

In the opinion of King & Spalding LLP, Bond Counsel, under existing statutes, rulings and court decisions, and under applicable regulations, and assuming the accuracy of certain representations and certifications and compliance with certain tax covenants, interest on the Series 2019 Bonds is not included in gross income for federal income tax purposes, except interest on any Series 2019 Bond for any period during which it is held by a “substantial user” of the facilities financed or a “related person,” as those terms are used in Section 147(a) of the Internal Revenue Code of 1986, as amended (the “Code”); however such interest is an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. In the opinion of Bond Counsel, interest on the Series 2019 Bonds is exempt from present State of Georgia income taxation under existing statutes as described herein. See “TAX MATTERS” herein.

\$45,000,000

DEVELOPMENT AUTHORITY OF MONROE COUNTY (GEORGIA)

Revenue Bonds

(Gulf Power Company Project),

Series 2019

CUSIP: 610532 BZ5*

Interest Accrual Date: Date of Delivery

Due: October 1, 2049

The above captioned bonds (the “Series 2019 Bonds”) may bear interest at a Daily, Weekly, Commercial Paper or Long-Term Rate, as described herein. The initial Interest Rate Period for the Series 2019 Bonds will be a Daily Interest Rate Period.

The Series 2019 Bonds will be subject to repurchase and redemption upon the terms and in the manner described herein.

THE SERIES 2019 BONDS ARE NOT A DEBT OR A GENERAL OBLIGATION OR A PLEDGE OF THE FAITH AND CREDIT OF THE STATE OF GEORGIA OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING MONROE COUNTY. THE SERIES 2019 BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER PAYABLE FROM THE TRUST ESTATE PLEDGED THERETO. NEITHER THE STATE OF GEORGIA, NOR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING MONROE COUNTY, HAS PLEDGED ITS FAITH AND CREDIT OR TAXING POWER TO THE PAYMENT OF THE AMOUNTS DUE ON THE SERIES 2019 BONDS. THE ISSUER DOES NOT HAVE ANY TAXING POWER.



The Series 2019 Bonds will be issuable as fully registered bonds and will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Series 2019 Bonds. Purchases of Series 2019 Bonds may only be made (1) in the principal amount of \$100,000 and any integral multiple of \$5,000 in excess thereof while the Series 2019 Bonds bear interest at a Daily or Weekly Interest Rate, (2) in the principal amount of \$100,000 and any integral multiple of \$1,000 in excess of \$100,000 while the Series 2019 Bonds bear interest at a Commercial Paper Term Rate, and (3) in the principal amount of \$5,000 and any integral multiple of \$5,000 while the Series 2019 Bonds bear interest at a Long-Term Interest Rate. Except under the limited circumstances described herein, beneficial owners of interests in the Series 2019 Bonds will not receive certificates representing their interests in the Series 2019 Bonds. Payments of principal and premium, if any, and interest on Series 2019 Bonds will be made through DTC and its participants and disbursements of such payments to purchasers will be the responsibility of such participants (see “THE SERIES 2019 BONDS—Book-Entry System” herein). The Series 2019 Bonds are subject to redemption prior to maturity as described herein. U.S. Bank National Association, is the Trustee for the Series 2019 Bonds. U.S. Bank National Association is the Tender Agent/Paying Agent/Registrar for the Series 2019 Bonds.

Price: 100%

The Series 2019 Bonds will be offered by the Underwriter when, as and if issued by the Issuer and accepted by the Underwriter, subject to the approving opinion of King & Spalding LLP, Bond Counsel and to certain other conditions. Morgan, Lewis & Bockius LLP, Liebler, Gonzalez, & Portuondo and McDaniel & Scott, P.C, counsel to Gulf Power Company (the “Company”), will pass upon certain legal matters pertaining to the Company. Certain legal matters will be passed upon for the Underwriter by Ballard Spahr LLP, Philadelphia, Pennsylvania, counsel to the Underwriter. Haygood, Lynch, Harris, Melton & Watson, LLP will pass upon certain legal matters for the Issuer. The Series 2019 Bonds will be available for delivery through the facilities of DTC on or about October 17, 2019.

Morgan Stanley

October 10, 2019

* CUSIP® is a registered trademark of the American Bankers Association (“ABA”). CUSIP data herein are provided by CUSIP Global Services, operated on behalf of the ABA by S&P Global Market Intelligence, a division of S&P Global Inc. The CUSIP number listed above is being provided solely for the convenience only and none of the Issuer (as defined herein), the Company nor the Underwriter makes any representation with respect to such number nor undertakes any responsibility for its accuracy now or at any time in the future. The CUSIP number is subject to being changed after the issuance of the Series 2019 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the Series 2019 Bonds or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of the Series 2019 Bonds.

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In connection with this offering, the Underwriter may over allot or effect transactions that stabilize or maintain the market price of the Series 2019 Bonds at levels above those that might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

<u>Addresses Of Certain Parties</u>	
The Company	Gulf Power Company 700 Universe Boulevard Juno Beach, Florida 33408 Attention: Treasurer
Initial Remarketing Agent for the Series 2019 Bonds	Morgan Stanley & Co. LLC 1585 Broadway, 24 th Floor New York, New York 10036 Attention: Municipal Short Term Products
Trustee/ Tender Agent/Paying Agent/Registrar	U.S. Bank National Association Attention: Global Corporate Trust 1349 W. Peachtree Street, NW Suite 1050 Atlanta, Georgia 30309

No dealer, salesman or any other person has been authorized by the Issuer, by the Company or by the Underwriter to give any information or to make any representation other than as contained in this Official Statement or in the Appendices hereto in connection with the offering described herein, and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement 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. No representation or warranty is made as to the accuracy or completeness of the information contained in this Official Statement, and nothing contained in this Official Statement is, or shall be relied on as, a promise or representation by the Issuer or the Underwriter. This Official Statement is submitted in connection with the sale 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 Official Statement at any time does not imply that information herein or in the Appendices hereto is correct as of any time subsequent to its date.

Reference to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, Rule 15c2-12 adopted by the Securities and Exchange Commission (“SEC”) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”).

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SELECTED INFORMATION RELATING TO THE SERIES 2019 BONDS

The following information is furnished solely to provide limited introductory information regarding the terms of the Series 2019 Bonds and does not purport to be comprehensive. A summary of such terms in chart form appears as Appendix B to this Official Statement. All such information is qualified in its entirety by reference to the more detailed descriptions appearing in this Official Statement and should be read together therewith. Certain terms used in the following selected information are defined under “CERTAIN DEFINITIONS.” The offering of the Series 2019 Bonds is made only by means of this entire Official Statement. No person is authorized to make offers to sell, or solicit offers to buy, Series 2019 Bonds unless this entire Official Statement is delivered in connection therewith.

General

The Series 2019 Bonds will mature on October 1, 2049. The term of the Series 2019 Bonds will be divided into consecutive Interest Rate Periods at the direction of the Company, during which the Series 2019 Bonds may bear interest at a Daily Interest Rate, a Weekly Interest Rate, or Commercial Paper Term Rates applicable to each Series 2019 Bond or a Long-Term Interest Rate.

The initial Interest Rate Period for the Series 2019 Bonds will be a Daily Interest Rate Period. Morgan Stanley & Co. LLC has been appointed initial Remarketing Agent with respect to the Series 2019 Bonds. The initial Interest Payment Date shall be November 7, 2019.

Daily Interest Rate Period

Interest Rate	The interest rate for each Business Day will be established by the Remarketing Agent on that Business Day. The interest rate for a day that is not a Business Day will be the same as the interest rate for the preceding Business Day. The interest rate will be the minimum rate that the Remarketing Agent determines would permit the sale of the Series 2019 Bonds at 100% of their principal amount. Interest will be calculated on a 365/366-day year and the actual number of days elapsed.
Interest Payment.....	Interest will accrue on a calendar month basis and will be payable on the fifth Business Day of each month.
Purchase of Series 2019 Bonds Upon Demand	Owners may demand purchase of Series 2019 Bonds on any Business Day by giving an irrevocable notice by 11:00 a.m., New York City time.

Optional Redemption	Series 2019 Bonds will be redeemable, upon 30 days' notice, at the option of the Company, at a price equal to 100% of their principal amount plus accrued interest on any Business Day.
Change of Interest Rate Period	At any time, the Interest Rate Period for the Series 2019 Bonds may be adjusted from a Daily Interest Rate Period to a Weekly Interest Rate Period, a Commercial Paper Interest Rate Period or a Long-Term Interest Rate Period. Notice to the Owners of the Series 2019 Bonds will be given at least 15 days prior to the effective date of the new Interest Rate Period.
Mandatory Tender for Purchase.....	The Series 2019 Bonds are subject to mandatory tender for purchase on the effective date of any change in the Interest Rate Period.

