such Bonds, as of the date of original issuance thereof, was exempt from State of Georgia income taxation under then-existing statutes.

\$42,000,000**DEVELOPMENT AUTHORITY OF MONROE COUNTY (GEORGIA)**

**Pollution Control Revenue Bonds
(Gulf Power Company Plant Scherer Project),
First Series 2002**

THE BONDS ARE LIMITED SPECIAL OBLIGATIONS OF THE DEVELOPMENT AUTHORITY OF MONROE COUNTY (THE “AUTHORITY”) AND ARE PAYABLE SOLELY FROM THE LOAN REPAYMENTS UNDER A PROMISSORY NOTE ISSUED PURSUANT TO A LOAN AGREEMENT RELATED TO THE BONDS WITH:

**Interest Accrual Date: June 25, 2020****Due: September 1, 2037**

The Bonds will bear interest from the Interest Accrual Date at a Daily Rate determined by the Remarketing Agent as described under “THE BONDS—Interest on the Bonds” herein, payable on the fifth Business Day of each month. The Bonds were initially issued pursuant to a Trust Indenture, dated as of September 1, 2002 (the “Indenture”), between the Authority and U.S. Bank National Association as successor trustee (the “Trustee”).

The Bonds are subject to optional and extraordinary optional redemption prior to maturity as described under “THE BONDS—Redemption” herein. The Bonds are also subject to mandatory tender upon a change in interest rate determination method. When a Daily or Weekly Rate is in effect for the Bonds, holders will have the option to tender their Bonds for purchase as described under “THE BONDS—Optional Tender” herein.

Subject to satisfaction of certain conditions in the Indenture, the Company may from time to time change the method of determining the interest rate on the Bonds to a Daily Rate, Weekly Rate, Commercial Paper Rate, Long-Term Interest Rate, Auction Mode Rate, or Index Rate as more fully described under “THE BONDS—Change in Interest Rate Determination Method” herein. This Reoffering Circular does not describe the terms and provisions applicable to the Bonds after the date they convert to accrue interest, as permitted by the Indenture, at interest rates other than the Daily Rate or the Weekly Rate described herein.

The Bonds will be reoffered as fully registered bonds and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC acts as securities depository for the Bonds. During any Daily or Weekly interest rate period, the Bonds will be in denominations of \$100,000 and integral multiples thereof. Purchases will be made in book-entry form through DTC participants and no physical delivery of Bonds will be made to purchasers, except as otherwise described in this reoffering circular (this “Reoffering Circular”). Payments of principal of, premium, if any, on, purchase price of and interest on the Bonds will be made by U.S. Bank National Association, as Trustee and Paying Agent, to Cede & Co., as nominee for DTC, as registered owner of the Bonds, to be subsequently disbursed to DTC participants and thereafter to the beneficial owners of the Bonds. See “THE BONDS — Book-Entry System.”

PRICE: 100%

This cover page contains certain information for quick reference only. It is not a summary of this reoffering. Investors must read the entire Reoffering Circular to obtain information essential to making an informed investment decision.

The Bonds are reoffered subject to prior sale, when, as and if received by Morgan Stanley & Co. LLC (the “Remarketing Agent”), subject to the receipt of the opinion of King & Spalding LLP, Bond Counsel, as described herein, and certain other conditions. Certain legal matters, other than the validity of the Bonds and the exclusion from gross income for federal and state income tax purposes of interest thereon, will be passed on for the Company by its counsel, Liebler, Gonzalez & Portuondo, Morgan, Lewis & Bockius LLP, and, with respect to matters of Georgia law, King & Spalding LLP, Bond Counsel, and for the Remarketing Agent by its counsel, Ballard Spahr LLP. The Bonds are expected to be delivered through the facilities of DTC in New York, New York on or about June 25, 2020.

Morgan Stanley

June 16, 2020

The information contained in this Reoffering Circular has been obtained from the Company, DTC or other sources deemed reliable by the Company. No representation or warranty is made as to the accuracy or completeness of such information, and nothing contained in this Reoffering Circular is, or shall be relied upon as, a promise or representation by the Remarketing Agent. This Reoffering Circular is submitted in connection with the reoffering of securities as referred to herein and may not be reproduced or be used, in whole or in part, for any other purpose. The delivery of this Reoffering Circular at any time does not imply that information herein or in the Appendices to this Reoffering Circular is correct as of any time subsequent to its date.

The Authority has not reviewed or approved the information contained in this Reoffering Circular.

The Remarketing Agent has provided the following sentence for inclusion in this Reoffering Circular. The Remarketing Agent has reviewed the information in this Reoffering Circular in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Remarketing Agent does not guarantee the accuracy or completeness of such information.

No broker, dealer, salesman or any other person has been authorized by the Authority, by the Company or by the Remarketing Agent to give any information or to make any representation other than as contained in this Reoffering Circular or in the Appendices to this Reoffering Circular in connection with the reoffering described herein. Neither the Company nor the Remarketing Agent takes any responsibility for, nor can it provide any assurance as to the reliability of, any other information. This Reoffering Circular does not constitute an offer of any securities other than those described on the cover page or an offer to sell or a solicitation of an offer to buy in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE AUTHORITY, THE COMPANY AND THE TERMS OF THE REOFFERING DESCRIBED IN THIS REOFFERING CIRCULAR INCLUDING THE MERITS AND RISKS INVOLVED. THE SECURITIES DESCRIBED IN THIS REOFFERING CIRCULAR HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING REGULATORY AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS REOFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

CERTAIN PERSONS PARTICIPATING IN THE REOFFERING DESCRIBED IN THIS REOFFERING CIRCULAR MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE PRICE OF THE BONDS, INCLUDING BY ENTERING STABILIZING BIDS. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE "REMARKETING OF THE BONDS."

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REOFFERING CIRCULAR**\$42,000,000****Development Authority of Monroe County (Georgia)
Pollution Control Revenue Bonds
(Gulf Power Company Plant Scherer Project),
First Series 2002****INTRODUCTORY STATEMENT**

This Reoffering Circular, including the cover page and the Appendices, is provided to furnish information in connection with the reoffering of \$42,000,000 aggregate principal amount of Development Authority of Monroe County (Georgia) Pollution Control Revenue Bonds (Gulf Power Company Plant Scherer Project), First Series 2002 (the "Bonds").

The Bonds were initially issued pursuant to a Trust Indenture, dated as of September 1, 2002 (the "Indenture"), between the Development Authority of Monroe County (the "Authority") and U.S. Bank National Association, as successor trustee (the "Trustee"), for the purpose of refunding certain obligations previously issued by the Authority to finance or refinance a portion of the cost of the acquisition, construction, installation and equipping of the interest of Gulf Power Company (the "Company") in certain solid waste disposal facilities (the "Project"). The Project is located at Unit No. 3 of the Scherer steam electric generating plant (the "Plant") in Monroe County, Georgia, of which the Company owns a 25% undivided interest. The total installed (nameplate) capacity of the portion of Unit No. 3 of the Plant owned by the Company is 204,500 kilowatts.

The Authority loaned the original proceeds of the Bonds to the Company pursuant to a Loan Agreement, dated as of September 1, 2002 (the "Agreement"). In order to evidence the loan from the Authority with respect to the Bonds (the "Loan") and to provide for its repayment, the Company issued a nonnegotiable promissory note related to the Bonds to the Authority (the "Note") pursuant to the Agreement. The Authority assigned all of its rights under the Note, including all payments to be made by the Company thereunder, to the Trustee as part of the trust estate under the Indenture. Payments required under the Note, if made in full and in a timely manner, will be sufficient to pay when due the principal of, premium, if any, on, purchase price of and interest on the Bonds.

The Company has elected to change the interest rate determination method for the Bonds. On June 25, 2020 (the "Conversion Date"), the Bonds will be reoffered and will accrue interest at a Daily Rate (as described herein). The Bonds will be reoffered pursuant to the Indenture.

The Bonds will accrue interest at a Daily Rate until the Company changes the interest rate on the Bonds to a Weekly Rate, Commercial Paper Rate, Auction Mode Rate, Index Rate or a Long-Term Interest Rate in accordance with the Indenture, in each case following a mandatory tender for purchase upon not less than 15 days' prior written notice to the Bondholders.

THIS REOFFERING CIRCULAR DOES NOT DESCRIBE THE TERMS AND PROVISIONS APPLICABLE TO THE BONDS AFTER THE DATE THEY CONVERT TO ACCRUE INTEREST, AS PERMITTED BY THE INDENTURE, AT INTEREST RATES OTHER THAN THE DAILY RATE OR THE WEEKLY RATE DESCRIBED HEREIN.

The Bonds are limited special obligations of the Authority payable solely from and secured by revenues and proceeds to be received by the Trustee, as assignee of the Authority, pursuant to the Note.

The Bonds are secured by an assignment and pledge to the Trustee of substantially all of the Authority's rights, title and interest in and to the Note and the Agreement.

U.S. Bank National Association is the successor trustee under the Indenture. U.S. Bank National Association operates a corporate trust office in Atlanta, Georgia. The Trustee may be removed at any time by the Authority and the Company or by the holders of a majority in aggregate principal amount of the Bonds at the time outstanding. Any resignation of the Trustee will become effective upon 30 days' written notice or upon the acceptance of appointment by the successor Trustee. See "THE TRUSTEE."

Brief descriptions of the Authority, the Bonds, the Agreement, the Indenture, the Trustee and certain other matters relating to the Bonds are set forth below. Information with respect to the Company, including certain financial statements, is set forth in Appendices A and B to this Reoffering Circular.

The descriptions and summaries in this Reoffering Circular do not purport to be complete, and reference is made to each document for the complete details of such document's terms and conditions. The statements made in this Reoffering Circular are qualified in their entirety by reference to each such document. Capitalized terms not defined in this Reoffering Circular have the meanings set forth in the Agreement and the Indenture, copies of which are available for inspection, during the reoffering period of the Bonds, at the offices of the Trustee, U.S. Bank National Association, Global Corporate Trust, Two Midtown Plaza, 1349 W. Peachtree Street NW, Suite 1050, Atlanta, GA 30309.

THE AUTHORITY

The Authority has been activated by resolution of the governing body of Monroe County pursuant to the provisions of the Development Authorities Law (O.C.G.A. Section 36-62-1, *et seq.*), as amended (the "Act"). The Authority is a public body corporate and politic of the State of Georgia with power to perform acts in its corporate capacity and in its corporate name necessary and proper to carry out the purposes enumerated in the Act, including full power to authorize and to issue and deliver the Bonds and to perform all of its obligations under the Agreement and the Indenture.

THE BONDS, TOGETHER WITH INTEREST AND PREMIUM, IF ANY, THEREON, SHALL CONSTITUTE LIMITED SPECIAL OBLIGATIONS OF THE AUTHORITY AND SHALL NEVER CONSTITUTE A DEBT OR A GENERAL OBLIGATION OF THE STATE OF GEORGIA OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING MONROE COUNTY, WITHIN THE MEANING OF ANY STATE CONSTITUTIONAL PROVISION OR STATUTORY LIMITATION AND SHALL NEVER CONSTITUTE OR GIVE RISE TO A PECUNIARY LIABILITY OF THE STATE OF GEORGIA OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING MONROE COUNTY, OR A CHARGE AGAINST THE GENERAL CREDIT OR THE TAXING POWER OF ANY OF THEM. THE AUTHORITY HAS NO TAXING POWER.

NONE OF THE INFORMATION IN THIS REOFFERING CIRCULAR HAS BEEN SUPPLIED, REVIEWED OR APPROVED BY THE AUTHORITY, AND THE AUTHORITY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

THE BONDS

The following is a summary of certain provisions of the Bonds. Reference is made to the Indenture and the form of the Bonds included therein for the detailed provisions of the Bonds. This

Reoffering Circular does not describe the terms and provisions applicable to the Bonds after the date they convert to accrue interest at interest rates other than the Daily Rate or the Weekly Rate described herein.

General

The Bonds are dated September 26, 2002, the date of their original issuance and delivery, and will mature on the date set forth on the cover page of this Reoffering Circular. The Company has elected to reoffer all of the Bonds at a Daily Rate following a conversion of the interest rate determination method for the Bonds in accordance with the Indenture on the Conversion Date.

The Bonds may accrue interest at a Daily Rate, Weekly Rate, Commercial Paper Rate, a Long-Term Interest Rate, Auction Mode Rate or an Index Rate as provided in the Indenture, provided, however, that in no event shall the rate of interest on the Bonds exceed 15% per annum. The Company may change the interest rate determination method for the Bonds from time to time, as described below under “Change in Interest Rate Determination Method.” A change in the interest rate determination method for the Bonds will result in the mandatory tender of the Bonds, as described below under “Mandatory Tender upon a Change in the Method of Determining the Interest Rate on the Bonds.”

The Bonds are issued as fully registered bonds without coupons in denominations of \$100,000 and integral multiples thereof.

The Bonds are issued in the name of Cede & Co., as registered owner and nominee of DTC. DTC acts as securities depository (the “Securities Depository”) for the Bonds and individual purchases of Bonds may be made in only book-entry form. So long as the Bonds are in book-entry form only, purchasers of Bonds will not receive certificates representing their interest in the Bonds purchased. So long as Cede & Co. is the registered owner of such Bonds, as nominee of DTC, references herein to the Bondholders or registered owners or holders shall mean Cede & Co. and shall not mean the Beneficial Owners (as defined herein) of the Bonds.

So long as Cede & Co. is the registered owner of Bonds, principal of, premium, if any, on purchase price of and interest on the Bonds are payable to Cede & Co., as nominee for DTC, which will, in turn, remit such amounts to DTC’s Direct Participants for subsequent disbursement to the Beneficial Owners. See “Book-Entry System” below.

Morgan Stanley & Co. LLC has been appointed as remarketing agent for the Bonds under the Indenture. See “REMARKETING OF THE BONDS” below.

Interest on the Bonds will be payable as described below. From the Interest Accrual Date, interest on the Bonds will accrue at the Daily Rate and be payable on the fifth Business Day (as defined below) of each month. See “Summary” below for a table summarizing certain provisions of the Bonds.

“BMA Index” means, as of any date, the rate calculated according to the Bond Market Association Municipal Swap Index as of the most recent date for which such index was published or such other weekly, high-grade index composed of weekly, tax-exempt variable rate demand notes produced by Municipal Market Data, Inc. or any successor thereto, or as otherwise designated by the Bond Market Association.

“BMA Margin” means the minimum number of basis points above or below the BMA Index that would be necessary to allow the Remarketing Agent to sell the Bonds on the date and at the time of such determination at their principal amount (without regard to accrued interest).

“Business Day” means any day other than (i) a Saturday or Sunday, (ii) a day on which commercial banks in New York, New York, Atlanta, Georgia, or the city in which the principal corporate trust office of the Trustee is located, are authorized by law to close or (iii) a day on which the New York Stock Exchange is closed.