Weekly Interest Rate Period

Interest Rate	<p>The interest rate for each seven-day period, Wednesday through Tuesday, will be established by the Remarketing Agent no later than the Business Day preceding each Wednesday.</p> <p>The interest rate will be the minimum rate that the Remarketing Agent determines would permit the sale of the Series 2019 Bonds at a price equal to 100% of their principal amount.</p> <p>Interest will be calculated on a 365/366-day year and the actual number of days elapsed.</p>
Interest Payment.....	Interest will accrue on a monthly basis and will be payable on the first Wednesday of each month.
Purchase of Series 2019 Bonds Upon Demand	Owners may demand purchase of Series 2019 Bonds on any Business Day by giving at least seven days' irrevocable notice to the Tender Agent of the day of purchase.

Optional Redemption	Series 2019 Bonds will be redeemable, upon 30 days' notice, at the option of the Company, at a price equal to 100% of their principal amount plus accrued interest on any Business Day.
Change of Interest Rate Period	At any time, the Interest Rate Period for the Series 2019 Bonds may be adjusted from a Weekly Interest Rate Period to a Daily Interest Rate Period, a Commercial Paper Interest Rate Period or a Long-Term Interest Rate Period. Notice to the Owners of the Series 2019 Bonds will be given at least 15 days prior to the effective date of the new Interest Rate Period.
Mandatory Tender for Purchase.....	The Series 2019 Bonds are subject to mandatory tender for purchase on the effective date of any change in the Interest Rate Period.

Commercial Paper Interest Rate Period

Interest Periods and Rates for Each Series 2019 Bond	A Commercial Paper Interest Rate Period will be comprised, for each Series 2019 Bond, of a series of consecutive and individual Commercial Paper Terms. Each Commercial Paper Term will be not less than one nor more than 270 days. Each Commercial Paper Term will commence on a Business Day (the "Commercial Paper Date") and end on a day preceding a Business Day. During each Commercial Paper Term for each Series 2019 Bond, such Series 2019 Bond will bear interest at a fixed rate (the "Commercial Paper Term Rate"). Each Series 2019 Bond may have a different Commercial Paper Term and Commercial Paper Term Rate.
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Interest Rate (Commercial Paper Term Rate).....	The Commercial Paper Term Rate for each Commercial Paper Term for each Series 2019 Bond will be established by the Remarketing Agent not later than the Commercial Paper Date for such Commercial Paper Term. The Commercial Paper Term Rate for each Commercial
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Paper Term for each Series 2019 Bond will be the minimum rate that the Remarketing Agent determines would permit the sale of such Series 2019 Bond at a price equal to 100% of its principal amount on the Commercial Paper Date.

Interest will be calculated on a 365/366-day year and the actual number of days elapsed.

Interest Payment.....	Interest will accrue from each Commercial Paper Date for each Series 2019 Bond through and including the last day of the related Commercial Paper Term and will be payable on the day after the last day of such Commercial Paper Term, upon presentation of such Series 2019 Bond to the Tender Agent.
Optional Redemption.....	Each Series 2019 Bond will be redeemable, upon 30 days' notice, at the option of the Company, at a price equal to 100% of its principal amount on the day after the last day of each Commercial Paper Term for such Series 2019 Bond.
Change of Interest Rate Period	On the day after the last day of any Commercial Paper Term for a Series 2019 Bond, the Interest Rate Period for such Series 2019 Bond may be adjusted from a Commercial Paper Interest Rate Period to a Daily Interest Rate Period, a Weekly Interest Rate Period or a Long-Term Interest Rate Period. Notice to the Owner of such Series 2019 Bond will be given at least 15 days prior to the effective date of the new Interest Rate Period.
Mandatory Tender for Purchase.....	Each Series 2019 Bond will be purchased on the Business Day after the last day of each Commercial Paper Term with respect to such Series 2019 Bond.

Long-Term Interest Rate Period

Interest Rate	<p>The interest rate for each Long-Term Interest Rate Period will be established by the Remarketing Agent not later than the first day of that period.</p> <p>The interest rate will be the minimum rate that the Remarketing Agent determines would permit the sale of the Series 2019 Bonds at a price equal to 100% of their principal amount.</p> <p>Interest will be calculated on a 360-day year consisting of twelve 30-day months.</p>
Interest Payment.....	<p>Interest will be payable the fifth day of the calendar month that is six months after the calendar month in which the adjustment date occurs and the fifth day of the calendar month every six months after each such payment date thereafter until the end of such Long-Term Interest Rate Period.</p>
Optional Redemption	<p>Series 2019 Bonds will be redeemable, upon 30 days' notice, at the option of the Company, after the no-call period as described herein. Series 2019 Bonds will also be redeemable upon 30 days' notice, at the option of the Company, upon the occurrence of certain extraordinary events as described herein, at the principal amount thereof, plus accrued interest as described herein.</p>
Change of Interest Rate Period	<p>The Interest Rate Period may be adjusted from a Long-Term Interest Rate Period to a Daily Interest Rate Period, a Weekly Interest Rate Period, a Commercial Paper Interest Rate Period or another Long-Term Interest Rate Period. The effective date for such change must be the day after the end of the Long-Term Interest Rate Period or a day on which the Series 2019 Bonds could be redeemed at the option of the Company. Notice to the Owners of the Series 2019 Bonds will be given at least 15 days prior</p>

to the effective date (30 days if the effective date is not the day after the originally scheduled last day of the Long-Term Interest Rate Period).

Mandatory Tender for Purchase..... The Series 2019 Bonds are subject to mandatory tender for purchase on the first day of each Interest Rate Period.

Length of Interest Rate Periods

Each Commercial Paper Interest Rate Period, Daily Interest Rate Period and Weekly Interest Rate Period will continue until the date on which the Company determines that a different Interest Rate Period will begin. Each Long-Term Interest Rate Period shall be for a term selected by the Company, which shall be one year or more. The Company may also specify a succession of Long-Term Interest Rate Periods. Each Commercial Paper Term within a Commercial Paper Interest Rate Period will be for a term of 270 days or less.

CERTAIN DEFINITIONS

As used in this Official Statement:

“Business Day” means any day other than (i) a Saturday or Sunday and (ii) a day on which banks located in the cities in which the Principal Offices of the Trustee, the Remarketing Agent or the Tender Agent are located, are required or authorized to remain closed and on which the New York Stock Exchange is closed.

“Commercial Paper Interest Rate Period” means each period, comprised of Commercial Paper Terms, during which Commercial Paper Term Rates are in effect.

“Commercial Paper Term” means, with respect to any Series 2019 Bond, each period established in accordance with the Indenture during which such Series 2019 Bond shall bear interest at a Commercial Paper Term Rate.

“Commercial Paper Term Rate” means, with respect to each Series 2019 Bond, a fixed, non variable interest rate on such Bond established periodically in accordance with the Indenture.

“Daily Interest Rate” means a variable interest rate on the Series 2019 Bonds established in accordance with the Indenture.

“Daily Interest Rate Period” means each period during which a Daily Interest Rate is in effect.

“Favorable Opinion” means an opinion of counsel nationally recognized on the subject of, and qualified to render approving legal opinions on the issuance of, municipal bonds, acceptable to the Company, the Trustee and the Issuer, to the effect that the action proposed to be taken is authorized or permitted by the laws of the State of Georgia and the Indenture and will not adversely affect any exclusion from gross income for federal income tax purposes of interest on the Series 2019 Bonds.

“Interest Accrual Date” means (i) with respect to any Daily Interest Rate Period, the first day thereof and, thereafter, the first day of each calendar month during that Daily Interest Rate Period, (ii) with respect to any Weekly Interest Rate Period, the first day thereof and, thereafter, the first Wednesday of each month during that Weekly Interest Rate Period, (iii) with respect to any Long Term Interest Rate Period, the first day thereof and, thereafter, each Interest Payment Date in respect thereof and (iv) with respect to each Commercial Paper Term, the first day thereof.

“Interest Payment Date” means (i) with respect to any Daily Interest Rate Period, the fifth Business Day of each calendar month, (ii) with respect to any Weekly Interest Rate Period, the first Wednesday of each calendar month, or, if such first Wednesday shall not be a Business Day, the next succeeding Business Day, (iii) with respect to any Long Term Interest Rate Period, the fifth day of the calendar month that is six months after the calendar month in which the adjustment to any Long-Term Interest Rate Period occurs and the fifth day of the calendar month every six months after each such payment date thereafter until the end of such Long-Term Interest Rate Period, (iv) with respect to any Commercial Paper Term, the day next succeeding

the last day thereof, (v) with respect to each Interest Rate Period, the day next succeeding the last day thereof and (vi) the Maturity Date.

“Interest Rate Period” means any Daily Interest Rate Period, any Weekly Interest Rate Period, any Commercial Paper Interest Rate Period or any Long-Term Interest Rate Period.

“Long-Term Interest Rate” means, with respect to each Series 2019 Bond, a fixed, non-variable interest rate on such Series 2019 Bond established in accordance with the Indenture.

“Long-Term Interest Rate Period” means each period during which a Long-Term Interest Rate is in effect.

“Owner” means the person or entity in whose name any Series 2019 Bond is registered upon the registration books for the Series 2019 Bonds.

“Principal Office” of the Trustee, Tender Agent, Remarketing Agent or Registrar, means the address of such party listed under “Addresses of Certain Parties” in this Official Statement, or such other address as is established or designated as such pursuant to the Indenture.

“Record Date” means (a) with respect to any Interest Payment Date in respect of any Daily Interest Rate Period, the last Business Day of each calendar month or, in the case of the last Interest Payment Date in respect of a Daily Interest Rate Period, the Business Day immediately preceding such Interest Payment Date, (b) with respect to any Interest Payment Date in respect of any Weekly Interest Rate Period, the Business Day next preceding each Interest Payment Date, (c) with respect to any Interest Payment Date in respect of any Commercial Paper Term, the Business Day immediately preceding such Interest Payment Date, and (d) with respect to any Interest Payment Date in respect of any Long Term Interest Rate Period, the 15th day (whether or not a Business Day) immediately preceding such Interest Payment Date or, in the event that an Interest Payment Date shall occur less than 15 days after the first day of a Long Term Interest Rate Period, such first day.

“Trust Estate” means the property and rights assigned by the Issuer to the Trustee in the granting clauses of the Indenture.

“Weekly Interest Rate” means a variable interest rate on the Series 2019 Bonds established in accordance with the Indenture.

“Weekly Interest Rate Period” means each period during which a Weekly Interest Rate is in effect.

\$45,000,000
Development Authority of Monroe County (Georgia) Revenue Bonds
(Gulf Power Company Project),
Series 2019

INTRODUCTORY STATEMENT

This Official Statement sets forth certain information with respect to the issuance by the Development Authority of Monroe County (the “Issuer”) of \$45,000,000 aggregate principal amount of Development Authority of Monroe County Revenue Bonds (Gulf Power Company Project), Series 2019 (the “Series 2019 Bonds”). The Issuer is a public body corporate and politic duly created and existing under the laws of the State of Georgia. The Series 2019 Bonds will bear interest and will be subject to prior redemption as set forth herein, will mature on the date set forth on the cover page hereof, shall be purchased at the option of their Owners or upon mandatory tender, and shall have such other terms as are described herein under the heading “THE SERIES 2019 BONDS.”

The proceeds of the Series 2019 Bonds will be used, together with funds provided by Gulf Power Company (the “Company”), to (i) finance or refinance, in whole or in part, the Company’s share of the cost of acquisition, construction, installation and equipping of additions, extensions and improvements to certain sewage or solid waste disposal facilities (the “Project”) at Unit 3 of the Plant Robert W. Scherer coal-fired steam electric generating facilities located in Monroe County, Georgia and common facilities associated therewith (collectively, the “Plant”); and (ii) pay certain costs of issuance of the Series 2019 Bonds, all as more specifically described in the Agreement (defined below).

Pursuant to a Loan Agreement, dated as of October 1, 2019 (the “Agreement”) by and between the Issuer and the Company, the Issuer will lend the net proceeds from the sale of the Series 2019 Bonds to the Company. The Company is obligated under the Agreement to pay to the Issuer amounts sufficient to pay amounts due on the Series 2019 Bonds when the same are due and payable.

The Series 2019 Bonds will be issued under a Trust Indenture, dated as of October 1, 2019 (the “Indenture”), by and between the Issuer and U.S. Bank National Association, as trustee (the “Trustee”), and under resolutions of the Issuer.

THE SERIES 2019 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OR OBLIGATION OF THE STATE OF GEORGIA OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING MONROE COUNTY, GEORGIA. THE SERIES 2019 BONDS ARE PAYABLE BY THE ISSUER, SOLELY FROM THE TRUST ESTATE PLEDGED TO THE PAYMENT THEREOF UNDER THE INDENTURE. NO OWNER OF THE SERIES 2019 BONDS SHALL EVER HAVE THE RIGHT TO COMPEL THE EXERCISE OF THE TAXING POWER OF THE STATE OF GEORGIA OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING MONROE COUNTY, GEORGIA, TO PAY THE SERIES 2019 BONDS OR THE INTEREST HEREON OR ANY OTHER COST RELATING HERETO OR TO ENFORCE PAYMENT HEREOF AGAINST ANY PROPERTY OF THE STATE OF

GEORGIA OR ANY POLITICAL SUBDIVISION THEREOF. NO RECOURSE SHALL BE HAD FOR THE PAYMENT OF THE PRINCIPAL OF, INTEREST ON, REDEMPTION PREMIUM OR PURCHASE PRICE OF THE SERIES 2019 BONDS AGAINST ANY OFFICER, DIRECTOR, MEMBER, AGENT OR EMPLOYEE OF THE ISSUER. THE ISSUER HAS NO TAXING POWER.

This Official Statement contains a brief description of the Series 2019 Bonds and summaries of certain provisions of the Agreement and the Indenture. Information with respect to the Company, including certain financial statements, are set forth in Appendices A and A-1 to this Official Statement and has been furnished by the Company and contains information concerning the Company. Appendix B to this Official Statement contains a summary of the terms of the Series 2019 Bonds. The descriptions and summaries of documents herein do not purport to be comprehensive or definitive, and reference is made to each such document for the complete terms and conditions. All statements herein are qualified in their entirety by reference to each such document and, with respect to the enforceability of certain rights and remedies, to laws and principles of equity relating to or affecting generally the enforcement of creditors' rights. Terms not defined herein shall have the meanings set forth in the respective documents. Copies of the Agreement and the Indenture are available for inspection at the offices of the Trustee.

THE ISSUER

The Issuer 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 Issuer 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 SERIES 2019 BONDS, TOGETHER WITH INTEREST AND PREMIUM, IF ANY, THEREON, SHALL CONSTITUTE LIMITED SPECIAL OBLIGATIONS OF THE ISSUER 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 ISSUER HAS NO TAXING POWER.

THE SERIES 2019 BONDS

General

Interest on the Series 2019 Bonds will accrue from their date of delivery, and the Series 2019 Bonds will mature on the date specified on the cover page hereof, subject to redemption prior to maturity as hereinafter described.

Series 2019 Bonds may be registered as transferred or exchanged for other Series 2019 Bonds in authorized denominations at the Principal Office of U.S. Bank National Association in Atlanta, Georgia. During a Daily Interest Rate Period or a Weekly Interest Rate Period, the authorized denominations will be \$100,000 and any integral multiple of \$5,000 in excess thereof. During a Commercial Paper Interest Rate Period, the authorized denominations will be \$100,000 and any integral multiple of \$1,000 in excess of \$100,000. During a Long-Term Interest Rate Period, the authorized denominations will be \$5,000 and any integral multiple of \$5,000. Registrations of exchange and transfers shall be made without charge to the Owners, except for any applicable tax, fee or governmental charge required. Except in connection with the remarketing of Series 2019 Bonds, the Registrar shall not be obligated to make any such registration of exchange or transfer of Series 2019 Bonds, in the case of any proposed redemption of Bonds, during the 15 days immediately preceding the selection of Series 2019 Bonds for such redemption or after any such Series 2019 Bond or any portion thereof has been called for redemption.

Trustee. U.S. Bank National Association is the Trustee. As long as no event of default under the Indenture shall have occurred and be continuing, the Trustee may be removed or replaced by the Issuer at the direction of the Company.

Tender Agent, Paving Agent and Registrar. U.S. Bank National Association is the Tender Agent/Paying Agent/Registrar. The Tender Agent/Paying Agent/Registrar may be removed or replaced by the Company.

Remarketing Agent. Morgan Stanley & Co. LLC (“Morgan Stanley”) has been appointed initial Remarketing Agent with respect to the Series 2019 Bonds under the Indenture. The term of appointment of any Remarketing Agent shall expire, and the Company shall appoint a successor Remarketing Agent, upon the adjustment of the interest rate determination method for the Series 2019 Bonds; provided, however, that the Company may appoint the then current Remarketing Agent as the successor Remarketing Agent. In addition, the Company may from time to time remove and replace the Remarketing Agent.

Book-Entry System

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Series 2019 Bonds. The Series 2019 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for the Series 2019 Bonds, in the aggregate principal amount of such Bonds, and will be deposited with the Trustee as custodian for DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Exchange Act. 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”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com. The information contained on this Internet site is not incorporated herein by reference.

Purchases of the Series 2019 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2019 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“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 purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2019 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 Series 2019 Bonds, except in the event that use of the book-entry system for the Series 2019 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2019 Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2019 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2019 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2019 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 Series 2019 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2019 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2019 Bond documents. For example, Beneficial Owners of Series 2019 Bonds may wish to ascertain that the nominee holding the Series 2019 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 Trustee and request that copies of notices be provided directly to them. The Issuer, the Company, the Remarketing Agent, the Underwriter and the Trustee will not have any responsibility or obligation to such Direct and Indirect Participants or the persons for whom they act as nominees with respect to the Series 2019 Bonds.