Book-Entry System

Portions of the following information concerning DTC and DTC’s Book-Entry System have been obtained from DTC. The Authority, the Company and the Remarketing Agent make no representation as to the accuracy of such information.

DTC acts as the Securities Depository for the Bonds. The Bonds will be reoffered as fully-registered bonds registered in the name of Cede & Co., DTC’s nominee, or such other name as may be requested by an authorized representative of DTC. One fully-registered global bond certificate has been issued for the Bonds, representing in the aggregate the total principal amount of the Bonds, and has been deposited with the Trustee on behalf of DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission (the “Commission”). More information about DTC can be found at www.dtcc.com. The contents of such website do not constitute a part of this Reoffering Circular.

Purchases of Bonds within the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (the “Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchases. Beneficial Owners, however, are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the Direct or Indirect Participants through which the Beneficial Owner purchased the Bonds. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any changes in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Bonds to be redeemed.

Although voting with respect to the Bonds is limited, in those cases where a vote is required, neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Company or the Trustee on the relevant payment date in accordance with their respective holdings shown on DTC's records. Payments by Direct or Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Direct or Indirect Participant and not of DTC, the Company, the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the Trustee, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursements of such payments to the Beneficial Owners are the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as Securities Depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor Securities Depository is not obtained, certificated Bonds will be required to be printed and delivered to the holders of record. Additionally, the Company may decide to discontinue use of the system of book-entry transfers through DTC (or a successor Securities Depository) with respect to the Bonds. The Company understands, however, that under current industry practices, DTC would notify its Direct or Indirect Participants of the Company's decision but will only withdraw beneficial interests

from a global Bond at the request of each Direct or Indirect Participant. In that event, certificates for the Bonds will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority, the Company, the Remarketing Agent (as defined herein) and the Trustee believe to be reliable, but none of the Authority, the Company, the Remarketing Agent or the Trustee takes any responsibility for the accuracy thereof. None of the Authority, the Company, the Remarketing Agent or the Trustee has any responsibility for the performance by DTC or its Direct or Indirect Participants of their respective obligations as described herein or under the rules and procedures governing their respective operations.

In the event that the book-entry system is discontinued, a Bondholder may transfer or exchange the Bonds in accordance with the Indenture. The Trustee will require a Bondholder, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Indenture.

Except in connection with the purchase of Bonds tendered for purchase, the Trustee is not required to transfer or exchange any Bond which has been called for redemption or during the period beginning 15 days before mailing a notice of redemption of the Bonds or any portion of the Bonds and ending on the redemption date. In addition, in case of such discontinuance, an additional or co-paying agent may be designated.

Interest on the Bonds

Interest will accrue and will be payable as described below. When interest is payable at a Daily or Weekly Rate, interest will be computed on the basis of the actual number of days elapsed over a year of 365 days (366 days in leap years). Interest on overdue principal and, to the extent lawful, on overdue premium and interest will be payable at the rate on the Bonds on the day before the default occurred. While there exists an Event of Default under the Indenture, the interest rate on the Bonds will be the rate on such Bonds on the day before the Event of Default occurred.

Daily Rate

When interest on the Bonds is payable at a Daily Rate, the Remarketing Agent will set a Daily Rate on or before 11:00 A.M., New York City time, on each Business Day for that Business Day. Each Daily Rate will be the minimum rate necessary (as determined by the Remarketing Agent based on the examination of tax-exempt obligations comparable to the Bonds known by the Remarketing Agent to have been priced or traded under then-prevailing market conditions) for the Remarketing Agent to sell the Bonds on the day the Daily Rate is set at their principal amount (without regard to accrued interest). The Daily Rate for any non-Business Day will be the rate for the last day for which a rate was set.

Weekly Rate

The Remarketing Agent will set a Weekly Rate on or before 5:00 P.M., New York City time, on the last Business Day before the commencement of a period during which the Bonds are to accrue interest at a Weekly Rate and on each Tuesday thereafter so long as interest on the Bonds is to be payable at a Weekly Rate or, if any Tuesday is not a Business Day, on the next preceding Business Day. Each Weekly Rate will be the minimum rate necessary (as determined by the Remarketing Agent based on the examination of tax-exempt obligations comparable to the Bonds known by the Remarketing Agent to have been priced or traded under then-prevailing market conditions) for the Remarketing Agent to sell the Bonds on the date the Weekly Rate is set at their principal amount (without regard to accrued interest).

Each Weekly Rate shall apply to (i) the period beginning on the effective date of a change to a Weekly Rate and ending on the next Tuesday or (ii) the period beginning on the Wednesday after the Weekly Rate is set and ending on the following Tuesday or, if earlier, ending on the day before the effective date of a new method of determining the interest rate on the Bonds, as applicable.

Fallback Interest Period and Rate

If the appropriate Daily Rate or Weekly Rate is not or cannot be determined for any reason, the method of determining interest on the Bonds shall be automatically converted to a Weekly Rate and the interest rate will be equal to the BMA Index plus the BMA Margin or, if the BMA Index cannot be determined, the LIBOR Index (as defined in the Indenture) multiplied by the LIBOR Percentage (as defined in the Indenture), or if the LIBOR Index cannot be determined, 90% of the 30-day Treasury rate as provided to the Trustee by the Remarketing Agent, until such time as the method of determining interest on the Bonds can be changed in accordance with the Indenture.

Calculation and Notice of Interest

The Remarketing Agent will provide the Trustee and the Company with notice in writing or by telephone promptly confirmed by facsimile transmission by 12:30 P.M., New York City time, (i) on the first Business Day after a month in which interest on the Bonds was payable at a Daily Rate, of the Daily Rate for each day in such month, (ii) on each day on which a Weekly Rate becomes effective, of the Weekly Rate, and (iii) on any Business Day preceding any redemption or purchase date, any interest rate requested by the Trustee in order to enable it to calculate the accrued interest, if any, due on such redemption or purchase date. Using the rates supplied by such notice, the Trustee will calculate the interest payable on the Bonds. The Trustee will confirm the effective interest rate to any Bondholder who requests it.

The setting of the rates by the Remarketing Agent and the calculation of interest payable on the Bonds by the Trustee as provided in the Indenture will be conclusive and binding on the Authority, the Company, the Trustee and the owners of the Bonds.

Security

The Bonds are limited special obligations of the Authority, payable by the Authority solely from and secured by an assignment and pledge by the Authority to the Trustee of the trust estate, including the Authority's right to, among other things, payments by the Company pursuant to the Note.

The Authority has assigned to the Trustee, for the benefit of the Bondholders, the trust estate, which includes all of its rights, title and interest in and to the Agreement and the Note and all amounts payable thereunder (except for certain amounts payable under the Agreement in respect of indemnification and certain fees and expenses), as well as its rights with respect to certain funds established under the Indenture. The payments by the Company under the Note are required to be made to the Trustee and to be equal, together with other moneys available therefor, to the amount of principal of, purchase price of, premium, if any, on and interest required to be paid on the Bonds, whether at stated maturity, upon redemption or declaration, or otherwise.

The Bonds and the interest thereon shall not be deemed to constitute a debt or general obligation or a pledge of the faith and credit of the State of Georgia or any political subdivision thereof, including Monroe County. Neither the State of Georgia nor any political subdivision thereof nor the Authority shall be obligated to pay the principal of, premium, if any, on, purchase price of and interest on the Bonds or other amounts due with respect thereto except from the revenues and receipts pledged therefor, and neither the faith and credit nor the taxing power of the State of Georgia or any political subdivision

thereof, including Monroe County, is pledged to the payment of the principal of, the premium, if any, on, the purchase price of and interest on the Bonds or other amounts due with respect thereto.

Change in Interest Rate Determination Method

The Company may from time to time change the method of determining the interest rate on the Bonds by (1) notice to the Authority, the Trustee and the Remarketing Agent, and (2) delivery of a Favorable Opinion of Tax Counsel. The Company's notice will specify (i) the effective date of such change and (ii) the proposed interest rate determination method. The interest rate payable on the Bonds will be payable at the proposed rate on the effective date specified in the Company's notice, provided that: (i) the Company's notice complies with the provisions of the Indenture and the change to the proposed interest rate determination method complies with certain limitations set forth in the Indenture; and (ii) the notice is accompanied by a Favorable Opinion of Tax Counsel (see "Cancellation of Change in Interest Rate Determination Method if Opinion of Tax Counsel is Not Confirmed" below).

Notice of Change in Interest Rate Determination Method

The Trustee, upon receiving notice from the Company pursuant to the Indenture, is required to give at least 15 days written notice by first-class mail to the Bondholders before the effective date of a change in the interest rate determination method. Each notice will be effective when sent and will state:

- (i) the purchase date (and, if the Bonds provide that accrued interest will not be paid on the purchase date, the date it will be paid);
- (ii) the purchase price;
- (iii) that the Bonds to be tendered must be surrendered to collect the purchase price;
- (iv) the address at which or the manner in which the Bonds must be surrendered;
- (v) that interest on the Bonds to be tendered ceases to accrue on the purchase date;
- (vi) that the interest rate determination method will be changed and what the new method will be;
- (vii) the proposed effective date of the new rate; and
- (viii) that a mandatory tender will result on the effective date of the change as provided in the Bonds.

Failure to give any required notice of tender as to any particular Bonds or any defect therein will not affect the validity of the tender of any Bonds in respect of which no such failure or defect has occurred. Any notice mailed as provided in the Bonds shall be effective when sent and will be conclusively presumed to have been given whether or not actually received by any holder.

Cancellation of Change in Interest Rate Determination Method if Opinion of Tax Counsel is Not Confirmed

No change will be made in the interest rate determination method at the direction of the Company as described under "Change in Interest Rate Determination Method" above if the Company shall fail to deliver on the effective date confirmation of the Favorable Opinion of Tax Counsel described under "Change in Interest Rate Determination Method" above. If a confirming Opinion of Tax Counsel is not

so delivered, the Trustee will promptly give notice thereof to the holders of the Bonds if notice of the Change in Interest Rate Determination Method has been given of such failure.

Mandatory Tender upon a Change in the Method of Determining the Interest Rate on the Bonds

On the effective date of the change in the method of determining the interest rate on the Bonds, the Bonds will be subject to mandatory tender on the effective date of such change. Any such mandatory tender will be at a price equal to 100% of the principal amount of the Bonds plus accrued interest to (but excluding) the purchase date.

Optional Tender

While the Bonds accrue interest at a Daily Rate or a Weekly Rate, the holder of any Bond may elect to have its Bond (or any portion of its Bond equal to the lowest authorized denomination or whole multiples thereof) purchased by the Trustee at 100% of the principal amount thereof plus interest accrued to (but excluding) the date of purchase, as described below.

Daily Rate Tender. When interest on a Bond is payable at a Daily Rate and a book-entry system is in effect, a Beneficial Owner of such Bond (through its Direct Participant in the Securities Depository) may tender its interest in a Bond (or portion of Bond) by delivering an irrevocable written notice or an irrevocable telephone notice, promptly confirmed in writing, to the Trustee and an irrevocable notice to the Remarketing Agent, in each case by 11:00 A.M., New York City time, on a Business Day, stating the principal amount of the Bond (or portion of Bond) being tendered, payment instructions for the purchase price and the Business Day (which may be the date the notice is delivered) the Bond (or portion of Bond) is to be purchased. The Beneficial Owner shall effect delivery of such Bond by causing such Direct Participant to transfer its interest in the Bond equal to such Beneficial Owner's interest on the records of the Securities Depository to the participant account of the Trustee with the Securities Depository. Any notice received by the Trustee after 11:00 A.M., New York City time, will be deemed to have been given on the next Business Day.

When interest on a Bond is payable at a Daily Rate and a book-entry system is not in effect, a holder of a Bond may tender the Bond (or portion of Bond) by delivering (i) the notices described above (which must include the certificate number of the Bond) and (ii) the Bond to the Trustee by 1:00 P.M., New York City time, on the date of purchase.

Weekly Rate Tender. When interest on a Bond is payable at a Weekly Rate and a book-entry system is in effect, a Beneficial Owner of such Bond (through its Direct Participant in the Securities Depository) may tender its interest in a Bond (or portion of Bond) by delivering an irrevocable written notice or an irrevocable telephone notice, promptly confirmed in writing, to the Trustee and an irrevocable notice to the Remarketing Agent, in each case prior to 5:00 P.M., New York City time, on a Business Day stating the principal amount of the Bond (or portion of Bond) being tendered, payment instructions for the purchase price, and the date, which must be a Business Day at least seven days after the notice is delivered, on which the Bond (or portion of Bond) is to be purchased. The Beneficial Owner shall effect delivery of such Bond by causing such Direct Participant to transfer its interest in the Bond equal to such Beneficial Owner's interest on the records of the Securities Depository to the participant account of the Trustee with the Securities Depository.

When interest on a Bond is payable at a Weekly Rate and a book-entry system is not in effect, a holder of a Bond may tender the Bond (or portion of Bond) by delivering (i) the notices described above (which must include the certificate number of the Bond) and (ii) the Bond to the Trustee by 1:00 P.M., New York City time, on the date of purchase.

Payment of Purchase Price. Payment of the purchase price of Bonds to be purchased upon optional tender as described above will be made by the Trustee in immediately available funds by the close of business on the date of purchase. During a Daily Rate Period, if a Bond is tendered after the Record Date and before the Interest Payment Date for that Interest Period, the Trustee will pay a purchase price of principal plus interest accruing after the last day of that Interest Period. No purchase of Bonds by the Trustee shall be deemed to be a payment or redemption of the Bonds or of any portion thereof and such purchase does not operate to extinguish or discharge the indebtedness evidenced by such Bonds.

Provisions Applicable to All Tenders. Bonds for which the owners have given notice of tender for purchase but which are not delivered on the tender date shall be deemed tendered. Bonds tendered for purchase on a date after a call for redemption has been given but before the redemption date will be purchased pursuant to the tender.

Notices in respect of tenders and Bonds tendered must be delivered as follows:

Trustee

U.S. Bank National Association
Two Midtown Plaza
1349 W. Peachtree Street NW
Suite 1050
Atlanta, GA 30309
Telephone: 404-898-8830

Remarketing Agent

Morgan Stanley & Co. LLC
1585 Broadway, 24th Floor
New York, New York 10036
Attention: Municipal Short Term Products

The above delivery addresses or telephone numbers of the Trustee or the Remarketing Agent may be changed by notice mailed by first-class mail to the Bondholders at their registered addresses. All tendered Bonds must be accompanied by an instrument of transfer satisfactory to the Trustee, executed in blank by the holder or its duly authorized attorney, with the signature guaranteed by an eligible guarantor institution.

Effect of Tender

No purchase of Bonds by the Company will be deemed to be a payment or redemption of the Bonds or of any portion thereof and such purchase will not operate to extinguish or discharge the indebtedness evidenced by such Bonds.