Redemption notices will be sent to DTC. If less than all of the Series 2019 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2019 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2019 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2019 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 Issuer or the Trustee, on payable dates in accordance with their respective holdings shown on DTC's records. Payments by 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 Participant and not of DTC, the Trustee, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner will give notice to elect to have its Series 2019 Bonds purchased or tendered, through its Participant, to the Tender Agent, and will effect delivery of such Series 2019 Bonds by causing the Direct Participant to transfer the Participant's interest in the Series 2019 Bonds, on DTC's records, to the Tender Agent. The requirement for physical delivery of Series 2019 Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Series 2019 Bonds are transferred by Direct

Participants on DTC's records and followed by a book-entry credit of tendered Series 2019 Bonds to the Tender Agent's DTC account.

DTC may discontinue providing its services as securities depository with respect to the Series 2019 Bonds at any time by giving reasonable notice to the Issuer or the Trustee. In addition, the Company may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The Issuer, the Trustee, the Company, the Remarketing Agent and the Underwriter shall not have any responsibility or obligation to any Direct or Indirect Participant, any Beneficial Owner or any other person claiming a beneficial ownership interest in the Series 2019 Bonds under or through DTC or any DTC Participant, or any other person which is not shown on the registration books of the Trustee as being a holder, with respect to the accuracy of any records maintained by DTC or any Direct or Indirect Participant; the payment by DTC or any Direct or Indirect Participant of any amount in respect of the principal of, purchase price, premium, if any, or interest on the Series 2019 Bonds; any notice which is permitted or required to be given to owners under the Indenture; the selection by DTC or any Direct or Indirect Participant of any person to receive payment in the event of a partial redemption of the Series 2019 Bonds; any consent given or other action taken by DTC as an owner; or any other procedures or obligations of DTC under the book-entry system.

So long as Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the registered owner of the Series 2019 Bonds, as nominee of DTC, references herein to the holders or owners or registered holders or registered owners of the Series 2019 Bonds means Cede & Co., as aforesaid, and does not mean the beneficial owners of the Series 2019 Bonds.

The foregoing description of the procedures and record keeping with respect to beneficial ownership interests in the Series 2019 Bonds, payment of principal, interest and other payments on the Series 2019 Bonds to Direct and Indirect Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in such Series 2019 Bonds and other related transactions by and between DTC, the Direct and Indirect Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters, and neither the Direct nor Indirect Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC.

None of the Issuer, the Company, the Underwriter or the Trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial interests in any Series 2019 Bond or for maintaining, supervising or reviewing any records relating to such beneficial interests.

Security for the Series 2019 Bonds

The Series 2019 Bonds are payable from the Trust Estate pledged to the payment of the Series 2019 Bonds under the Indenture, which includes payments required to be made by the Company pursuant to the Agreement. All rights of the Issuer under the Agreement have been pledged and assigned by the Issuer to the Trustee, except certain rights to indemnification and reimbursement of expenses.

Any Series 2019 Bonds that bear interest at a Long-Term Interest Rate may, at the Company's discretion, also be secured by additional collateral or other credit enhancement as provided in the Agreement and the Indenture.

THE SERIES 2019 BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE ISSUER AND ARE PAYABLE FROM AND SECURED SOLELY BY THE TRUST ESTATE PLEDGED UNDER THE INDENTURE, WHICH INCLUDES A PLEDGE OF THE REVENUES DERIVED BY THE ISSUER UNDER THE AGREEMENT AND BY OTHER FUNDS PLEDGED UNDER THE INDENTURE. NEITHER THE STATE OF GEORGIA NOR ANY POLITICAL SUBDIVISION THEREOF WILL, IN ANY EVENT, BE LIABLE FOR THE PAYMENT OF THE PRINCIPAL, REDEMPTION PREMIUM, IF ANY, PURCHASE PRICE, OR INTEREST ON THE SERIES 2019 BONDS, OR FOR THE PERFORMANCE OF ANY PLEDGE, OBLIGATION OR AGREEMENT OF ANY KIND WHATSOEVER THAT MAY BE UNDERTAKEN BY THE ISSUER, AND NONE OF THE SERIES 2019 BONDS OR THE ISSUER'S AGREEMENTS OR OBLIGATIONS WILL BE CONSTRUED TO CONSTITUTE A DEBT OR PLEDGE OF THE FAITH AND CREDIT OF THE STATE OF GEORGIA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION WHATSOEVER. THE SERIES 2019 BONDS DO NOT, DIRECTLY, INDIRECTLY, OR CONTINGENTLY OBLIGATE THE STATE OF GEORGIA OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY OR TO PLEDGE ANY FORM OF TAXATION WHATSOEVER THEREFOR OR TO MAKE ANY APPROPRIATION FOR THE PAYMENT THEREOF. THE ISSUER HAS NO TAXING POWER.

Interest Rate Periods

The term of the Series 2019 Bonds will be divided into consecutive Interest Rate Periods at the direction of the Company. Each Interest Rate Period will be a Daily Interest Rate Period, Weekly Interest Rate Period, Commercial Paper Interest Rate Period or Long-Term Interest Rate Period.

The initial Interest Rate Period for the Series 2019 Bonds will be a Daily Interest Rate Period. The interest rate or rates applicable during each subsequent Interest Rate Period will be determined as described below.

Determination of Interest Rates

General. During or with respect to each Interest Rate Period, the Remarketing Agent will determine the interest rate or rates applicable to the Series 2019 Bonds, which will be the minimum interest rate or rates which, if borne by the Series 2019 Bonds, would enable the

Remarketing Agent to sell the Series 2019 Bonds on the applicable date at a price (without regard to accrued interest) equal to the principal amount thereof. The Remarketing Agent will base that determination on its examination of tax-exempt obligations comparable to the Series 2019 Bonds known by the Remarketing Agent to have been priced or traded under then-prevailing market conditions. The Indenture sets forth certain fall-back rates if, for any reason, an interest rate or rates for the Series 2019 Bonds during any Interest Rate Period is not so determined by the Remarketing Agent. Except during a Long-Term Interest Rate Period ending on the day immediately preceding the Maturity Date, the Daily, Weekly, Commercial Paper or Long-Term Interest Rate shall not exceed 12% per annum.

Commencing on the first day of each Interest Rate Period and ending on the day preceding the effective date of the next Interest Rate Period, the Series 2019 Bonds will bear interest at a Daily Interest Rate, a Weekly Interest Rate, a Commercial Paper Term Rate or a Long-Term Interest Rate, all determined as set forth below:

Daily Interest Rate. The Daily Interest Rate will be determined by the Remarketing Agent on each Business Day for that Business Day. The Daily Interest Rate for any day that is not a Business Day will be the same as the Daily Interest Rate in effect for the preceding Business Day. If for any reason, the Daily Interest Rate cannot be determined for any Business Day by the Remarketing Agent, then (1) the Daily Interest Rate for such day shall be the same as the Daily Interest Rate for the immediately preceding day if the Daily Interest Rate for such preceding day was determined by the Remarketing Agent or (2) if no Daily Interest Rate for the immediately preceding day was determined by the Remarketing Agent or if the Daily Interest Rate determined by the Remarketing Agent shall be held to be invalid or unenforceable by a court of law, then in accordance with certain fall-back rates described in the Indenture.

Weekly Interest Rate. The Weekly Interest Rate will be determined by the Remarketing Agent no later than the Business Day preceding the first day of each Weekly Interest Rate Period and thereafter no later than the Business Day preceding Wednesday of each week during the Weekly Interest Rate Period. If, for any reason, the Weekly Interest Rate cannot be determined for any week by the Remarketing Agent, then (1) the Weekly Interest Rate for such week shall be the same as the Weekly Interest Rate for the immediately preceding week or (2) if no Weekly Interest Rate for the immediately preceding week was determined by the Remarketing Agent or if the Weekly Interest Rate determined by the Remarketing Agent shall be held to be invalid or unenforceable by a court of law, then in accordance with certain fall-back rates described in the Indenture.

Commercial Paper Terms and Commercial Paper Term Rate. During a Commercial Paper Interest Rate Period, each Series 2019 Bond will bear interest at the Commercial Paper Term Rate for that Series 2019 Bond through the day preceding the effective date of the next Commercial Paper Term for that Series 2019 Bond or the day preceding the next Interest Rate Period. Each Series 2019 Bond may have a different Commercial Paper Term and Commercial Paper Term Rate. Each Commercial Paper Term and Commercial Paper Term Rate for each Series 2019 Bond will be determined by the Remarketing Agent no later than the first day of the Commercial Paper Term.