Irrevocability

Each notice of tender, whether delivered in writing or by telephone, will automatically constitute an irrevocable tender for purchase of the Bond (or portion) to which the notice relates on the purchase date at a price equal to 100% of the principal amount of such Bond (or portion) plus any interest thereon accrued and unpaid as of the purchase date. The determination of the Trustee as to whether a notice of tender has been properly delivered will be conclusive and binding upon the Bondholders.

Unless a book-entry system is in effect, the Trustee may refuse to accept delivery of any Bond for which a proper instrument of transfer has not been provided. If any owner of a Bond who gave notice fails to deliver its Bond to the Trustee at the place and on the applicable date and time specified, or fails to deliver its Bond properly endorsed, its Bond shall constitute an undelivered Bond and interest shall cease

to accrue on his Bond as of the tender date and such owner shall have no right under the Indenture other than the right to receive payment of the tender price thereof.

Remarketing and Purchase

Except to the extent the Company directs the Remarketing Agent not to do so, the Remarketing Agent for the Bonds will offer for sale and use reasonable efforts to sell all Bonds of such issue tendered for purchase at a price equal to 100% of the principal amount thereof plus accrued interest, if any, to the purchase date. The Trustee will pay the purchase price of the Bonds tendered for purchase first from the proceeds of the remarketing of such Bonds and, if such remarketing proceeds are insufficient, from moneys made available by the Company pursuant to the Agreement and the Note. The Company is obligated under the Agreement and the Note to purchase any Bonds tendered for purchase to the extent such Bonds have not been remarketed.

Redemption

All redemptions will be made in funds immediately available on the redemption date and will be at a redemption price of 100% of the principal amount of the Bonds being redeemed plus interest accrued to the redemption date, except that interest accruing at a Daily Rate will be paid on the fifth Business Day following such redemption date.

Optional Redemption During Daily or Weekly Rate Period. When interest on the Bonds is payable at a Daily or Weekly Rate, the Bonds may be redeemed in whole or in part, at the option of the Company, on any Business Day.

Extraordinary Optional Redemption. The Bonds are subject to redemption in whole without premium at any time upon receipt by the Trustee and the Authority of a written notice from the Company stating that the Company has determined that:

- (i) any federal, state or local body exercising governmental or judicial authority has taken any action which results in the imposition of unreasonable burdens or excessive liabilities with respect to the Project or the Plant, rendering impracticable or uneconomical the operation by the Company of either the Project or the Plant, including, without limitation, the condemnation or taking by eminent domain of all or substantially all of the Project or the Plant; or
- (ii) changes in the economic availability of raw materials, operating supplies or facilities or technological or other changes have made the continued operation of the Plant as an efficient generating facility uneconomical; or
- (iii) the Project or the Plant, has been damaged or destroyed to such an extent that it is not practicable or desirable to rebuild, repair or restore the Project or the Plant.

If the Authority has received such notice from the Company, the Authority, upon request of the Company, will give written notice to the Trustee directing the Trustee to take all action necessary to redeem the outstanding Bonds in whole without premium and on a date specified in such notice, which date shall be not less than 45 nor more than 90 days from the date the notice is received by the Trustee.

Notice of Redemption. At least 30 days before each redemption date, the Trustee will mail a notice of redemption by first-class mail to each Bondholder at the holder's registered address. Each notice of redemption will identify the Bonds to be redeemed and will state (i) the redemption date (and, if the Bonds provide that accrued interest will not be paid on the redemption date, the date it will be paid), (ii)

the redemption price, (iii) that the Bonds called for redemption must be surrendered to collect the redemption price, (iv) the address at which the Bonds must be surrendered, and (v) that interest on the Bonds called for redemption ceases to accrue on the redemption date. Unless moneys sufficient to pay the principal of, premium, if any, and interest on the Bonds to be redeemed shall have been received by the Trustee prior to the giving of such notice of redemption, such notice may state that such redemption shall be conditional upon the receipt of such moneys by the Trustee on or prior to the date fixed for redemption. If such moneys are not received, such notice shall be of no force and effect, the Authority shall not redeem such Bonds, the redemption price shall not be due and payable and the Trustee shall give notice, in the same manner in which the notice of redemption was given, that such moneys were not so received and that such Bonds will not be redeemed.

Failure to give any required notice of redemption as to any particular Bonds or any defect therein will not affect the validity of the call for redemption of any Bonds in respect of which no such failure or defect occurs. Any notice mailed as described above shall be effective when sent and will be conclusively presumed to have been given whether or not actually received by any holder.

Effect of Notice of Redemption. When notice of redemption is required and given, Bonds called for redemption become due and payable on the redemption date; in such case when funds are deposited with the Trustee sufficient for redemption, interest on the Bonds to be redeemed ceases to accrue as of the date of redemption.

Partial Redemption: In the event of a redemption of less than all of the Bonds, the Trustee will select the Bonds to be redeemed by lot or other method it deems fair and appropriate in its sole and absolute discretion, except that the Trustee will first select any Bonds owned by the Company or any of its nominees or held by the Trustee for the account of the Company or any of its nominees. The Trustee will make the selection from the Bonds not previously called for redemption. For this purpose, the Trustee will consider each Bond in a denomination larger than the minimum denomination permitted by the Bonds at the time to be separate Bonds each in the minimum denomination.

Summary

Certain provisions of the Bonds and the Indenture are summarized in the following table:

	DAILY RATE	WEEKLY RATE
MANDATORY TENDER	On effective date of Change in Interest Rate Determination Method	On effective date of Change in Interest Rate Determination Method
OPTIONAL TENDER; NOTICE	On any Business Day; notice no later than 11:00 A.M.	On any Business Day; notice no later than 5:00 P.M., seven days in advance
INTEREST PERIODS	Each day	Wednesday through Tuesday
INTEREST RATE DETERMINED	Each Business Day	Each Tuesday (or preceding Business Day)
INTEREST ACCRUAL PERIOD	Calendar Month	Calendar Month
INTEREST PAYMENT DATE	Fifth Business Day of next month	First Business Day of next month
RECORD DATE	Last Business Day of month	Last Business Day before Interest Payment Date
OPTIONAL REDEMPTION BY COMPANY	On any Business Day	On any Business Day

THE AGREEMENT

The following is a summary of certain provisions of the Agreement. This summary is not a complete recital of the terms of the Agreement, and reference is made to the Agreement in its entirety for the detailed provisions thereof.

Issuance of the Bonds

The Authority issued the Bonds and loaned the proceeds of the sale thereof to the Company for the purpose of refunding certain obligations previously issued by the Authority to finance or refinance the cost of certain facilities for the Company at the Plant.

Repayment of the Loan and Other Amounts Payable

In order to evidence the Loan and the Company's obligation to repay the same, the Company has issued the Note in the same aggregate principal amount as the Bonds and having the same stated maturity and interest rate. Pursuant to the Note, the Company will pay to the Trustee, as assignee of the Authority, amounts which, and at or before times which, shall correspond to the payments in respect of the principal of, premium, if any, on, interest on and the purchase price of the Bonds whenever and in whatever manner the same shall become due, whether at stated maturity, upon redemption or declaration or otherwise. The Company will also pay the purchase price of Bonds required to be purchased under the terms of the Indenture to the extent there are no remarketing proceeds to pay such amounts. In the event there are available moneys on deposit with the Trustee with respect to the Bonds on any payment date, such moneys will be credited against the payment then due.

The Company will also pay the fees, charges and reasonable expenses of the Trustee, any paying agents and any tender agents under the Indenture and any expenses in connection with any redemption of the Bonds.

Term of Agreement

The Agreement shall continue in full force and effect until such time as all of the outstanding Bonds have been fully paid or provision has been made for such payment in accordance with the terms of the Indenture, whichever shall be earlier, and the fees and expenses of the Trustee, any paying agents and all other amounts payable by the Company under the Agreement and the Note shall have been paid.

Obligations of the Company Unconditional

The Company agrees that its obligations to make payments pursuant to the Note and to perform and observe the other agreements on its part contained in the Agreement are absolute and unconditional notwithstanding, among other things, any changes in the tax law or other law of the United States of America, the State of Georgia or any political subdivision of either thereof or any failure by the Authority to perform its obligations under the Agreement.

Assignment and Pledge

The Authority assigned to the Trustee a security interest in all of its rights, title and interest in, to and under the Note and the Agreement and all amounts payable thereunder (except for certain payments under the Agreement in respect of indemnification and certain fees and expenses). The Company assented to such assignment and agreed that, as to the Trustee, its obligation to make payments will be absolute and not subject to any defense or any right of set-off, counterclaim or recoupment arising out of any breach by the Authority or the Trustee of any obligation to the Company, whether under the Agreement or otherwise, or out of any indebtedness or liability at any time owing to the Company by the Authority or the Trustee.

Consolidation, Merger or Sale of Assets

The Company may consolidate with or merge into another domestic corporation (i.e., a corporation incorporated and existing under the laws of one of the states of the United States of America or under the laws of the United States of America) or permit other corporations to consolidate with or merge into it, or sell or otherwise transfer to another domestic corporation all or substantially all of its assets as an entirety and thereafter dissolve, provided, in the event the Company is not the surviving, resulting or transferee corporation, that the surviving, resulting or transferee corporation assumes, accepts and agrees in writing to pay and perform all of the obligations of the Company under the Agreement and the Note and is incorporated in or qualified to do business in Georgia and that such consolidation, merger or transfer of assets does not result in the loss of the exclusion from gross income for federal income tax purposes of interest on the outstanding Bonds.

Defaults and Remedies; Force Majeure

The Agreement provides that the happening of one or more of the following events will constitute an “Event of Default” under the Agreement: (a) failure by the Company to pay when due the amounts required to be paid pursuant to the Note, which failure, in the case of such amounts in respect of interest on any Bond, continues for five days; (b) failure by the Company to pay within 30 days of the date due any other amounts required to be paid pursuant to the Agreement; (c) failure by the Company to observe and perform any other of its covenants, conditions or agreements under the Agreement for a period of 90

days after written notice from the Authority or the Trustee, unless extended; and (d) certain events of bankruptcy, insolvency, dissolution, liquidation, winding-up, reorganization or other similar events of the Company.

Under the terms of the Agreement, certain of the Company's obligations referred to in clause (c) of the preceding paragraph may be suspended if by reason of force majeure (as defined in the Agreement) the Company is unable to carry out such obligations.

Whenever an Event of Default shall have occurred and be continuing, the Trustee, as assignee of the Authority, may (a) by written notice to the Company, declare all amounts payable pursuant to the Note to be immediately due and payable and (b) take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due under the Note or to enforce performance and observance of any obligation, agreement or covenant of the Company under the Agreement.

Any amounts collected pursuant to any above action taken will be deposited with the Trustee and applied in accordance with the provisions of the Indenture, or, if the Bonds have been fully paid (or provision for payment thereof has been made in accordance with the provisions of the Indenture) and the fees and expenses of the Trustee, the paying agents and the tender agents and all other amounts required to be paid under the Indenture shall have been paid, returned to the Company.

Amendment of the Agreement

Prior to the payment of the Bonds in full (or provision for the payment thereof having been made in accordance with the provisions of the Indenture), the Agreement may not be terminated and may not be effectively amended except by written agreement in accordance with the Indenture. See "THE INDENTURE — Amendment of the Agreement."

THE INDENTURE

In addition to the description of the provisions of the Indenture contained elsewhere herein, the following is a summary of certain provisions of the Indenture. This summary is not a complete recital of the terms of the Indenture and reference is made to the Indenture in its entirety for the detailed provisions thereof.

Permitted Investments

Except as otherwise provided in the Indenture, any moneys held by the Trustee shall be invested and reinvested by the Trustee, at the written direction of the Company to the extent permitted by law, in securities or obligations specified in the Indenture.

Default Under the Indenture

The following shall be "Events of Default" under the Indenture:

- (a) default in the payment of any interest on any Bond outstanding under the Indenture when due and as the same shall become due and payable, which default continues for five days;
- (b) default in the due and punctual payment of principal on any Bond when due and payable, whether at maturity, upon redemption or by declaration or otherwise;

- (c) default in the due and punctual payment of the purchase price of any Bond required to be purchased in accordance with its terms; and
- (d) the occurrence and continuance of an “Event of Default” under the Agreement.

Remedies Under the Indenture

Upon the occurrence of an Event of Default, the Trustee may, and upon written request of the holders of not less than 25% in aggregate principal amount of the Bonds then outstanding shall, by notice in writing to the Authority and the Company, declare the principal of all Bonds then outstanding and the interest accrued thereon immediately due and payable.

If, after the principal of the Bonds and the accrued interest thereon have been declared due and payable, all arrears of interest and interest on overdue installments of interest, if lawful, and principal and premium, if any, having become due other than by acceleration are paid by the Authority, and the Authority also performs all other things in respect of which it may have been in default under the Indenture and pays the reasonable fees, charges, costs and expenses of the Trustee and other costs, the Trustee shall annul such declaration and such annulment shall be binding upon all holders of the Bonds issued under the Indenture; but no such annulment shall extend to or affect any subsequent default or impair any right or remedy consequent thereon.

If an Event of Default occurs and is continuing, subject to the Indenture, the Trustee, before or after declaring the principal of the Bonds and the interest accrued thereon immediately due and payable, may, and upon the written request of the holders of not less than 25% in aggregate principal amount of the Bonds then outstanding shall, by notice in writing delivered to the Authority and the Company, pursue any available remedy, by proceeding at law or in equity, available to the Trustee under the Agreement or the Note to collect the principal of or interest on the Bonds or to enforce the performance of any provision of the Bonds, the Indenture, the Agreement or the Note. The Trustee, as the assignee of all the rights, title and interest of the Authority in and to the Agreement and the Note, may enforce each and every right granted to the Authority under the Agreement and the Note. In exercising such rights and the rights given the Trustee under the Indenture, the Trustee shall take such action as, in the judgment of the Trustee applying the standards described in the Indenture, would best serve the interests of the Bondholders. If any Event of Default has occurred and is continuing, the Trustee in its discretion may, and upon the written request of the holders of not less than 25% in aggregate principal amount of all Bonds then outstanding shall, by notice in writing delivered to the Authority and the Company and receipt of indemnity to its satisfaction, in its own name: (a) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Bondholders, including the right to require the Authority to enforce any rights under the Agreement and the Note and to require the Authority to carry out any other provisions of the Indenture for the benefit of the Bondholders and to perform its duties under the Act; (b) bring suit upon the Bonds; (c) by action or suit in equity require the Authority to account as if it were the trustee of an express trust for the Bondholders; or (d) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Bondholders.

No remedy conferred upon or reserved to the Trustee or to the Bondholders by the terms of the Indenture is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or to the Bondholders under the Indenture or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or acquiescence therein; and every such right and power may be exercised from time to time as often as may be deemed expedient. No waiver of any default or Event of Default under the Indenture, whether by the Trustee or

by the Bondholders, shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereon.

Upon the occurrence and continuance of an Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Bondholders under the Indenture, the Trustee shall be entitled as a matter of right to the appointment of a receiver or receivers of the trust estate with such powers as the court making such appointment shall confer.

In the event of a bankruptcy or reorganization of the Company, the Trustee may file a proof of claim on behalf of all Bondholders with respect to the obligations of the Company pursuant to the Agreement and the Note.

A Bondholder may not pursue any remedy with respect to the Indenture or the Bonds unless (a) the Bondholder gives the Trustee notice stating that an Event of Default is continuing, (b) the Bondholders of at least 25% in principal amount of the Bonds then outstanding make a written request to the Trustee to pursue the remedy, (c) such Bondholder or Bondholders offer to the Trustee indemnity satisfactory to the Trustee against any loss, liability, cost or expense and (d) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity. Nothing contained in the Indenture shall, however, affect or impair the right of any Bondholder to enforce the payment of the principal of, premium, if any, on and interest on any Bond at and after the stated maturity thereof.

A Bondholder may not use the Indenture to prejudice the rights of another Bondholder or to obtain a preference or priority over the other Bondholders.

Notwithstanding any other provision of the Indenture, the right of any Bondholder to receive payment of principal of and interest on a Bond, on or after the due dates expressed in the Bond, or the purchase price of a Bond on or after the date for its purchase as provided in the Bond, or to bring suit for the enforcement of any such payment on or after such dates, shall not be impaired or affected without the consent of the Bondholder.

Waivers of Events of Default

The holders of a majority in principal amount of the Bonds then outstanding, by notice to the Trustee, may waive an existing Event of Default and its consequences. When an Event of Default is waived, it is cured and stops continuing, but no such waiver shall extend to any subsequent or other Event of Default or impair any right consequent to it. The holders of a majority in principal amount of the Bonds then outstanding may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on it. However, the Trustee may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines is unduly prejudicial to the rights of other Bondholders, or would subject the Trustee to personal liability.

Defeasance

Any Bond will be deemed paid for all purposes of the Indenture when (a) payment of the principal of and interest on the Bond to the due date of such principal and interest (whether at maturity, upon redemption or otherwise) or the payment of the purchase price either (1) has been made in accordance with the terms of the Bonds or (2) has been provided for by depositing with the Trustee in trust (A) moneys in an amount which are sufficient to make such payment or purchase and/or (B) Government Obligations maturing as to principal and interest in such amounts and at such times as will insure, without any further reinvestment, the availability of sufficient moneys to make such payment or purchase and (b) all compensation and reasonable costs and expenses of the Trustee pertaining to each

Bond in respect of which such deposit is made have been paid or provided for to the Trustee's satisfaction. When a Bond is deemed paid, it will no longer be secured by or entitled to the benefits of the Indenture or be an obligation of the Authority and shall be payable solely from the moneys or Government Obligations described above under clause (a)(2), except that such Bond may be tendered if and as provided in the Bonds and it may be registered as transferred, exchanged, registered, discharged from registration or replaced as provided in the Indenture.

Notwithstanding the foregoing, upon the deposit of funds or Government Obligations under clause (a)(2) in the above paragraph, the purchase price of tendered Bonds shall be paid from the sale of Bonds under the Indenture. If payment of such purchase price is not made from the sale of Bonds pursuant to the Indenture, payment shall be made from funds (or Government Obligations) on deposit pursuant to the Indenture without the need of any further instruction or direction by the Company, in which case such Bonds shall be surrendered to the Trustee and canceled.

Notwithstanding the foregoing, no deposit under clause (a)(2) in the first paragraph above shall be deemed a payment of a Bond until (1) the Company has furnished the Trustee and the Authority a Favorable Opinion of Tax Counsel to the effect that the deposit of such cash or Government Obligations will not cause the Bonds to become "arbitrage bonds" under Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), and (2) (a) notice of redemption of the Bond is given in accordance with the Indenture or, if the Bond is not to be redeemed or paid within the next 60 days, until the Company has given the Trustee, in form satisfactory to the Trustee, irrevocable instructions (i) to notify, as soon as practicable, the owner of the Bond, in accordance with the Indenture, that the deposit required by clause (a)(2) in the first paragraph above has been made with the Trustee and that the Bond is deemed to be paid under the Indenture and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal of the Bond, premium, if any, on and interest on such Bond, if the Bond is to be redeemed rather than paid and (ii) to give notice of redemption not less than 30 nor more than 60 days prior to the redemption date for such Bond or (b) the maturity of the Bond.

"Government Obligations" means (i) noncallable direct obligations of the United States for which its full faith and credit are pledged, (ii) noncallable obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States, the timely payment of which is unconditionally guaranteed as a full faith and credit obligation of the United States or (iii) securities or receipts evidencing ownership interests in obligations or specified portions (such as principal or interest) of obligations described in (i) or (ii).

Amendment of the Indenture

Any amendment of or supplement to the Indenture will be effected by a supplemental indenture entered into by the Authority and the Trustee. The Authority and the Trustee may enter into supplemental indentures without notice to or the consent of any Bondholder for the following purposes: (a) to cure any ambiguity, inconsistency, formal defect or omission; (b) to grant to the Trustee for the benefit of the Bondholders additional rights, remedies, powers or authority; (c) to subject to the Indenture additional collateral or to add other agreements of the Authority; (d) to modify the Indenture or the Bonds to permit qualification under the Trust Indenture Act of 1939, as amended, or any similar federal statute at the time in effect, or to permit the qualification of the Bonds for sale under the securities laws of any state of the United States; (e) to authorize different authorized denominations of the Bonds and to make correlative amendments and modifications to the Indenture regarding exchangeability of the Bonds of different authorized denominations, redemptions of portions of the Bonds of particular authorized denominations and similar amendments and modifications of a technical nature; (f) to increase or decrease the number of days specified for the giving of notices of mandatory tender and to make corresponding changes to the period for notice of redemption of the Bonds; (g) to provide for an uncertificated system of registering the

Bonds or to provide for the change to or from a book-entry system for the Bonds; (h) to evidence the succession of a new Trustee or the appointment by the Trustee or the Authority of a co-trustee; (i) to make any change that does not materially adversely affect the rights of any Bondholder; or (j) to make any other changes to the Indenture that take effect as to any or all remarketed Bonds following a mandatory tender.

Except for supplemental indentures entered into for the purposes described in the preceding paragraph, the Indenture will not be amended or supplemented without the consent of the holders of at least a majority in aggregate principal amount of the Bonds at the time outstanding thereunder; provided that without the consent of each Bondholder affected thereby, no amendment or supplement may: (a) extend the maturity of the principal of, or interest on, any Bond; (b) reduce the principal amount of, or rate of interest on, any Bond; (c) effect a privilege or priority of any Bond or Bonds over any other Bond or Bonds; (d) reduce the percentage of the principal amount of the Bonds required for consent to such amendment or supplement; (e) impair the exclusion from federal gross income of interest on any Bond; (f) eliminate the holders' rights to tender the Bonds, extend the due date for the purchase of Bonds tendered by the holders thereof or reduce the purchase price of such Bonds; (g) create a lien ranking prior to or on a parity with the lien of the Indenture on the property described in the Granting Clause of the Indenture; or (h) deprive any Bondholder of the lien created by the Indenture on such property. In addition, if moneys or Government Obligations have been deposited or set aside with the Trustee for the payment of Bonds as described under “— Defeasance” herein and those Bonds shall not have in fact been actually paid in full, no amendment to the defeasance provisions of the Indenture shall be made without the consent of the holder of each of those Bonds affected.

Amendment of the Agreement

The Authority may enter into, and the Trustee may consent to, any amendment of or supplement to the Agreement or the Note, or may waive compliance by the Company of any provision of the Agreement or the Note, in each case without notice to or consent of any Bondholder if the amendment, supplement or waiver is required or permitted (a) by the provisions of the Agreement or the Indenture, (b) to cure any ambiguity, inconsistency, formal defect or omission, (c) to identify more precisely the Project, (d) in connection with any authorized amendment of or supplement to the Indenture or (e) to make any change that in the judgment of the Trustee, does not materially adversely affect the rights of any Bondholder.

Any other amendment or supplement to the Agreement or the terms of the Note may be made only with the consent of the holders of at least a majority in aggregate principal amount of the Bonds at the time outstanding.

THE TRUSTEE

The Company maintains normal banking relationships with the Trustee and borrows from the Trustee from time to time. The Trustee serves as trustee under other indentures providing for certain tax exempt bonds for the benefit of the Company.

REMARKETING OF THE BONDS

Pursuant to a Remarketing Agreement (the “Remarketing Agreement”), Morgan Stanley & Co. LLC (the “Remarketing Agent”) has agreed, subject to certain conditions, to offer for sale and use reasonable efforts to sell such Bonds at a price equal to 100% of the principal amount thereof. In connection with the reoffering of the Bonds on the Conversion Date, the Company will pay to the Remarketing Agent a fee for its services in an amount equal to \$26,250. Following the Conversion Date,

and while the Bonds accrue interest at the Daily Rate or the Weekly Rate, the Company will pay the Remarketing Agent an annual fee for its services as Remarketing Agent as specified in the Remarketing Agreement. The Company has agreed to indemnify the Remarketing Agent against certain civil liabilities, including liabilities under federal securities laws.

The Remarketing Agent may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) and others at prices lower than the public offering price stated on the cover page. After the reoffering, the public offering price may be changed from time to time.

Neither the Company nor the Remarketing Agent makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Bonds. In addition, neither the Company nor the Remarketing Agent makes any representation that the Remarketing Agent will engage in such transactions or that such transactions, once commenced, will not be discontinued without notice.

In the ordinary course of their business, the Remarketing Agent and its affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with the Company and its affiliates, for which they have received and will receive customary compensation.

Morgan Stanley, parent company of the Remarketing Agent, has entered into retail distribution arrangements with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, the Remarketing Agent may compensate Morgan Stanley Smith Barney for its selling efforts with respect to the Bonds.

SPECIAL CONSIDERATIONS RELATING TO THE BONDS

The Remarketing Agent is Paid by the Company

The Remarketing Agent's responsibilities include determining the interest rate from time to time and remarketing the Bonds that are optionally or mandatorily tendered by the owners thereof (subject, in each case, to the terms of the Indenture and the Remarketing Agreement), all as further described in this Reoffering Circular. The Remarketing Agent is appointed by the Company and is paid by the Company for its services. As a result, the interests of the Remarketing Agent may differ from those of existing holders and potential purchasers of the Bonds.

The Remarketing Agent Routinely Purchases Bonds for its Own Account

The Remarketing Agent acts as remarketing agent for a variety of variable rate demand obligations and, in its sole discretion, routinely purchases such obligations for its own account. The Remarketing Agent is permitted, but not obligated, to purchase tendered Bonds for its own account and, in its sole discretion, may routinely acquire such tendered Bonds in order to achieve a successful remarketing of the Bonds (i.e., because there otherwise are not enough buyers to purchase the Bonds) or for other reasons. However, the Remarketing Agent is not obligated to purchase Bonds, and may cease doing so at any time without notice. The Remarketing Agent also may make a market in the Bonds by routinely purchasing and selling Bonds other than in connection with an optional or mandatory tender and remarketing. Such purchases and sales may be at or below par. However, the Remarketing Agent is not required to make a market in the Bonds. The Remarketing Agent also may sell any Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the Bonds. The purchase of Bonds by the Remarketing Agent may create the appearance that there is greater third party demand for

the Bonds in the market than is actually the case. The practices described above also may result in fewer Bonds being tendered in a remarketing.

Bonds May be Offered at Different Prices on Any Date Including an Interest Rate Determination Date

Pursuant to the Indenture and the Remarketing Agreement, the Remarketing Agent is required to determine the applicable rate of interest that, in its judgment, is the lowest rate that would permit the sale of the Bonds accruing interest at the applicable interest rate at par plus accrued interest, if any, on and as of the applicable interest rate determination date. The interest rate will reflect, among other factors, the level of market demand for the Bonds (including whether the Remarketing Agent is willing to purchase Bonds for its own account). There may or may not be Bonds tendered and remarketed on an interest rate determination date, the Remarketing Agent may or may not be able to remarket any Bonds tendered for purchase on such date at par and the Remarketing Agent may sell Bonds at varying prices to different investors on such date or any other date. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third party buyers for all of the Bonds at the remarketing price. In the event the Remarketing Agent owns any Bonds for its own account, it may, in its sole discretion in a secondary market transaction outside the tender process, offer such Bonds on any date, including the interest rate determination date, at a discount to par to some investors.

The Ability to Sell the Bonds Other Than Through the Tender Process May Be Limited

The Remarketing Agent may buy and sell Bonds other than through the tender process. However, it is not obligated to do so and may cease doing so at any time without notice and may require holders that wish to tender their Bonds to do so through the Tender Agent with appropriate notice. Thus, investors who purchase the Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their Bonds other than by tendering the Bonds in accordance with the tender process.

Under Certain Circumstances, the Remarketing Agent May Be Removed, Resign or Cease Remarketing the Bonds, Without a Successor Being Named

Under certain circumstances, the Remarketing Agent may be removed or have the ability to resign or cease its remarketing efforts, without a successor having been named, subject to the terms of the Indenture and the Remarketing Agreement.

TAX MATTERS

On the date of original issuance of the Bonds, Bond Counsel issued its opinion to the effect that interest on the Bonds, as of the date of such opinion, was not includable in gross income for federal income tax purposes under existing statutes, rulings and court decisions, and under applicable regulations and proposed regulations, except for interest on any such 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 Code. In addition, the opinion of Bond Counsel as of such date stated that in the opinion of Bond Counsel, interest on the Bonds would not be treated as an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations; however, with respect to certain corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings in computing the federal alternative minimum tax imposed on such corporations. No opinion was expressed with respect to any other federal tax consequences of the receipt of or accrual of interest on, or ownership of the Bonds. Such opinion was based upon certain representations and agreements by the Company and the Authority, including certificates of the Company as to the use of the proceeds of the Bonds and the obligations refunded by the Bonds, the cost and use of the Project, the remaining weighted average economic useful life of the Project

and other factual matters relating to compliance with the provisions of the Code applicable to the Bonds. Such opinion also assumed compliance by the Company and the Authority with certain covenants regarding certain requirements of the Code that must be satisfied subsequent to the date of original issuance of the Bonds in order that the interest on the Bonds be and continue to be excluded from gross income for federal income tax purposes.

On June 25, 2020, Bond Counsel will deliver to the Trustee an opinion to the effect that, based upon the assumptions and subject to the limitations described therein, conversion of the interest rate on the Bonds to the Daily Rate in accordance with the provisions of the Indenture will not, by itself, adversely affect any exclusion from gross income of the interest on the Bonds for federal income tax purposes.

The Tax Cuts and Jobs Act eliminated the alternative minimum tax imposed on corporations for tax years beginning on and after January 1, 2018. For tax years beginning prior to January 1, 2018, interest on the Bonds is taken into account in determining the adjusted current earnings used in computing the alternative minimum tax imposed on such corporations.