Each Commercial Paper Term will be a period of not more than 270 days determined by the Remarketing Agent (taking into account certain factors set forth in the Indenture) to be the period which, together with all other Commercial Paper Terms for Series 2019 Bonds then outstanding, will result in the lowest overall interest expense on the Series 2019 Bonds over the next 270 days. However, the Commercial Paper Term must end on either a day which precedes a Business Day or the day preceding the Maturity Date of the Series 2019 Bonds. If for any reason a Commercial Paper Term for any Series 2019 Bond cannot be so determined by the Remarketing Agent, it will extend by one Business Day (or until the earlier stated maturity of the Series 2019 Bonds) automatically until the Remarketing Agent is able to set the rate and, if in that instance the Remarketing Agent fails for whatever reason to determine the interest rate for such Series 2019 Bond, then the interest rate for such Series 2019 Bond for that Commercial Paper Interest Rate Period shall be the interest rate in effect for the preceding Commercial Paper Interest Rate Period.

Long-Term Interest Rate. During each Long-Term Interest Rate Period, commencing and ending on the date or dates specified or determined as described below, and during each successive Long-Term Interest Rate Period, if any, so determined, the Long-Term Interest Rate will be determined by the Remarketing Agent on the effective date of the Long-Term Interest Rate Period or on a Business Day selected by the Remarketing Agent not more than 30 days prior to such effective date. In the event of an adjustment from a Commercial Paper Interest Rate Period which results in the commencement of the Long-Term Interest Rate Period on two or more dates, a separate Long-Term Interest Rate will be determined by the Remarketing Agent effective as of each such date with respect to the particular Series 2019 Bonds adjusting to the Long-Term Interest Rate Period on such date.

Payment of Principal and Interest. The principal of and premium, if any, on the Series 2019 Bonds shall be payable to the Owners of the Series 2019 Bonds upon presentation and surrender thereof at the Principal Office of the Trustee. Interest shall be payable by the Paying Agent by checks mailed to the Owners as of the Record Date in respect thereof or (except for interest in respect of a Long-Term Interest Rate Period) in immediately available funds by deposit to an account with the Paying Agent or by wire transfer to the accounts with commercial banks located within the United States of the Owners which shall have provided deposit or wire transfer instructions to the Paying Agent at least two Business Days prior to such Record Date, but, in the case of interest payable in respect of a Commercial Paper Term, only upon delivery of the Series 2019 Bond to the Tender Agent. So long as the Series 2019 Bonds are registered in the name of Cede & Co., payments of principal, premium, if any, and interest will be made as described above under “THE SERIES 2019 BONDS – Book-Entry System.”

Interest will be computed, in the case of a Long-Term Interest Rate Period, on the basis of a 360-day year consisting of twelve 30-day months and, in the case of any other Interest Rate Period, on the basis of a 365- or 366-day year, as appropriate, and the actual number of days elapsed.

Each Series 2019 Bond will bear interest from and including the Interest Accrual Date preceding the date of authentication thereof or, if that date of authentication is an Interest

Accrual Date to which interest on the Series 2019 Bonds has been paid in full or duly provided for or the date of initial authentication of the Series 2019 Bonds, from that date of authentication. During each Interest Rate Period, interest on the Series 2019 Bonds will accrue and be payable as follows:

Daily Interest Rate Period. Interest on the Series 2019 Bonds will accrue on a calendar month basis and will be payable on the fifth Business Day of each month.

Weekly Interest Rate Period. Interest on the Series 2019 Bonds will accrue on a monthly basis and will be payable on the first Wednesday of each month.

Commercial Paper Interest Rate Period. Interest on each Series 2019 Bond will accrue from the first day of each Commercial Paper Term for such Series 2019 Bond through and including the last day of the Commercial Paper Term for such Series 2019 Bond and will be payable on the day after the last day of such Commercial Paper Term.

Long-Term Interest Rate Period. Interest on the Series 2019 Bonds will accrue from the Interest Payment Date through and including the day preceding the next Interest Payment Date and will be payable semiannually on the fifth day of the calendar month that is six months after the calendar month in which the adjustment to any Long-Term Interest Rate Period occurs and the fifth day of the calendar month every six months after each such payment date thereafter until the end of such Long-Term Interest Rate Period.

Adjustment of Interest Rate Period

General. At any time, by written direction to the Trustee, the Registrar, the Tender Agent, the Remarketing Agent, the Company may elect to adjust the method of determining the interest rate with respect to the Series 2019 Bonds by adjusting to a different Interest Rate Period. That direction must specify the effective date of the new Interest Rate Period, which effective date must be a Business Day and may not be less than 15 days (unless the then current Interest Rate Period is a Long-Term Interest Rate Period and such Long-Term Interest Rate Period ends on a day prior to the day originally established as the last day thereof, in which case not less than 30 days) following the second Business Day after the receipt by the Trustee of the direction. A direction to adjust from an Interest Rate Period to another Interest Rate Period (other than one of a succession of Long-Term Interest Rate Periods of equal duration) must be accompanied by a Favorable Opinion. Commencing on the effective date of an adjustment to another Interest Rate Period, the Series 2019 Bonds will bear interest at the applicable interest rate as described above.

Adjustment to Long – Term Interest Rate Period. In connection with its election to adjust to a Long-Term Interest Rate Period, the Company must specify, among other things:

- (1) the effective date of the Long-Term Interest Rate Period; and
- (2) a date or dates on or prior to which Owners are required to deliver Series 2019 Bonds to be purchased (if other than the effective date).

The direction by the Company to adjust to a Long-Term Interest Rate Period also may specify that the initial Long-Term Interest Rate Period will be followed by one or more successive Long-Term Interest Rate Periods and the durations thereof.

If the Company designates successive Long-Term Interest Rate Periods, but does not, with respect to the second or any subsequent Long-Term Interest Rate Period, specify a date or dates on or prior to which Owners are required to deliver Series 2019 Bonds to be purchased, all as contemplated above, the Company may later specify any of such information not previously specified with respect to such Long-Term Interest Rate Period.

Adjustment From Long – Term Interest Rate Period. At any time during a Long-Term Interest Rate Period, the Company may elect that the Series 2019 Bonds no longer will bear interest at the Long-Term Interest Rate and instead will bear interest at a Daily Interest Rate, a Weekly Interest Rate, Commercial Paper Term Rates or a new Long-Term Interest Rate, as specified in such election. The effective date of an adjustment from a Long-Term Interest Rate Period must be the day after the last day of the Long-Term Interest Rate Period or a day on which the Series 2019 Bonds may be redeemed at the option of the Issuer, at the direction of the Company. The notice of such election must be given to the Owners not later than 30 days before the effective date of the new Interest Rate Period. Series 2019 Bonds will be subject to mandatory tender for purchase on such effective date at a purchase price equal to the optional redemption price which would have been applicable on that date.

If, by the Business Day preceding the fifteenth day (unless the then current Interest Rate Period shall be a Long-Term Interest Rate Period and such Long-Term Interest Rate Period shall end on a day prior to the day originally established as the last day thereof, in which case not less than 30 days) prior to the last day of any Long-Term Interest Rate Period, other than one of a succession of Long-Term Interest Rate Periods, the Company has not elected that the Series 2019 Bonds are to bear interest at a Daily Interest Rate, a Weekly Interest Rate, a Long-Term Interest Rate or Commercial Paper Term Rates, the next Interest Rate Period will be (a) if the Long-Term Interest Rate Period to expire is longer than one year in duration, a Weekly Interest Rate Period, so long as a Favorable Opinion of Bond Counsel shall be delivered or (b) if the Long-Term Interest Rate Period to expire is one year in duration, a Daily Interest Rate Period, so long as a Favorable Opinion of Bond Counsel shall be delivered.

Adjustment From Commercial Paper Interest Rate Period. At any time during a Commercial Paper Interest Rate Period, the Company may elect that Series 2019 Bonds no longer will bear interest at Commercial Paper Term Rates and will instead bear interest at a Daily Interest Rate, a Weekly Interest Rate or a Long-Term Interest Rate as specified in the election. That election also must specify whether the effective date of the new Interest Rate Period will be (1) a single day for all Series 2019 Bonds, in which case the effective date will be the day after the earliest date on which all Commercial Paper Terms shall end as determined by the Remarketing Agent, or (2) different for each Series 2019 Bond, in which case the effective date will be the day after the last day of the Commercial Paper Term then in effect (or to be in effect) with respect to such Series 2019 Bond.

Notice to Owners of Adjustment of Interest Rate Period. The Registrar will be required to give notice by first-class mail of an adjustment of the Interest Rate Period to the Owners of the

Series 2019 Bonds not less than 15 days (unless the then current Interest Rate Period is a Long-Term Interest Rate Period and such Long-Term Interest Rate Period ends on a day prior to the day originally established as the last day thereof, in which case not less than 30 days) prior to the effective date of the adjustment of the Interest Rate Period. That notice must state the following:

- (1) the effective date of the new Interest Rate Period; and
- (2) that the Series 2019 Bonds are subject to mandatory tender for purchase on the effective date, setting forth the applicable purchase price and the procedures of such purchase.