Bond Counsel has not undertaken any investigation since the original issuance of the Bonds as to the use of the proceeds of the Bonds or the use or function of the Project, or as to compliance by the Company or the Authority with their obligations under the Agreement, the Indenture, the Company's tax and non-arbitrage certification or any other document executed in connection with the original issuance of the Bonds. Bond Counsel has not updated or confirmed its opinion since its date and, therefore, will express no opinion as to the exclusion of interest on the Bonds from gross income for federal or state income tax purposes except as described herein, or regarding any other federal or state income tax consequences caused by the receipt or accrual of interest on, or ownership of, the Bonds.

From time to time, there are legislative proposals in the U.S. Congress that, if enacted, could cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation, adversely affect the market value of the Bonds or otherwise prevent owners of the Bonds from realizing the full current benefit of the tax status of such interest. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, such legislation would apply to bonds issued prior to enactment. Purchasers of the Bonds should consult their tax advisors regarding the effect of any such legislation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of such opinion, and Bond Counsel has expressed no opinion with respect to any proposed legislation or as to the tax treatment of interest on the Bonds, or as to the consequences of owning or receiving interest on the Bonds, as of any future date.

On the date of original issuance of the Bonds, Bond Counsel issued its opinion that interest on the Bonds was exempt from State of Georgia income taxation under then-existing statutes.

The foregoing discussion is a general discussion of certain federal and state income tax consequences with respect to the Bonds and does not purport to deal with all tax questions that may be relevant to particular investors or circumstances, including purchasers of Bonds in the secondary market at a price other than the stated redemption price at maturity. Owners of Bonds purchased in the secondary market at prices other than the stated redemption price at maturity should consult their own tax advisors with respect to such matters and with respect to the state and local tax consequences of any discount with respect to the Bonds. Bond Counsel has not undertaken or agreed to notify the Company, the Authority, the Trustee or the owners of the Bonds of any change in law or fact or any other event after the date of its opinion which might adversely affect the tax treatment of interest on the Bonds under state or federal law, the market value of the Bonds or the consequences of owning or receiving interest on the Bonds.

CONTINUING DISCLOSURE

Solely for the purpose of enabling the Remarketing Agent to comply with the requirements of Rule 15c2-12(b)(5) (the “Rule”), the Company has undertaken (but only to the extent required for compliance with valid and effective provisions of the Rule) pursuant to an Amended and Restated 15c2-12 Undertaking attached hereto as Appendix E, for the benefit of the Bondholders, to provide to the Municipal Securities Rulemaking Board under its Electronic Municipal Market Access System (“EMMA”) either a copy, or notice of the filing of the following with the Commission of: (i) not later than 120 days after the end of each fiscal year of the Company, the audited annual financial statements of the Company of the type included in Appendix B to this Reoffering Circular, or, if the Company has filed an annual report with the Commission on Form 10-K (or any successor form), the Form 10-K; and (ii) in a timely manner, notice of the occurrence of certain events enumerated in the Rule (the “Company’s Undertaking”).

Neither the Authority nor its members, officers or employees have any responsibility or liability for the sufficiency, performance or enforcement of the Company’s Undertaking. The Company and its directors, officers, employees and shareholders shall have no liability under the Company’s Undertaking for any act or failure to act; a failure to perform the Company’s Undertaking shall not constitute an Event of Default under the Agreement, an event of default under the Indenture or a default under the Note or any Bond; and the sole remedy shall be specific enforcement of the Company’s Undertaking by the Trustee or by such persons, if any, as the Rule may require to be entitled to enforce the same. The Company reserves the right to (a) contest the validity of the Rule and (b) modify its performance of the Company’s Undertaking, to the extent not inconsistent with valid and effective provisions of the Rule.

The Company is currently a party to numerous continuing disclosure undertakings (“Existing Undertakings”) with respect to revenue bonds issued through various municipal authorities on behalf of the Company, some of which provide for audited financial statements to be posted within 100 days of the end of the fiscal year while other undertakings provide for posting within 120 days of the end of the fiscal year. The audited financial statements for the fiscal year ended December 31, 2019 were filed late. The Company posted a “failure to file” notice with respect to those prior undertakings that provided for an earlier filing date. Due to an administrative oversight, the Company inadvertently disclosed the audited financial statements for the fiscal year ended December 31, 2019 as well as two increases to the Company’s ratings under prior CUSIP numbers for three series of bonds rather than the current CUSIP numbers for such bonds. This has been rectified, such that the audited financial statements for the fiscal year ended December 31, 2019 and the notice of the rating increases are now associated with the current CUSIP numbers. The Company has established internal procedures and controls, which are designed to provide reasonable assurance for future compliance with the Existing Undertakings and the Continuing Disclosure Undertaking for the Bonds.

LEGAL MATTERS

The obligations of the Remarketing Agent pursuant to the Remarketing Agreement are subject to the issuance of the opinion of King & Spalding LLP, as Bond Counsel, with respect thereto as described herein under “TAX MATTERS.” Certain legal matters, other than the validity of the Bonds and the exclusion from gross income for federal income tax purposes of interest thereon, will be passed upon for the Company by its counsel, Liebler, Gonzalez & Portuondo, Morgan, Lewis & Bockius LLP and, with respect to matters of Georgia law, King & Spalding LLP, Bond Counsel, and for the Remarketing Agent by its counsel, Ballard Spahr LLP.

MISCELLANEOUS

Certain information relating to the business and properties of the Company is included in Appendix A to this Reoffering Circular, and the Company's audited financial statements for the years ended December 31, 2019 and 2018 and unaudited financial statements for the quarterly periods ended March 31, 2020 and 2019 are included as Appendix B, to which reference is hereby made.

APPENDIX A**GULF POWER COMPANY**

Gulf Power Company (the “Company”) is a rate-regulated electric utility under the jurisdiction of the Florida Public Service Commission engaged in the generation, transmission, distribution and sale of electric energy in northwest Florida. As of December 31, 2019, the Company served approximately 470,000 customers in eight counties throughout northwest Florida and had approximately 2,300 MW of fossil-fueled electric net generating capacity and 9,500 miles of transmission and distribution lines located primarily in Florida.

On January 1, 2019, NextEra Energy, Inc. (“NextEra”) acquired all of the outstanding common shares of the Company from The Southern Company, which resulted in the Company becoming a wholly-owned subsidiary of NextEra. The Company was incorporated under the laws of Maine in 1925, and became a Florida corporation after being domesticated under the laws of Florida in 2005. The principal executive offices of the Company are located at 500 Bayfront Parkway, Pensacola, Florida 32502, and the telephone number is 850-444-6000. The payment of the loan payments which secure the First Series 2002 Bonds are the sole responsibility of the Company and not an obligation of NextEra.

The Company is not currently subject to the informational requirements of the Securities Exchange Act of 1934, as amended. Nevertheless, the Company has undertaken to provide certain information to Electronic Municipal Market Access System as described in the 15c2-12 Undertaking described in the Reoffering Circular.

Information about the Company, including its business and certain regulatory matters, are described in the Notes to the Company Financial Statements included herein as Appendix B.

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APPENDIX B
COMPANY FINANCIAL STATEMENTS

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**Gulf Power Company
Financial Statements as of
and for the Years Ended
December 31, 2019 and 2018
and Independent Auditors' Report**



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INDEPENDENT AUDITORS' REPORT

Gulf Power Company
 One Energy Place
 Pensacola, FL

We have audited the accompanying financial statements of Gulf Power Company (the "Company"), which comprise the balance sheets as of December 31, 2019 and 2018, and the related statements of income, common shareholder's equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gulf Power Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

April 22, 2020

**GULF POWER COMPANY
STATEMENTS OF INCOME**

	Years Ended December 31,	
	2019	2018
	(millions)	
Operating Revenues	\$ 1,487	\$ 1,465
Operating Expenses:		
Fuel, purchased power and interchange	547	598
Other operations and maintenance	279	356
Acquisition-related	27	—
Depreciation and amortization	247	191
Taxes other than income taxes and other - net	116	118
Total operating expenses	1,216	1,263
Operating Income	271	202
Other Income (Expense):		
Interest expense, net of amounts capitalized	(55)	(53)
Other income (expense) - net	6	(9)
Total other income (expense) - net	(49)	(62)
Income Before Income Taxes	222	140
Income Tax Expense (Benefit)	42	(20)
Net Income ^(a)	\$ 180	\$ 160

(a) Gulf Power's comprehensive income is the same as reported net income.

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

**GULF POWER COMPANY
BALANCE SHEETS**

	December 31,	
	2019	2018
	(millions)	
PROPERTY, PLANT and EQUIPMENT		
Electric plant in service and other property	\$ 5,616	\$ 5,391
Construction work in progress	765	199
Accumulated depreciation and amortization	(1,629)	(1,543)
Total property, plant and equipment - net	<u>4,752</u>	<u>4,047</u>
CURRENT ASSETS		
Cash and cash equivalents	6	9
Customer receivables, net of allowances of \$1 and \$1, respectively	143	133
Materials, supplies and fossil fuel inventory	127	128
Regulatory assets	124	79
Other	52	19
Total current assets	<u>452</u>	<u>368</u>
OTHER ASSETS		
Regulatory assets	425	732
Other assets	229	41
Total other assets	<u>654</u>	<u>773</u>
TOTAL ASSETS	<u>\$ 5,858</u>	<u>\$ 5,188</u>
CAPITALIZATION		
Common stock (authorized shares - 10,000,000, \$0.01 par value and 20,000,000, no par value, respectively; outstanding shares - 7,392,717)	\$ 678	\$ 678
Additional paid-in capital	1,013	978
Retained earnings	26	265
Accumulated other comprehensive loss	(1)	(1)
Total common shareholder's equity	<u>1,716</u>	<u>1,920</u>
Long-term debt	<u>1,510</u>	<u>1,286</u>
Total capitalization	<u>3,226</u>	<u>3,206</u>
CURRENT LIABILITIES		
Commercial Paper	192	—
Other short-term debt	200	—
Current portion of long-term debt	175	—
Accounts payable	301	222
Customer deposits	34	34
Accrued interest and taxes	29	26
Regulatory liabilities	25	50
Other	173	95
Total current liabilities	<u>1,129</u>	<u>427</u>
OTHER LIABILITIES AND DEFERRED CREDITS		
Asset retirement obligations	113	123
Deferred income taxes	626	622
Regulatory liabilities	527	589
Other	237	221
Total other liabilities and deferred credits	<u>1,503</u>	<u>1,555</u>
COMMITMENTS AND CONTINGENCIES		
TOTAL CAPITALIZATION AND LIABILITIES	<u>\$ 5,858</u>	<u>\$ 5,188</u>

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

**GULF POWER COMPANY
STATEMENTS OF CASH FLOWS**

	Years Ended December 31,	
	2019	2018
	(millions)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 180	\$ 160
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	247	189
Other amortization	3	8
Deferred income taxes	—	3
Cost recovery clauses and franchise fees	(23)	62
Recoverable storm-related costs	(180)	(157)
Other - net	(7)	—
Changes in operating assets and liabilities:		
Current assets	(16)	5
Noncurrent assets	78	3
Current liabilities	41	47
Noncurrent liabilities	(5)	(7)
Net cash provided by operating activities	<u>318</u>	<u>313</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(729)	(389)
Other - net	—	(11)
Net cash used in investing activities	<u>(729)</u>	<u>(400)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuances of long-term debt	505	—
Retirements of long-term debt	(105)	—
Capital contributions from parent company	100	267
Net change in commercial paper	192	(45)
Proceeds from other short-term debt	200	—
Dividends on common stock	(420)	(153)
Other - net	(1)	(1)
Net cash provided by financing activities	<u>471</u>	<u>68</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	60	(19)
Cash, cash equivalents, and restricted cash at beginning of period	9	28
Cash, cash equivalents, and restricted cash at end of period	<u>\$ 69</u>	<u>\$ 9</u>
Supplemental Cash Flow Information:		
Cash paid for interest (net of amount capitalized)	\$ 52	\$ 50
Cash paid (received) for income taxes - net	\$ 40	\$ (29)
Noncash transactions:		
Accrued property additions	\$ 234	\$ 26

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

GULF POWER COMPANY
STATEMENTS OF COMMON SHAREHOLDER'S EQUITY

	Number of Common Shares Issued	Common Stock	Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	(millions)					
Balance at December 31, 2017	7	\$ 678	\$ 594	\$ 259	\$ —	\$ 1,531
Net Income	—	—	—	160	—	160
Capital contributions from parent	—	—	384	—	—	384
Cash dividends on common stock	—	—	—	(153)	—	(153)
Other	—	—	—	(1)	(1)	(2)
Balance at December 31, 2018	7	678	978	265	(1)	1,920
Net Income	—	—	—	180	—	180
Capital contributions from parent	—	—	100	—	—	100
Derecognition of benefit liabilities	—	—	(65)	—	—	(65)
Cash dividends on common stock	—	—	—	(420)	—	(420)
Other	—	—	—	1	—	1
Balance at December 31, 2019	7	\$ 678	\$ 1,013	\$ 26	\$ (1)	\$ 1,716

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

GULF POWER COMPANY NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Gulf Power Company (Gulf Power) is a wholly-owned subsidiary of NextEra Energy, Inc. (NextEra Energy). Prior to January 1, 2019, Gulf Power was a wholly-owned subsidiary of The Southern Company (Southern Company). Gulf Power provides electric service to retail customers in northwest Florida and to wholesale customers in the Southeast United States.

Gulf Power is subject to regulation by the Federal Energy Regulatory Commission (FERC) and the Florida Public Service Commission (FPSC). As such, Gulf Power's financial statements reflect the effects of rate regulation in accordance with U.S. generally accepted accounting principles (GAAP) and comply with the accounting policies and practices prescribed by its regulatory commissions. The preparation of financial statements in conformity with GAAP requires the use of estimates, and the actual results may differ from those estimates. Certain amounts included in prior years' financial statements have been reclassified to conform to the current year's presentation.

Affiliate Transactions

During 2019, certain services were provided to Gulf Power by Florida Power & Light Company (FPL), a wholly-owned subsidiary of NextEra Energy, 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 approximately \$101 million for the year ended December 31, 2019, of which \$33 million are included in other operations and maintenance expenses and \$68 million were capitalized. NextEra Energy and certain of its other subsidiaries also provided services to Gulf Power during 2019 primarily related to a new customer information system. The charges for these services totaled approximately \$32 million, of which \$29 million were capitalized.

During 2018, certain services were provided to Gulf Power by Southern Company, which was the parent company of Gulf Power through December 31, 2018, and certain of its subsidiaries. Services provided by Southern Company at direct or allocated fully loaded cost primarily included general and design engineering, operations, purchasing, accounting, finance and treasury, tax, information technology, marketing, auditing, insurance and pension administration, human resources, systems and procedures, digital wireless communications, and other services with respect to business and operations, construction management, transmission system upgrades, purchased power and transactions under agreements to operate certain generating resources (Southern Company power pool). Costs for these services amounted to approximately \$161 million for the year ended December 31, 2018, of which \$109 million are included in other operations and maintenance expenses and \$52 million were capitalized.

In 2018, Gulf Power provided incidental services to and received such services from certain Southern Company subsidiaries which are generally minor in duration and amount. However, Gulf Power received storm restoration assistance from certain Southern Company subsidiaries totaling approximately \$44 million in 2018. See Property Damage Reserve below for additional information on Hurricane Michael impacts.

Rate Regulation

Gulf Power is subject to rate regulation by the FPSC and the FERC. Its rates are designed to recover the cost of providing service to its customers including a reasonable rate of return on invested capital. As a result of this cost-based regulation, Gulf Power follows the accounting guidance that allows regulators to create assets and impose liabilities that would not be recorded by non-rate regulated entities. Regulatory assets represent probable future revenues associated with certain costs that are expected to be recovered from customers through the ratemaking process. Regulatory liabilities represent probable future reductions in revenues associated with amounts that are expected to be credited to customers through the ratemaking process.

GULF POWER COMPANY
NOTES TO FINANCIAL STATEMENTS (Continued)

Regulatory assets and (liabilities) reflected in the balance sheets relate to:

	December 31,	
	2019	2018
	(millions)	
Regulatory Assets:		
Current:		
Storm reserve	\$ 68	\$ 34
Other	56	45
Total	\$ 124	\$ 79
Noncurrent:		
Storm reserve	\$ 140	\$ 221
Retiree benefits	—	160
Other	285	351
Total	\$ 425	\$ 732
Regulatory Liabilities:		
Current:		
Deferred clause	\$ 25	\$ 48
Other	—	2
Total	\$ 25	\$ 50
Noncurrent:		
Deferred income taxes	\$ 361	\$ 374
Other cost of removal obligations	166	211
Other	—	4
Total	\$ 527	\$ 589

Cost recovery clauses, which are designed to permit full recovery of certain costs and provide a return on certain assets allowed to be recovered through various clauses, include substantially all fuel, purchased power and interchange expense, and conservation and certain environmental - related costs. Revenues from cost recovery clauses are recorded when billed. Gulf achieves matching of costs and related revenues by deferring the net underrecovery or overrecovery. Any underrecovered costs or overrecovered revenues are collected from or returned to customers in subsequent periods.

If Gulf Power were no longer subject to cost-based rate regulation, the existing regulatory assets and liabilities would be written off unless regulators specify an alternative means of recovery or refund. In addition, the FPSC has the authority to disallow recovery of costs that it considers excessive or imprudently incurred and the FERC has similar authority for costs included in wholesale rates. The continued applicability of regulatory accounting is assessed at each reporting period.

Retail Base Rates

In April 2017, the FPSC approved the 2017 Rate Case Settlement Agreement among Gulf Power and three intervenors (2017 Rate Case Settlement Agreement) with respect to Gulf Power's request in 2016 to increase retail base rates. Among the terms of the 2017 Rate Case Settlement Agreement, Gulf Power increased rates effective with the first billing cycle in July 2017 to provide an annual overall net customer impact of approximately \$54.3 million. The net customer impact consisted of a \$62.0 million increase in annual base revenues, less an annual purchased power capacity cost recovery clause credit for certain wholesale revenues of approximately \$8 million through December 2019. In addition, Gulf Power continued its authorized retail return on equity midpoint (10.25%) and range (9.25% to 11.25%), was deemed to have a maximum equity ratio of 52.5% for all retail regulatory purposes, and implemented new dismantlement accruals effective July 1, 2017. Gulf Power also began amortizing the regulatory asset associated with the investment balances remaining after the retirement of Plant Smith Units 1 and 2 (357 megawatts) over 15 years effective January 1, 2018 and implemented new depreciation rates effective January 1, 2018.

GULF POWER COMPANY
NOTES TO FINANCIAL STATEMENTS (Continued)

As a continuation of the 2017 Rate Case Settlement Agreement, in March 2018, the FPSC approved a stipulation and settlement agreement among Gulf Power and three intervenors addressing the retail revenue requirement effects of the Tax Reform Legislation (Tax Reform Settlement Agreement). The Tax Reform Settlement Agreement resulted in an annual reduction to Gulf Power's revenues of \$18.2 million from base rates and \$15.6 million from environmental cost recovery rates beginning April 1, 2018 and also provided for a one-time refund of \$69.4 million for the retail portion of unprotected (not subject to normalization) deferred tax liabilities through a reduced fuel cost recovery rate over the remainder of 2018. As a result of the Tax Reform Settlement Agreement, the FPSC also approved an increase in Gulf Power's maximum equity ratio from 52.5% to 53.5% for all retail regulatory purposes.

In October 2018, the FPSC approved a \$9.6 million annual reduction in base rate revenues effective January 2019 following a limited scope proceeding in connection with the Tax Reform Settlement Agreement to address protected deferred tax liabilities consistent with Internal Revenue Service (IRS) normalization principles. At December 31, 2018, Gulf Power had approximately \$8 million related to 2018 tax benefits which was refunded to retail customers during 2019 through the fuel clause.

Operating Revenues

Approximately 85% of the revenues of Gulf Power are generated from contracts with retail electric customers, the majority of which are residential customers. These revenues, generated from the integrated service to deliver electricity when and if called upon by the customer, are recognized as a single performance obligation satisfied over time, at a tariff rate, and as electricity is delivered to the customer during the month. Unbilled revenues related to retail sales are accrued at the end of each fiscal period. Retail rates may include provisions to adjust billings for fluctuations in fuel costs, the energy component of purchased power costs, and certain other costs. Gulf Power continuously monitors the over or under recovered fuel cost balance in light of the inherent variability in fuel costs. Gulf Power is required to notify the FPSC if the projected fuel cost over or under recovery is expected to exceed 10% of the projected fuel revenue applicable for the period and indicate if an adjustment to the fuel cost recovery factor is being requested. Gulf Power has similar retail cost recovery clauses for energy conservation costs, purchased power capacity costs, and environmental compliance costs. Revenues are adjusted for differences between these actual costs and amounts billed in current regulated rates. Under or over recovered regulatory clause revenues are recorded in the balance sheets and are recovered from or returned to customers, respectively, through adjustments to the billing factors. Annually, Gulf Power petitions for recovery of projected costs including any true-up amounts from prior periods, and approved rates are implemented each January. See Rate Regulation above for additional information regarding regulatory matters of Gulf Power.

Wholesale capacity revenues from power purchase agreements (PPA) are recognized either on a levelized basis over the appropriate contract period or the amount billable under the contract terms. Energy and other revenues are generally recognized as services are provided. The contracts for capacity and energy in a wholesale PPA have multiple performance obligations where the contract's total transaction price is allocated to each performance obligation based on the standalone selling price. The standalone selling price is primarily determined by the price charged to customers for the specific goods or services transferred with the performance obligations. Gulf Power recognizes revenue as the performance obligations are satisfied over time, as electricity is delivered to the customer, or as generation capacity is available to the customer.

For both retail and wholesale revenues, Gulf Power generally has a right to consideration in an amount that corresponds directly with the value to the customer of the entity's performance completed to date and may recognize revenue in the amount to which the entity has a right to invoice and has elected to recognize revenue for its sales of electricity and capacity using the invoice practical expedient. In addition, payment for goods and services rendered is typically due in the subsequent month following satisfaction of Gulf Power's performance obligation.

Fuel Costs

Fuel costs are expensed as the fuel is used. Fuel expense generally includes fuel transportation costs and the cost of purchased emissions allowances as they are used. Fuel expense and emissions allowance costs are recovered by Gulf Power through the fuel cost recovery and environmental cost recovery rates, respectively, approved annually by the FPSC.

Income Taxes

Deferred income taxes are recognized on all significant temporary differences between the financial statement and tax basis of assets and liabilities, and are presented as noncurrent on Gulf Power's balance sheets. Gulf Power recognizes investment tax credits as a reduction to income tax expense over the depreciable life of the related energy property.

All tax positions taken by Gulf Power in its income tax returns that are recognized in the financial statements must satisfy a more-likely-than-not threshold.

GULF POWER COMPANY
NOTES TO FINANCIAL STATEMENTS (Continued)

Property Plant and Equipment

Property, plant, and equipment is stated at original cost less any regulatory disallowances and impairments. Original cost includes materials, labor, minor items of property, appropriate administrative and general costs, payroll-related costs such as taxes, pensions, and other benefits, and the interest capitalized and cost of equity funds used during construction.

Gulf Power's utility plant in service consisted of the following:

	December 31,	
	2019	2018
	(millions)	
Generation	\$ 3,126	\$ 3,064
Transmission	784	737
Distribution	1,466	1,385
General	232	204
Plant Acquisition Adjustment	1	1
Total Plant in Service	<u>\$ 5,609</u>	<u>\$ 5,391</u>

The cost of replacements of property, exclusive of minor items of property, is capitalized. The cost of maintenance, repairs, and replacement of minor items of property is charged to other operations and maintenance expenses as incurred or performed.

Depreciation and Amortization

Depreciation of the original cost of utility plant in service is provided primarily by using composite straight-line rates, which averaged 3.7% for all years presented. Depreciation studies are conducted periodically to update the composite rates. These studies are approved by the FPSC and the FERC. When property, plant, and equipment subject to composite depreciation is retired or otherwise disposed of in the normal course of business, its original cost, together with the cost of removal, less salvage, is charged to accumulated depreciation. For other property dispositions, the applicable cost and accumulated depreciation are removed from the balance sheet accounts, and a gain or loss is recognized. Minor items of property included in the original cost of the asset are retired when the related property unit is retired.

Asset Retirement Obligations and Other Costs of Removal

Asset retirement obligations (AROs) are computed as the present value of the estimated costs for an asset's future retirement and are recorded in the period in which the liability is incurred. The estimated costs are capitalized as part of the related long-lived asset and depreciated over the asset's useful life. In the absence of quoted market prices, AROs are estimated using present value techniques in which estimates of future cash outlays associated with the asset retirements are discounted using a credit-adjusted risk-free rate. Estimates of the timing and amounts of future cash outlays are based on projections of when and how the assets will be retired and the cost of future removal activities. Gulf Power has received an order from the FPSC allowing the continued accrual of other future retirement costs for long-lived assets that Gulf Power does not have a legal obligation to retire. Accordingly, the accumulated removal costs for these obligations are reflected in the balance sheets as a regulatory liability.

The liability for AROs primarily relates to facilities that are subject to the Disposal of Coal Combustion Residuals from Electric Utilities final rule published by the U.S. Environmental Protection Agency (EPA) in 2015 (CCR Rule), primarily ash ponds.

Gulf Power will continue to recognize in the statements of income allowed removal costs in accordance with its regulatory treatment. Any differences between costs recognized in accordance with accounting standards related to asset retirement and environmental obligations and those reflected in rates are recognized as either a regulatory asset or liability, as ordered by the FPSC, and are reflected in the balance sheets.

GULF POWER COMPANY
NOTES TO FINANCIAL STATEMENTS (Continued)

Details of the AROs included on the balance sheets are as follows:

	December 31,	
	2019	2018
	(millions)	
Balance at beginning of year	\$ 169	\$ 142
Liabilities settled	(18)	(32)
Accretion	3	2
Cash flow revisions	(10) ^(a)	57 ^(b)
Balance at end of year ^(c)	<u>\$ 144</u>	<u>\$ 169</u>

(a) Primarily reflects a project revision relating to wastewater, offset by increase for additional estimated ash pond closing costs.

(b) Primarily relates to AROs subject to the CCR Rule and includes an increase of approximately \$46 million and \$15 million for additional estimated ash pond closure costs at Plant Smith and Plant Scherer Unit 3, respectively, offset by a \$4 million decrease related to the closure of an ash pond at Plant Scholz.

(c) Includes the current portion of AROs of approximately \$31 million and \$46 million, respectively, which is included in other current liabilities on the balance sheets.

Gulf Power has identified but not recognized ARO liabilities related to certain transmission and distribution assets, certain wireless communication towers and certain structures authorized by the U.S. Army Corps of Engineers resulting from easements over property not owned by Gulf Power. These easements are generally perpetual and only require retirement action upon abandonment or cessation of use of the property or facility for its specified purpose. The related ARO liability is not estimable for such easements as Gulf Power intends to use these properties indefinitely. In the event Gulf Power decides to abandon or cease the use of a particular easement, an ARO liability would be recorded at that time.

Allowance for Funds Used During Construction

Gulf Power records allowance for funds used during construction (AFUDC), which represents the estimated debt and equity costs of capital funds that are necessary to finance the construction of new regulated facilities. While cash is not realized currently, AFUDC increases the revenue requirement and is recovered over the service life of the asset through a higher rate base and higher depreciation. The equity component of AFUDC is not taxable.

Impairment of Long-Lived Assets and Intangibles

Gulf Power evaluates long-lived assets for impairment when events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. The determination of whether an impairment has occurred is based on either a specific regulatory disallowance or an estimate of undiscounted future cash flows attributable to the assets, as compared with the carrying value of the assets. If an impairment has occurred, the amount of the impairment recognized is determined by either the amount of regulatory disallowance or by estimating the fair value of the assets and recording a loss if the carrying value is greater than the fair value. For assets identified as held for sale, the carrying value is compared to the estimated fair value less the cost to sell in order to determine if an impairment loss is required. Until the assets are disposed of, their estimated fair value is re-evaluated when circumstances or events change. As of December 31, 2019 and 2018, Gulf Power concluded no impairment adjustments were necessary.

Property Damage Reserve

Gulf Power accrues for the cost of repairing damages from major storms and other uninsured property damages, including uninsured damages to transmission and distribution facilities, generation facilities, and other property. The costs of such damage are charged to the reserve. The FPSC approved annual accrual to the property damage reserve is \$3.5 million, with a target level for the reserve between \$48 million and \$55 million. In accordance with the 2017 Rate Case Settlement Agreement, Gulf Power suspended further property damage reserve accruals effective April 2017. Gulf Power may make discretionary accruals and is required to resume accruals of \$3.5 million annually if the reserve falls below zero. During 2019, the reserve fell below zero due to damages incurred and subsequent restoration related to Hurricane Michael (see discussion of Hurricane Michael below) and, as such, Gulf Power resumed accruals at the approved annual rate of \$3.5 million in 2019. Gulf Power accrued total expenses of \$3.5 million in 2019 and \$28.2 million in 2018. As of December 31, 2019, Gulf Power's property damage reserve had a deficit balance of approximately \$208 million, of which \$68 million and \$140 million are included in current regulatory assets and noncurrent regulatory assets, respectively, on the balance sheet. As of December 31, 2018, Gulf Power's property damage reserve had a deficit balance of approximately \$255 million, of which \$34 million and \$221 million are included in current regulatory assets and noncurrent regulatory assets, respectively, on the balance sheet.