Determinations Binding

The determination of the various interest rates and the bases therefor and the Commercial Paper Terms shall be conclusive and binding upon the Remarketing Agent, the Trustee, the Tender Agent, the Issuer, the Company and the Owners of the Series 2019 Bonds.

Purchase of Series 2019 Bonds

The Series 2019 Bonds during any Daily or Weekly Interest Rate Period will be purchased on the demand of the Owners thereof, and will be subject to mandatory tender for purchase, at the times and subject to the conditions described below. Payment for Series 2019 Bonds purchased will be made by the close of business on the date specified for purchase, if the conditions for that purchase described below have been strictly complied with by the Owners thereof.

During any Daily or Weekly Interest Rate Period when the Series 2019 Bonds are registered in the name of Cede & Co., tenders of the Series 2019 Bonds will be effected by means of DTC's Delivery Order Procedures. See "THE SERIES 2019 BONDS — Book-Entry System." Notice of any such tender must be given to the Tender Agent in the form set forth in Appendix D to this Official Statement. If a beneficial owner of a Series 2019 Bond fails to cause its beneficial ownership of such Series 2019 Bond to be transferred to the DTC account of the Tender Agent by the deadlines specified below, such Series 2019 Bond shall not be purchased and the beneficial owner may be subject to damages as specified in such notice.

If the book entry system is discontinued, tendered Series 2019 Bonds must be accompanied by an instrument of transfer satisfactory to the Tender Agent, executed in blank by the Owner thereof or his duly authorized attorney, with such signature guaranteed by an "eligible guarantor institution" as defined by Rule 17Ad-15 promulgated under the Exchange Act. The Tender Agent may refuse to accept delivery of any Series 2019 Bond for which a proper instrument of transfer has not been provided. Notice of tender for purchase of Series 2019 Bonds by the Owners thereof will be irrevocable, once given to the Tender Agent as described below. In the event that any Owner of a Series 2019 Bond giving notice of tender for purchase fails to deliver its Series 2019 Bond to the Tender Agent at the place and on the applicable date and the time specified below, or fails to deliver the Series 2019 Bond properly endorsed and provided that funds in the amount of the purchase price thereof are available for payment to such Owner at the date and the time specified below, from and after the date and time of that required delivery, (i) such Series 2019 Bond shall no longer be deemed to be outstanding under the

Indenture, (ii) interest will no longer accrue thereon to such former Owner and (iii) funds in the amount of the purchase price of Series 2019 Bond, without interest, will be held by the Tender Agent for the benefit of such former Owner, to be paid on delivery (or proper endorsement) thereof to the Tender Agent

During Daily Interest Rate Period. During any Daily Interest Rate Period, any Series 2019 Bond or portion thereof in an authorized denomination will be purchased at the option of its Owner on any Business Day at a purchase price equal to the principal amount thereof, plus accrued interest from the Interest Accrual Date immediately preceding the date of purchase through the day immediately preceding the date of purchase, or, if the date of purchase is an Interest Accrual Date, at a purchase price equal to the principal amount thereof, payable in immediately available funds, upon delivery to the Tender Agent at its Principal Office, not later than 11:00 a.m., New York City time, on that Business Day, of an irrevocable written notice, or an irrevocable telephonic notice, promptly confirmed by telecopy or other writing, which states the principal amount of the Series 2019 Bond or such portion thereof and the date of purchase. For payment of such purchase price on the date specified in such notice, the Series 2019 Bond must be delivered, not later than 12:00 Noon, New York City time, on such Business Day (together with necessary endorsements) to the Tender Agent at its Principal Office.

During Weekly Interest Rate Period. During any Weekly Interest Rate Period, any Series 2019 Bond or portion thereof in an authorized denomination will be purchased at the option of its Owner on any Business Day at a purchase price equal to the principal amount thereof plus accrued interest, if any, from the Interest Accrual Date immediately preceding the date of purchase through the day immediately preceding the date of purchase, or, if the date of purchase is an Interest Accrual Date, at a purchase price equal to the principal amount thereof, payable in immediately available funds, upon the delivery to the Tender Agent at its Principal Office of an irrevocable written notice, or an irrevocable telephonic notice, promptly confirmed by telecopy or other writing, which states the principal amount of the Series 2019 Bond or such portion thereof and the date on which the Series 2019 Bond is to be purchased, which date must be a Business Day not prior to the seventh day after the date of the delivery of the notice to the Tender Agent. For payment of such purchase price on the date specified in such notice, the Series 2019 Bond must be delivered, not later than 12:00 Noon, New York City time, on the date specified in the notice (together with necessary endorsements) to the Tender Agent at its Principal Office.

During Commercial Paper Interest Rate Period – Mandatory Tender for Purchase on Day After the Last Day of Each Commercial Paper Term. On the Business Day after the last day of the Commercial Paper Term for a Series 2019 Bond, unless such day is the first day of a new Interest Rate Period (in which event such Series 2019 Bond will be subject to mandatory tender for purchase as described under “Mandatory Tender for Purchase on First Day of Each Interest Rate Period”), such Series 2019 Bond will be purchased, at a purchase price equal to the principal amount thereof, payable in immediately available funds. For payment of such purchase price on such day, such Series 2019 Bond must be delivered (together with necessary endorsements) at or prior to 12:30 P.M., New York City time on such day, to the Tender Agent at its Principal Office. During any Commercial Paper Term, with respect to a Series 2019 Bond, the Owner of that Series 2019 Bond will not have the right to demand the purchase thereof.

Mandatory Tender for Purchase on First Day of Each Interest Rate Period. The Series 2019 Bonds will be subject to mandatory tender for purchase, at a purchase price equal to 100% of the principal amount thereof (or, if applicable, upon adjustment from a Long-Term Interest Rate Period prior to the expiration of such Long-Term Interest Rate Period, at a purchase price equal to the applicable optional redemption price), payable in immediately available funds, on the first day of the succeeding Interest Rate Period.

Purchase and Remarketing of Series 2019 Bonds

On the date on which Series 2019 Bonds are required to be purchased, the Tender Agent shall purchase such Series 2019 Bonds with funds provided from the remarketing of such Series 2019 Bonds or by the Company pursuant to the Agreement. The Issuer has no obligation to provide any moneys whatsoever for the payment of the purchase price for the Series 2019 Bonds.

On the day of purchase of Series 2019 Bonds by the Tender Agent, the Remarketing Agent shall use its best efforts to sell such Series 2019 Bonds in accordance with the Indenture.

Redemption

Optional Redemption During Daily or Weekly Interest Rate Period. On any Business Day during a Daily Interest Rate Period or a Weekly Interest Rate Period, the Series 2019 Bonds shall be subject to optional redemption by the Issuer, at the direction of the Company, in whole or in part, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest, if any, to the redemption date.

Optional Redemption During Commercial Paper Interest Rate Period. During any Commercial Paper Interest Rate Period, each Series 2019 Bond will be subject to optional redemption by the Issuer, at the direction of the Company, on the day after the last day of each Commercial Paper Term for that Series 2019 Bond, in whole or in part, at a redemption price equal to the principal amount thereof.

Optional Redemption During Long-Term Interest Rate Period. During any Long-Term Interest Rate Period, the Series 2019 Bonds are subject to optional redemption by the Issuer, at the direction of the Company (i) on the final Interest Payment Date for such Long-Term Interest Rate Period, at a redemption price equal to 100% of the principal amount thereof plus interest accrued, if any, to the redemption date, and (ii) prior to the end of the then current Long-Term Interest Rate Period, at any time during the redemption periods and at the redemption prices set forth below, plus interest accrued, if any, to the redemption date:

<u>Original Length of Current Long-Term Rate Period (Years)</u>	<u>Commencement of Redemption Period</u>	<u>Redemption Price as Percentage of Principal</u>
More than 10 years	Tenth anniversary of commencement of Long-Term Interest Rate Period	100%
Equal to or less than 10 years	Non-callable	Non-callable

If the Company has given notice of a change in the Long-Term Interest Rate Period or notice of an adjustment of the Interest Rate Period for the Series 2019 Bonds to the Long-Term Interest Rate Period and, at least one day prior to such change in the Long-Term Interest Rate Period or such adjustment the Company has provided (i) a certification of the Remarketing Agent to the Trustee that the foregoing schedule is not consistent with prevailing market conditions, (ii) evidence of approval by the Issuer of the revised redemption provisions described below, and (iii) a Favorable Opinion of Bond Counsel addressed to the Trustee that a change in the redemption provisions of the Series 2019 Bonds will not adversely affect the exclusion from gross income of interest on the Series 2019 Bonds for federal income tax purposes, the foregoing redemption periods and redemption prices may be revised, effective as of the date of such adjustment in the Long-Term Interest Rate Period or an adjustment to the Long-Term Interest Rate Period, as determined by the Remarketing Agent in its judgment, taking into account the then prevailing market conditions as set forth in such certification.

Extraordinary Optional Redemption

During any Long-Term Interest Rate Period, the Series 2019 Bonds will be subject to redemption in whole, upon the optional prepayment by the Company of all the Loan Repayments (as defined below), at a redemption price of 100% of the principal amount thereof plus accrued interest to the date fixed for redemption, if:

- (a) the Company shall have determined that the continued operation of any portion of the Project, or the Plant of which the Project is a part, is impracticable, uneconomical or undesirable; or
- (b) all or substantially all of or any portion of the Project, or the Plant of which the Project is a part, shall have been condemned or taken by eminent domain; or
- (c) the operation by the Company of any portion of the Project, or the Plant of which the Project is a part, shall have been enjoined for a period of at least six consecutive months; or
- (d) as a result of any change in the Constitution of the State of Georgia or the Constitution of the United States of America, or as a result of any legislative or administrative action (whether state or federal) or by final decree, judgment or

order of any court or administrative body (whether state or federal) after any contest thereof by the Company in good faith, the Indenture, the Agreement or the Series 2019 Bonds shall become void or unenforceable or impossible of performance in accordance with the intent and purposes of the parties as expressed in the Agreement.

In addition, during any period during a Long-Term Interest Rate Period during which the Series 2019 Bonds are not subject to optional redemption by the Issuer at the direction of the Company as described under “REDEMPTION – Optional Redemption During Long-Term Interest Rate Period” above, the Series 2019 Bonds will be nonetheless subject to optional redemption by the Issuer, at the direction of the Company, in whole or in part, at any time, if the Company delivers to the Trustee a written certificate (i) to the effect that by reason of a change in use of the Project or any portion thereof, the Company has been unable, after reasonable effort, to obtain an opinion of nationally recognized bond counsel to the effect that a court, in a properly presented case, should decide that (a) Section 150 of the Internal Revenue Code of 1986, as amended (the “Code”) (or successor provision of similar import), does not prevent that portion of the Loan Repayments payable under the Agreement and attributable to interest on the Series 2019 Bonds from being deductible by the Company for federal income tax purposes and (b) Treasury Regulations Section 1.142-2 (or a successor provision of similar import) does not prevent interest on the Series 2019 Bonds from being excluded for federal income tax purposes from the gross income of the owners thereof (other than in the hands of an owner of a Series 2019 Bond who is a “substantial user” of the Project or a “related person” within the meaning of Section 147(a) of the Code), (ii) specifying that as a result of its inability to obtain such opinion of nationally recognized bond counsel, the Company has elected to prepay amounts due under the Agreement equal to the redemption price of the Series 2019 Bonds to be so redeemed and (iii) specifying the principal amount of the Series 2019 Bonds which the Company has determined to be the minimum necessary to be so redeemed in order for the Company to retain its rights to such interest deductions and for interest on the Series 2019 Bonds to retain such exclusion from gross income for federal income tax purposes (which principal amount of the Series 2019 Bonds will be so redeemed). The redemption price for the Series 2019 Bonds shall be equal to the outstanding principal amount thereof, plus accrued interest, if any, to the redemption date.

Extraordinary Mandatory Redemption

The Series 2019 Bonds are subject to mandatory redemption by the Issuer, at the principal amount thereof plus accrued interest to the redemption date, on the 180th day (or such earlier date as may be designated by the Company) after a final determination by a court of competent jurisdiction or an administrative agency, or receipt by the Issuer and the Company of an opinion of a nationally recognized bond counsel obtained by the Company and rendered at the request of the Company, to the effect that (a) as a result of a failure by the Company to perform or observe any covenant or agreement in the Agreement, or the inaccuracy of any representation, the interest on the Series 2019 Bonds is included for federal income tax purposes in the gross income of the Bondholders thereof, or would be so included absent such redemption, or (b) such redemption is required under the terms of a closing agreement or other similar agreement with the Internal Revenue Service settling an issue raised in connection with an examination of the Series 2019 Bonds or in connection with a submission to the Internal Revenue Service Voluntary

Closing Agreement Program or similar program. No determination by any court or administrative agency will be considered final for such purpose unless the Company has had an opportunity to participate in the proceeding which resulted in such determination, either directly or through an owner of a Series 2019 Bond, to a degree it deems sufficient and until the conclusion of any court proceeding initiated after a final agency determination, and of any appellate review sought by any party to such agency or court proceeding or the expiration of the time for seeking such review. The Series 2019 Bonds will be redeemed either in whole or in part in such principal amount that the interest payable on the Series 2019 Bonds remaining outstanding after such redemption would not be included in the gross income of any owner thereof, other than an owner of a Series 2019 Bond who is a “substantial user” of the Project or a “related person” within the meaning of Section 147(a) of the Code.

Selection of Series 2019 Bonds to be Redeemed

In the case of the redemption of less than all of the outstanding Series 2019 Bonds, the Series 2019 Bonds to be redeemed shall be selected by the Trustee, by lot or in such other manner as the Trustee in its discretion may determine to be fair and appropriate, in the principal amounts designated by the Company or otherwise as required by the Indenture; provided, however, that in connection with any redemption of Series 2019 Bonds, the Trustee shall first select for redemption any Series 2019 Bond held by the Tender Agent for the account of the Company, and that if the Company shall have offered to purchase all Series 2019 Bonds then outstanding and less than all of such Series 2019 Bonds have been tendered to the Company for such purchase, the Trustee, at the direction of the Company, shall select for redemption all such Series 2019 Bonds which have not been so tendered; and provided further that the portion of any Series 2019 Bond to be redeemed shall be in a principal amount constituting an authorized denomination of such Series 2019 Bond and that, in selecting Series 2019 Bonds for redemption, the Trustee shall treat each Series 2019 Bond as representing that number of Series 2019 Bonds which is obtained by dividing the principal amount of such Series 2019 Bond by the minimum authorized denomination of such Series 2019 Bond. See “THE SERIES 2019 BONDS – Book-Entry System.”

Notice and Effect of Redemption

A notice of redemption will be mailed, at least 30 days before the redemption date of any Series 2019 Bonds, to all owners of Series 2019 Bonds to be redeemed in whole or in part, but failure to mail any such notice to the owner of a Series 2019 Bond shall not affect the validity of the proceedings for the redemption of any other Series 2019 Bonds.

Any notice of redemption, except a notice of extraordinary mandatory redemption, shall, unless at the time such notice is given the Series 2019 Bonds to be redeemed are deemed to have been paid in accordance with the terms of the Indenture (see “THE INDENTURE – Defeasance”), state any conditions to the redemption. Such notice shall be of no effect unless the conditions, if any, set forth in the notice have been satisfied. In the event that such notice contains conditions and the conditions have not been satisfied on or prior to the redemption date, the redemption shall not be made, and the Trustee shall within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such conditions have not been satisfied.

If a notice of redemption shall be unconditional, or if the conditions of a conditional notice of redemption shall have been satisfied, the Series 2019 Bonds so called for redemption shall become and be due and payable on the date fixed for redemption, and upon the presentation and surrender of such Series 2019 Bonds at the place or places specified such Series 2019 Bonds shall be redeemed.

Any Series 2019 Bonds selected for redemption which are deemed to have been paid under the terms of the Indenture will cease to bear interest on the date fixed for redemption.

SPECIAL CONSIDERATIONS RELATING TO THE SERIES 2019 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 Series 2019 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 Official Statement. 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 Series 2019 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 Series 2019 Bonds for its own account and, in its sole discretion, may routinely acquire such tendered Series 2019 Bonds in order to achieve a successful remarketing of the Series 2019 Bonds (i.e., because there otherwise are not enough buyers to purchase the Series 2019 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 Series 2019 Bonds by routinely purchasing and selling Series 2019 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 Series 2019 Bonds. The Remarketing Agent also may sell any Series 2019 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 Series 2019 Bonds. The purchase of Series 2019 Bonds by the Remarketing Agent may create the appearance that there is greater third party demand for the Series 2019 Bonds in the market than is actually the case. The practices described above also may result in fewer Series 2019 Bonds being tendered in a remarketing.

Series 2019 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 Series 2019 Bonds bearing 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 Series 2019 Bonds (including whether the Remarketing Agent is willing to purchase Series 2019 Bonds for its own account). There may or may not be Series 2019 Bonds tendered and remarketed on an interest rate determination date, the Remarketing Agent may or may not be able to remarket any Series 2019 Bonds tendered for purchase on such date at par and the Remarketing Agent may sell Series 2019 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 Series 2019 Bonds at the remarketing price. In the event the Remarketing Agent owns any Series 2019 Bonds for its own account, it may, in its sole discretion in a secondary market transaction outside the tender process, offer such Series 2019 Bonds on any date, including the interest rate determination date, at a discount to par to some investors.

The Ability to Sell the Series 2019 Bonds Other Than Through the Tender Process May Be Limited

The Remarketing Agent may buy and sell Series 2019 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 Series 2019 Bonds to do so through the Tender Agent with appropriate notice. Thus, investors who purchase the Series 2019 Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their Series 2019 Bonds other than by tendering the Series 2019 Bonds in accordance with the tender process.