GULF POWER COMPANY
NOTES TO FINANCIAL STATEMENTS (Continued)

When the property damage reserve is inadequate to cover the cost of major storms, the FPSC can authorize a storm cost recovery surcharge to be applied to customer bills. As authorized in the 2017 Rate Case Settlement Agreement, Gulf Power may initiate a storm surcharge to recover costs associated with any tropical systems named by the National Hurricane Center or other catastrophic storm events that reduce the property damage reserve in the aggregate by approximately \$31 million (75% of the April 1, 2017 balance) or more. The storm surcharge would begin, on an interim basis, 60 days following the filing of a cost recovery petition, would be limited to \$4.00/month for a 1,000 kilowatt-hour residential customer unless Gulf Power incurs in excess of \$100 million in qualified storm recovery costs in a calendar year, and would replenish the property damage reserve to approximately \$40 million.

In October 2018, Hurricane Michael made landfall on the Gulf Coast of Florida causing substantial damage in Gulf Power's service territory. As authorized in the 2017 Rate Case Settlement Agreement, in February 2019, Gulf Power filed a petition with the FPSC requesting to recover approximately \$342 million from its retail customers through a storm surcharge, which would also replenish the property damage reserve to approximately \$41 million. In May 2019, the FPSC approved an interim surcharge from Gulf Power customers to recover costs of restoring power and rebuilding the grid following Hurricane Michael, as well as to replenish the property damage reserve to approximately \$41 million. On November 15, 2019, Gulf Power filed a petition with the FPSC establishing final Hurricane Michael cost recovery amounts of approximately \$296 million. The ultimate outcome of this matter cannot be determined at this time. During 2019, Gulf Power collected approximately \$41 million from customers through the storm surcharge.

Long-Term Service Agreement

Gulf Power has entered into a long-term service agreement (LTSA) for the purpose of securing maintenance support for a combined cycle generating unit at Plant Smith. The LTSA covers all planned inspections on the covered equipment, which generally includes the cost of all labor and materials. The LTSA also obligates the counterparty to cover the costs of unplanned maintenance on the covered equipment subject to limits and scope specified in the contract.

Payments made under the LTSA for the performance of any planned inspections or unplanned capital maintenance are recorded in the statements of cash flows as investing activities. Receipts of major parts into materials and supplies inventory prior to planned inspections are treated as non-cash transactions in the statements of cash flows. Any payment made prior to the work being performed is recorded as a noncurrent asset on the balance sheets. At the time work is performed, an appropriate amount is transferred and recorded as property, plant, and equipment or expensed.

Cash Equivalents

Cash equivalents consist of short-term, highly liquid investments with original maturities of three months or less.

Restricted Cash

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

Materials and Supplies

Materials and supplies generally includes the average cost of transmission, distribution, and generating plant materials. Materials are recorded to inventory when purchased and then expensed or capitalized to plant, as appropriate, at weighted average cost when installed.

Fuel Inventory

Fuel inventory includes the average cost of oil, natural gas, coal, transportation, and emissions allowances. Fuel is recorded to inventory when purchased and then expensed, at weighted average cost, as used. Fuel expense and emissions allowance costs are recovered by Gulf Power through the fuel cost recovery and environmental cost recovery rates, respectively, approved annually by the FPSC. Emissions allowances granted by the EPA are included in inventory at zero cost.

Financial Instruments

Gulf Power uses derivative financial instruments to limit exposure to fluctuations in interest rates, the prices of certain fuel purchases, and electricity purchases and sales. All derivative financial instruments are recognized as either assets or liabilities on the balance sheets and are measured at fair value. See Note 6 for additional information regarding fair value. Substantially all of Gulf Power's bulk energy purchases and sales contracts that meet the definition of a derivative are excluded from fair value accounting requirements because they qualify for the "normal" scope exception, and are accounted for under the accrual method. Derivative contracts that qualify as cash flow hedges of anticipated transactions or are recoverable through the FPSC approved fuel-hedging program result in the deferral of related gains and losses in AOCI or regulatory assets and liabilities, respectively, until the hedged transactions occur.

GULF POWER COMPANY
NOTES TO FINANCIAL STATEMENTS (Continued)

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, trustee 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.

GULF POWER COMPANY
NOTES TO FINANCIAL STATEMENTS (Continued)

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.

<i>Assumptions used to determine net periodic costs:</i>	<u>2018</u>
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%

<i>Assumptions used to determine benefit obligations:</i>	<u>2018</u>
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
	<i>(millions)</i>	
Benefit obligation	\$ 2	\$ 2
Service and interest costs	—	—

GULF POWER COMPANY
NOTES TO FINANCIAL STATEMENTS (Continued)

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
	<i>(millions)</i>
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	<u>526</u>
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	<u>492</u>
Accrued liability	<u>\$ (34)</u>

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
	<i>(millions)</i>
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
	<i>(millions)</i>
Prior service cost	\$ 2
Net (gain) loss	162
Regulatory assets	<u>\$ 164</u>

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
	<i>(millions)</i>
Regulatory assets:	
Beginning balance	\$ 160
Net (gain) loss	14
Amortization of net gain (loss)	(10)
Ending balance	<u>\$ 164</u>

GULF POWER COMPANY
NOTES TO FINANCIAL STATEMENTS (Continued)

Components of net periodic pension cost were as follows:

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

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
	<i>(millions)</i>
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	<u>69</u>
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	<u>17</u>
Accrued liability	<u>\$ (52)</u>

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

	2018
	<i>(millions)</i>
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.

GULF POWER COMPANY
NOTES TO FINANCIAL STATEMENTS (Continued)

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

	2018
	<i>(millions)</i>
Net regulatory assets (liabilities):	
Beginning balance at January 1	\$ 6
Net (gain) loss	(10)
Ending balance at December 31	<u>\$ (4)</u>

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

	2018
	<i>(millions)</i>
Service cost	\$ 1
Interest cost	3
Expected return on plan assets	(2)
Net periodic postretirement benefit cost	<u>\$ 2</u>

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	<u>100%</u>	<u>100%</u>
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	<u>100%</u>	<u>100%</u>

GULF POWER COMPANY
NOTES TO FINANCIAL STATEMENTS (Continued)

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.

GULF POWER COMPANY
NOTES TO FINANCIAL STATEMENTS (Continued)

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
	<i>(millions)</i>			
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
	<i>(millions)</i>			
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.

GULF POWER COMPANY
NOTES TO FINANCIAL STATEMENTS (Continued)

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 Commission, and cannot be determined at this time.

GULF POWER COMPANY
NOTES TO FINANCIAL STATEMENTS (Continued)

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.

GULF POWER COMPANY
NOTES TO FINANCIAL STATEMENTS (Continued)

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)	<u>18.8%</u>	<u>(14.1)%</u>

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.

GULF POWER COMPANY
NOTES TO FINANCIAL STATEMENTS (Continued)

5. FINANCING

Long-term debt consists of the following:

	December 31,	
	2019	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.

GULF POWER COMPANY
NOTES TO FINANCIAL STATEMENTS (Continued)

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			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
	(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

GULF POWER COMPANY
NOTES TO FINANCIAL STATEMENTS (Continued)

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

GULF POWER COMPANY
NOTES TO FINANCIAL STATEMENTS (Continued)

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	\$	<u>206</u>

GULF POWER COMPANY
NOTES TO FINANCIAL STATEMENTS (Continued)

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	<u>\$</u>	<u>364</u>

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
March 31, 2020 and 2019
(Unaudited)**

DEFINITIONS

<u>Term</u>	<u>Meaning</u>
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 March 31,	
	2020	2019
	(millions)	
Operating Revenues	\$ 328	\$ 328
Operating Expenses:		
Fuel, purchased power and interchange	111	123
Other operations and maintenance	63	69
Depreciation and amortization	68	50
Taxes other than income taxes and other - net	28	29
Total operating expenses	270	271
Operating Income	58	57
Other Income (Expense):		
Interest expense, net of amounts capitalized	(15)	(13)
Other income (expense) - net	7	—
Total other income (expense) - net	(8)	(13)
Income Before Income Taxes	50	44
Income taxes	10	7
Net Income	\$ 40	\$ 37

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

GULF POWER COMPANY
BALANCE SHEETS
(unaudited)

	March 31, 2020	December 31, 2019
	(millions)	
PROPERTY, PLANT and EQUIPMENT		
Electric plant in service and other property	\$ 5,543	\$ 5,616
Construction work in progress	744	765
Accumulated depreciation and amortization	(1,433)	(1,629)
Total property, plant and equipment - net	<u>4,854</u>	<u>4,752</u>
CURRENT ASSETS		
Cash and cash equivalents	317	6
Customer receivables, net of allowances of \$3 and \$1, respectively	137	143
Materials, supplies and fossil fuel inventory	137	127
Regulatory assets	126	124
Other	50	52
Total current assets	<u>767</u>	<u>452</u>
OTHER ASSETS		
Regulatory assets	404	425
Other assets	222	229
Total other assets	<u>626</u>	<u>654</u>
TOTAL ASSETS	<u><u>\$ 6,247</u></u>	<u><u>\$ 5,858</u></u>
CAPITALIZATION		
Common stock (without par value) - authorized shares	\$ 678	\$ 678
Additional paid-in capital	1,412	1,013
Retained earnings	65	26
Accumulated other comprehensive loss	(1)	(1)
Total common shareholder's equity	<u>2,154</u>	<u>1,716</u>
Long-term debt	1,511	1,510
Total capitalization	<u>3,665</u>	<u>3,226</u>
CURRENT LIABILITIES		
Commercial Paper	363	192
Other short-term debt	200	200
Current portion of long-term debt	175	175
Accounts payable	110	301
Customer deposits	35	34
Accrued interest and taxes	43	29
Regulatory liabilities	19	25
Other	147	173
Total current liabilities	<u>1,092</u>	<u>1,129</u>
OTHER LIABILITIES AND DEFERRED CREDITS		
Asset retirement obligations	108	113
Deferred income taxes	635	626
Regulatory liabilities	530	527
Other	217	237
Total other liabilities and deferred credits	<u>1,490</u>	<u>1,503</u>
COMMITMENTS AND CONTINGENCIES		
TOTAL CAPITALIZATION AND LIABILITIES	<u><u>\$ 6,247</u></u>	<u><u>\$ 5,858</u></u>

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

GULF POWER COMPANY
STATEMENTS OF CASH FLOWS
(unaudited)

	Three months ended March 31,	
	2020	2019
	(millions)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 40	\$ 37
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	68	50
Other amortization	1	14
Deferred income taxes	5	16
Cost recovery clauses and franchise fees	(10)	(14)
Other - net	(7)	(6)
Changes in operating assets and liabilities:		
Current assets	(4)	(50)
Noncurrent assets	13	(22)
Current liabilities	(29)	19
Noncurrent liabilities	(2)	21
Net cash provided by operating activities	<u>75</u>	<u>65</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(340)	(95)
Net cash used in investing activities	<u>(340)</u>	<u>(95)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuances of long-term debt	1	75
Retirements of long-term debt	(1)	—
Net change in commercial paper	171	—
Capital contributions from parent company	400	—
Other - net	(1)	—
Net cash provided by financing activities	<u>570</u>	<u>75</u>
Net increase in cash, cash equivalents and restricted cash	305	45
Cash, cash equivalents, and restricted cash at beginning of period	69	9
Cash, cash equivalents, and restricted cash at end of period	<u>\$ 374</u>	<u>\$ 54</u>
Supplemental Cash Flow Information:		
Noncash transactions:		
Accrued property additions at quarter-end	\$ 79	\$ 55

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. 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

During the first quarter of 2020, certain services were 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 \$21 million and \$9 million for the three months ended March 31, 2020 and March 31, 2019, respectively.

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 March 31, 2020 and December 31, 2019, Gulf Power had approximately \$57 million and \$63 million, respectively, of restricted cash, of which approximately \$29 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 months ended March 31, 2020 and March 31, 2019, NextEra Energy allocated net pension benefit income of \$1.7 million and \$1.9 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.

GULF POWER COMPANY
NOTES TO FINANCIAL STATEMENTS (Continued)

Effective Tax Rate

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

	Three Months Ended March 31,	
	2020	2019
Statutory federal income tax rate	21.0%	21.0%
State income tax, net of federal deduction	4.0	4.1
Amortization of deferred regulatory credit	(3.1)	(10.1)
Other, net	(1.5)	0.8
Effective income tax rate	<u>20.4%</u>	<u>15.8%</u>

5. 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 March 31, 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 6 for additional information on how these derivatives are used.

6. 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 5 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.

GULF POWER COMPANY
NOTES TO FINANCIAL STATEMENTS (Continued)

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 March 31, 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 March 31, 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 March 31, 2020 and December 31, 2019, Gulf Power had no collateral posted with derivative counterparties to satisfy these arrangements.

At March 31, 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 March 31, 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.

7. LEASES

Gulf Power has operating leases primarily related to a purchased power agreement. At March 31, 2020 and December 31, 2019, Gulf Power's right-of-use assets for operating leases totaled \$191 million and \$206 million, respectively, of which \$59 million and \$64 million is included in regulatory assets. At March 31, 2020 and December 31, 2019, approximately \$133 million and \$148 million, respectively, of lease liabilities is included in noncurrent other liabilities and \$58 million and \$58 million is included in current other liabilities on Gulf Power's balance sheets. Gulf Power's lease liabilities at March 31, 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 3.2 years and 3.6 years, respectively. Gulf Power's operating lease expense for the three months ended March 31, 2020 and March 31, 2019 was \$16 million and \$14 million, respectively, and is primarily included within fuel, purchased power and interchange expense.

For the three months ended March 31, 2020 and March 31, 2019, cash paid for amounts included in the measurement of lease liabilities was \$16 million and \$14 million, respectively, and included within operating cash flows on the statement of cash flow.

GULF POWER COMPANY
NOTES TO FINANCIAL STATEMENTS (Continued)

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

Remainder of 2020	\$ 48
2021	64
2022	64
2023	26
Total lease payments	<u>202</u>
Less: imputed interest	<u>(11)</u>
Total lease obligation	<u>\$ 191</u>

8. SUBSEQUENT EVENTS

On May 22, 2020, Gulf Power filed a petition with the FPSC for approval 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 BOND COUNSEL

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KING & SPALDING

191 PEACHTREE STREET
 ATLANTA, GEORGIA 30303-1763
 TELEPHONE: 404/572-4600
 FACSIMILE: 404/572-5100

DIRECT DIAL:

DIRECT FAX:

September 26, 2002

Development Authority of Monroe County
 Forsyth, Georgia

The Bank of New York Trust Company
 of Florida, N.A., as trustee
 Atlanta, Georgia

Gulf Power Company
 Pensacola, Florida

SunTrust Capital Markets, Inc.
 Atlanta, Georgia

Re: \$42,000,000 Development Authority of Monroe County Pollution Control
 Revenue Bonds (Gulf Power Company Plant Scherer Project), First Series 2002

To the Addressees:

We have acted as Bond Counsel in connection with the issuance by the Development Authority of Monroe County, a public body corporate and politic of the State of Georgia (the "Authority"), of the Development Authority of Monroe County Pollution Control Revenue Bonds (Gulf Power Company Plant Scherer Project), First Series 2002, in the aggregate principal amount of \$42,000,000 (the "Bonds"). We have examined the law and such certified proceedings, including a certified copy of the transcript of the validation proceeding concluded in the Superior Court of Monroe County, Georgia, with respect to the Bonds and certain other obligations, and other papers as we have deemed necessary to render this opinion. In all such examinations, we have assumed the genuineness of signatures on original documents and the conformity to original documents of all copies submitted to us as certified, conformed or photographic copies and, as to certificates of public officials, we have assumed the same to have been properly given and to be accurate.

The Bonds are being issued pursuant to resolutions of the Authority adopted on September 11, 2001 and September 10, 2002, and are being sold pursuant to a Purchase Contract, dated September 25, 2002 (the "Purchase Contract"), between the Authority and SunTrust Capital Markets, Inc. (the "Underwriter").

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 WASHINGTON, DC 20006-4706
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 NEW YORK, NY 10036-4003
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 HOUSTON, TX 77002-5213
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September 26, 2002

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The Bonds are being issued for the purpose of refunding, pursuant to a Loan Agreement, dated as of September 1, 2002 (the "Agreement"), between the Authority, as lender, and Gulf Power Company, a Maine corporation (the "Company"), as borrower, (i) \$22,000,000 in aggregate principal amount of the Authority's Pollution Control Revenue Bonds (Gulf Power Company Plant Scherer Project), First Series 1994 (the "First Series 1994 Bonds") and (ii) \$20,000,000 in aggregate principal amount of the Authority's Pollution Control Revenue Bonds (Gulf Power Company Plant Scherer Project), Second Series 1994 (the "Second Series 1994 Bonds" and, together with the First Series 1994 Bonds, the "Refunded Bonds"), which were issued to finance or refinance a portion of the cost of the acquisition, construction and installation of certain air or water pollution control facilities and sewage or solid waste disposal facilities in Monroe County, Georgia (the "Facilities") for the benefit of the Company. The obligation of the Company to repay the loan made pursuant to the Agreement is evidenced by a Promissory Note, dated the date of this opinion (the "Note"), from the Company to the Authority, under the terms of which the Company has agreed to make payments sufficient to provide for the payment of the principal of, redemption premium (if any) and interest on, and the purchase price of, the Bonds as the same become due and payable. The Company has also agreed to pay certain administrative expenses in connection with the Bonds.

As security for the payment of the Bonds, the Authority has, pursuant to a Trust Indenture, dated as of September 1, 2002 (the "Indenture"), between the Authority and The Bank of New York Trust Company of Florida, N.A., as trustee (the "Trustee"), assigned to the Trustee and pledged to the payment of the principal of, redemption premium (if any) and interest on, the Bonds, all rights, title and interest of the Authority in the Agreement (except for certain amounts payable to the Authority with respect to indemnification and expenses) and the Note.

Contemporaneously with the sale and issuance of the Bonds, the Mississippi Business Finance Corporation (the "Mississippi Authority") has sold and is issuing its Solid Waste Disposal Facilities Revenue Refunding Bonds, Series 2002 (Gulf Power Company Project) (the "Mississippi Bonds") in the aggregate principal amount of \$13,000,000. The proceeds of the sale of the Mississippi Bonds are being applied to the refunding of certain obligations of the Mississippi Authority which were issued to finance or refinance the cost of certain air or water pollution control facilities and sewage or solid waste disposal facilities (the "Mississippi Facilities") in the State of Mississippi, for the benefit of the Company. Under the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and applicable regulations, the Bonds and the Mississippi Bonds may be deemed to be a single issue of obligations for certain federal income tax purposes, and the exclusion of interest on the Bonds from gross income for federal income tax purposes may be dependent upon compliance by the Mississippi Authority and the Company with certain covenants with respect to the Mississippi Bonds. We express no opinion with respect to the validity or the exclusion from gross income of interest on the Mississippi Bonds. On the date of this opinion, McGlinchey Stafford, PLLC, Jackson, Mississippi, is delivering an opinion with respect to the Mississippi Bonds substantially to the same effect as this opinion.

September 26, 2002

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As to questions of fact material to our opinion, we have relied upon (a) representations of the Authority 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 obligations refunded thereby, the design, scope, function, cost and economic useful life of the Facilities and the relationship of the Facilities to the plant which they are designed to serve, contained in certificates of the Company without undertaking to verify the same by independent investigation.

We express no opinion with respect to (a) the corporate status and good standing of the Company, (b) the corporate power of the Company to enter into the Agreement and the Note and (c) the authorization, execution and delivery of the Agreement and the Note by the Company and with respect to the Agreement and the Note being binding and enforceable upon the Company. As to such matters, we refer you to the opinions of even date of Beggs & Lane, Pensacola, Florida, and Troutman Sanders LLP, Atlanta, Georgia, each counsel to the Company.

We have relied solely upon an opinion of even date of Vaughn, Wright & Stearns, LLP, Forsyth, Georgia, counsel to the Authority, with respect to the filing of a UCC-1 financing statement covering the granting of a security interest under the Indenture in all rights, title and interest of the Authority in the Agreement (except for certain amounts payable to the Authority with respect to indemnification and expenses) and the Note, and the fact that there are no other properly indexed financing statements or liens of record affecting the property in which such security interest has been granted.

Based upon our examination, we are of the opinion that as of the date hereof and under existing law as follows:

1. The Authority is a duly created and validly existing public body corporate and politic of the State of Georgia with the full power and authority (a) to issue and sell the Bonds, (b) to loan the proceeds from the sale of the Bonds to the Company for the purpose of refunding the Refunded Bonds and (c) to execute, deliver and perform its obligations under the Indenture, the Agreement, and the Purchase Contract.

2. The Indenture, the Agreement and the Purchase Contract have been duly authorized, executed and delivered by the Authority, and the Indenture, the Agreement and the Purchase Contract are valid and binding obligations of the Authority enforceable against the Authority. The Note has been assigned to the Trustee. The Indenture creates a valid security interest in all rights, title and interest of the Authority in the Agreement (except for certain amounts payable to the Authority with respect to indemnification and expenses) and the Note, subject to no equal, prior or other lien, charge or encumbrance, and a financing statement has been filed as required by the Georgia Uniform Commercial Code in order to perfect such security interest in the Agreement, and such security interest will continue in full force and effect as a perfected security interest for the benefit of the holders of the Bonds for a period of five years from the date of filing thereof.

September 26, 2002

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3. The Bonds have been duly authorized, executed and delivered by the Authority and are valid, binding limited obligations of the Authority, secured by the Indenture and payable solely from the payments to be received by the Authority pursuant to the Note.

4. No authorization, approval, consent or other order of any governmental authority or agency is required for the valid authorization, execution, issuance and sale of the Bonds by the Authority and the valid authorization, execution and delivery of the Indenture, the Agreement and the Purchase Contract by the Authority, except for the authorizations, consents or approvals as have been obtained or may be required under state securities or "blue sky" laws.

5. The statements with respect to the Bonds in the Official Statement, dated September 23, 2002 (the "Official Statement") relating to the Bonds under the captions "Introduction", "The Bonds", "The Agreement", "The Indenture" and "Tax Exemption", insofar as they purport to constitute summaries of the documents or matters referred to therein, fairly and accurately summarize the portions of the documents or matters summarized therein. No opinion, however, is expressed with respect to the information under the caption "The Bonds - Book-Entry System." No other opinion is expressed with respect to the accuracy, completeness or fairness of the Official Statement, and no opinion is expressed with respect to the compliance by the Authority or the Underwriter with any federal or state statute, regulation or ruling with respect to the sale (other than the initial sale by the Authority) or distribution of the Bonds.

6. No registration of the Bonds under the Securities Act of 1933, as amended, or qualification of the Indenture under the Trust Indenture Act of 1939, as amended, is required in connection with the offer and sale of the Bonds.

7. Under existing statutes, rulings and court decisions, and under applicable regulations and proposed regulations, the interest on the Bonds is not includable in 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 Facilities or a "related person" within the meaning of Section 147(a) of the Code. Furthermore, interest on the Bonds is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals and corporations; however, with respect to corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings for purposes of computing the federal alternative minimum tax imposed on certain corporations. We express no opinion regarding any other federal tax consequences caused by the receipt or accrual of interest on, or ownership of, the Bonds. In rendering this opinion, we have assumed the continued compliance by the Authority, the Mississippi Authority and the Company with their respective covenants regarding certain requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that the interest on the Bonds be and continue to be excluded from gross income for federal income tax purposes.

September 26, 2002

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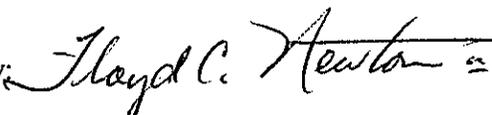
Failure to comply with such covenants could cause interest on the Bonds to be included in federal gross income retroactive to the date of issuance of the Bonds.

8. Under existing statutes, the interest on the Bonds is exempt from all present State of Georgia income taxation.

The rights of the holders of the Bonds and the enforceability of the Bonds, the Agreement, the Indenture and the Purchase Contract may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting the enforcement of creditors' rights generally and principles of equity applicable to the availability of specific performance or other equitable relief. We have not undertaken to notify the Authority, the Trustee, the Company, the Underwriter or any other person or entity of any change in law or fact after the date of this opinion which might affect any of the opinions expressed herein.

Very truly yours,

KING & SPALDING

By:  Floyd C. Newton

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APPENDIX D

OPINION OF BOND COUNSEL ON CONVERSION

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KING & SPALDING

1180 Peachtree Street, N.E.
 Atlanta, Georgia 30309-3521
 Main: 404/572-4600
 Fax: 404/572-5100

June 25, 2020

Gulf Power Company
 Pensacola, Florida

Morgan Stanley & Co. LLC
 New York, New York

Development Authority of Monroe County
 Forsyth, Georgia

U.S. Bank National Association, as successor trustee
 to The Bank of New York Mellon Trust Company, N.A.
 Atlanta, Georgia

Re: Conversion of \$42,000,000 aggregate principal amount of Development Authority of Monroe County (Georgia) Pollution Control Revenue Bonds (Gulf Power Company Plant Scherer Project), First Series 2002 from the present Long-Term Interest Rate to a Daily Rate

To the Addressees:

We acted as Bond Counsel in connection with the issuance on September 26, 2002 by the Development Authority of Monroe County, a public body corporate and politic of the State of Georgia (the “*Authority*”), of its Pollution Control Revenue Bonds (Gulf Power Company Plant Scherer Project), First Series 2002, in the aggregate principal amount of \$42,000,000 (the “*Bonds*”). The Bonds were issued pursuant to a Trust Indenture, dated as of September 1, 2002 (the “*Indenture*”), between the Authority and U.S. Bank National Association, as successor trustee to The Bank of New York Mellon Trust Company, N.A. (the “*Trustee*”). This opinion is being delivered pursuant to Sections 2.02(b)(1) and 2.02(d) of the Indenture in connection with the conversion of the interest rate on the Bonds from a Long-Term Interest Rate to a Daily Rate. All capitalized terms used in this opinion which are not otherwise defined herein shall have the meanings ascribed to such terms in the Indenture.

On June 10, 2020, Gulf Power Company (the “*Company*”) notified the Trustee of its election to change the Determination Method for the Bonds on June 25, 2020 from the present Long-Term Interest Rate to a Daily Rate.

We have been asked to render the opinion required by Sections 2.02(b)(1) and 2.02(d) of the Indenture and Section 6(b)(i)(A) of the Amended and Restated Remarketing Agreement, dated June 25, 2020, between the Company and the Remarketing Agent (as defined therein) which is a condition to the change in the Determination Method relating to the Bonds. We have examined the law and such certified proceedings with respect to the Bonds and other

June 25, 2020

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papers as we have deemed necessary to render this opinion. In all such examinations, we have assumed the genuineness of signatures on original documents and the conformity to original documents of all copies submitted to us as certified, conformed or photographic copies and, as to certificates of public officials, we have assumed the same to have been properly given and to be accurate.

Based on our examination, we are of the opinion that the adjustment of the interest rate applicable to the Bonds from the present Long-Term Interest Rate to a Daily Rate in accordance with the Indenture is permitted by the laws of the State of Georgia and by the Indenture and will not, by itself, adversely affect any exclusion from gross income for federal income tax purposes of interest on the Bonds.

Except as expressly set forth above, we express no opinion herein with respect to any governmental approvals, consents or authorizations required in connection with any purchase or sale of the Bonds subsequent to the original issuance of the Bonds, including, but not limited to, any approvals, consents or authorizations as may have been or may be required by the securities or blue sky laws of the United States of America or of any state in connection with the remarketing of the Bonds at the Daily Rate.

We have not undertaken any independent investigation since the original issuance of the Bonds as to the use of the proceeds of the Bonds or the use or function of the facilities financed or refinanced thereby, or as to compliance by the Company, the Authority and the Trustee with their obligations under the Agreement, the Indenture, the Company's Tax and Non-Arbitrage Certification relating to the Bonds or any other documents executed in connection with the original issuance of the Bonds. We refer you to our opinion, dated the date of the original issuance of the Bonds, as to certain limitations on our opinion and certain assumptions made in connection with issuing that opinion. Except as specifically set forth herein, we express no opinion with respect to the Bonds or as to the validity or enforceability against the Company of any agreement.

We express no opinion herein as to the accuracy, completeness or sufficiency of any offering material used in connection with the original or any subsequent sale or remarketing of the Bonds, or as to compliance by the Authority, the Company or any remarketing agent for, or purchaser of, the Bonds while the Bonds bear interest at the Daily Rate with any federal or state securities law, rule or regulation applicable to the remarketing of the Bonds.

This opinion is limited to the matters expressly set forth herein, and no opinion is to be inferred or may be implied beyond the matters expressly so stated. The opinions expressed herein are made only as of the date of this opinion. We have not undertaken to notify you of any change in law or fact occurring after the date hereof which might affect any of the opinions expressed herein.

Very truly yours,

KING & SPALDING LLP

By:

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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 June 25, 2020 by GULF POWER COMPANY (the “Company”), in connection with the sale of \$42,000,000 aggregate principal amount of Development Authority of Monroe County (Georgia) Pollution Control Revenue Bonds (Gulf Power Company Plant Scherer Project), First Series 2002 (the “Bonds”). The Bonds are issued pursuant to a Trust Indenture dated as of September 1, 2002 (the “Indenture”), between the Development Authority of Monroe County (the “Issuer”) and U.S. Bank National Association, as successor trustee (the “Trustee”). The proceeds of the Bonds are provided by the Issuer to the Company pursuant to a Loan Agreement dated as of September 1, 2002 (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 June 21, 2018 (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 June 16, 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:

DMEAST #41085501 v3 Signature Page to Amended and Restated 15C2-12 Undertaking
\$42,000,000
Development Authority of Monroe County (Georgia)
Pollution Control Revenue Bonds
(Gulf Power Company Plant Scherer Project),
First Series 2002



Gulf Power®



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