Under Certain Circumstances, the Remarketing Agent May Be Removed, Resign or Cease Remarketing the Series 2019 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.

THE AGREEMENT

Loan Repayments

The Company has agreed to pay to the Trustee for the account of the Issuer an amount equal to the principal amount of the Series 2019 Bonds and an amount equal to the aggregate of the premium, if any, and interest on the Series 2019 Bonds (the “Loan Repayments”) at such times and in such amounts and in the manner provided in the Indenture for the Issuer to cause payments to be made to the Owners of the Series 2019 Bonds of the principal of and premium, if any, and interest on the Series 2019 Bonds.

Agreement to Acquire and Construct the Project

The Company is obligated in the Agreement to use commercially reasonable efforts to cause the acquisition, construction and installation of the Project to be performed with reasonable dispatch in accordance with the plans and specifications therefor, delays by reason of “force

majeure” beyond the reasonable control of the Company excepted, but if for any reason such acquisition, construction and installation is not completed there shall be no diminution in the Loan Repayments and other amounts required to be paid by the Company under the Agreement.

The Company Obligations Unconditional

Until such time as the principal of and premium, if any, and interest on the Series 2019 Bonds shall have been fully paid or deemed paid in accordance with the Indenture, the Company’s obligations under the Agreement are absolute and unconditional and the Company has agreed that it (a) will not suspend or discontinue payment of any amounts required to be paid by it under the Agreement, (b) will perform and observe all of its other agreements contained in the Agreement, and (c) except as permitted by the Agreement, will not terminate the Agreement for any cause.

Payments for Series 2019 Bonds Delivered for Purchase

The Company will agree to deposit, on or prior to the purchase date of the Series 2019 Bonds to be purchased from the Owners thereof as described under the heading “THE SERIES 2019 BONDS – Purchase of Series 2019 Bonds,” an amount of money which, together with other moneys available for such purpose, will be sufficient to effect the purchase of such Series 2019 Bonds.

Merger, Sale or Consolidation

The Company has agreed that, so long as any Series 2019 Bonds are outstanding, it will maintain its legal existence, will not dissolve or otherwise dispose of all or substantially all of its assets and will not consolidate with or merge into one or more other entities or permit one or more other entities to consolidate with or merge into it; provided, that the Company may consolidate with or merge into one or more other entities, or permit one or more other entities to consolidate with or merge into it, or sell or otherwise transfer to one or more other entities all or substantially all of its assets as an entirety and thereafter dissolve, provided the surviving, resulting or transferee entity or entities, as the case may be (if other than the Company), assumes or assume in writing all of the obligations of the Company in the Agreement, and, if not organized under the laws of the State of Georgia, is qualified to do business in the State of Georgia.

Events of Default

The occurrence of any one or more of the following is an event of default under the Agreement: (a) failure by the Company to pay or cause to be paid when due the Loan Repayments in the amounts and at the times specified in the Agreement or the amounts necessary to enable the Tender Agent to pay the Purchase Price of Series 2019 Bonds delivered to it for purchase, which failure shall have resulted in an event of default described in clause (a), (b) or (c) under “THE INDENTURE – Events of Default;” (b) failure by the Company to observe or to perform any other covenant, condition, representation or agreement in the Agreement on its part to be observed or performed for a period of 90 days after written notice thereof to the Company by the Issuer or the Trustee, which may, and upon the written request of the Owners of not less than a majority in aggregate principal amount of the Series 2019 Bonds

then outstanding shall, give such notice, unless such period is extended by the Issuer and the Trustee or the Issuer, the Trustee and the Owners of Series 2019 Bonds, as provided in the Agreement (provided, however, that the Issuer and the Trustee or the Issuer, the Trustee and the Owners of the Series 2019 Bonds, as provided in the Agreement, as the case may be, will be deemed to have agreed to an extension of such period if corrective action is initiated by the Company within such period and is being diligently pursued), or unless such obligations are suspended by reason of force majeure, as defined in the Agreement; (c) 90 days after certain events of bankruptcy, liquidation or reorganization or (d) certain events of bankruptcy, dissolution, liquidation or reorganization by the Company.

Remedies

Acceleration and Limitations Thereon

Upon the occurrence and continuance of an event of default described in clause (a), (c) or (d) in “Events of Default,” and further upon the condition that all Series 2019 Bonds outstanding under the Indenture shall have become immediately due and payable, the Loan Repayments shall, without further action, become immediately due and payable.

Any waiver of an event of default under the Indenture and a rescission and annulment of its consequences shall constitute a waiver of the corresponding event of default under the Agreement and a rescission and annulment of the consequences thereof.

Other Remedies

Upon the occurrence and continuance of any event of default, the Trustee as the Issuer’s assignee may take whatever action at law or in equity may appear necessary or desirable to collect the Loan Repayments then due and thereafter to become due or to enforce performance and observance of any obligation, agreement or covenant of the Company under the Agreement.

Amendment

As provided in the Indenture, the Issuer and the Company may enter into, and the Trustee may consent to, without the consent of the Owners of the Series 2019 Bonds, such agreements supplemental to the Agreement as shall not be inconsistent with the terms and provisions of the Agreement, and shall not be, in the opinion of Bond Counsel, detrimental to the interests of the Owners of the Series 2019 Bonds: (a) to cure any ambiguity or defect or omission in the Agreement or in any supplemental agreement, (b) to grant to or confer upon the Issuer or the Trustee for the benefit of the Owners of the Series 2019 Bonds any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Issuer or the Owners of the Series 2019 Bonds or the Trustee, (c) to correct any description of, or to reflect changes in, any properties comprising the Project, (d) in connection with any other changes which, in the judgment of the Trustee, will not restrict, limit or reduce the obligation of the Company to make the Loan Repayments or otherwise materially impair the security of the Owners of the Series 2019 Bonds under the Indenture, or (e) in connection with the issuance of Completion Bonds. Any other amendment of the Agreement requires the consent of the Owners of a majority in aggregate principal amount of all Series 2019 Bonds then outstanding.

THE INDENTURE

Assignment of Issuer's Interest

Under the Indenture, the Issuer has pledged and assigned to the Trustee the Issuer's rights under the Agreement, including the Loan Repayments, except for certain rights to indemnification and reimbursement of expenses.

Creation of Construction Fund

The Indenture creates a Construction Fund. The Trustee will deposit the proceeds of the sale of the Series 2019 Bonds into the Construction Fund, less the Underwriter's discount. The moneys in the Construction Fund shall be held by the Trustee in trust and, subject to the terms of the Indenture, will be applied to the payment of the Cost of the Project (as described in the Indenture) and, pending such application, shall be subject to the lien of the Indenture.

Creation of Bond Fund

The Indenture creates a Bond Fund. Moneys deposited in the Bond Fund are to be held in trust by the Trustee and, pending application in accordance with the Indenture, are subject to a lien and charge in favor of the Owners of the Series 2019 Bonds outstanding under the Indenture and to the prior lien of the Trustee for payment of its fees and expenses.

There shall be deposited to the credit of the Bond Fund (a) the accrued interest, if any, received on the sale of the Series 2019 Bonds, (b) all Loan Repayments, and (c) all other moneys received by the Trustee under and pursuant to any of the provisions of the Agreement or otherwise which are required or are accompanied by directions from the Company or the Issuer that such moneys are to be paid into the Bond Fund. In the event of an acceleration of the Series 2019 Bonds in accordance with terms of the Indenture, the Trustee without further direction shall immediately transfer all of the moneys in the Construction Fund to the Bond Fund.

Moneys in the Bond Fund shall be used for the payment of the principal of and premium, if any, and interest on the Series 2019 Bonds or for the redemption or purchase of Series 2019 Bonds in accordance with the terms of the Indenture.

Creation of a Purchase Fund

The Indenture creates a Purchase Fund. Moneys deposited in the Purchase Fund are to be held by the Tender Agent for the purchase of Series 2019 Bonds pursuant to the Indenture and are not pledged to pay principal of or interest or any premium on the Series 2019 Bonds.

Investment of Funds

The Trustee shall, at the request of the Company, invest moneys held in the Construction Fund and Bond Fund in the investments or securities specified in the Indenture. Gains or losses resulting from the investment of moneys in the Construction Fund or Bond Fund will be credited or charged to such Fund.

Completion Bonds

At the direction of the Company, and upon satisfaction of the conditions set forth in the Indenture, the Issuer may issue up to \$55,000,000 aggregate principal amount of completion bonds in one or more series to complete the Project (“Completion Bonds”). Each issue of Completion Bonds will be on a parity and equally and ratably secured under the Indenture with the Series 2019 Bonds and any other Completion Bonds previously issued, without preference, priority, or distinction of any Series 2019 Bonds or Completion Bonds over any other Series 2019 Bonds or Completion Bonds. In the event Completion Bonds are to be issued it is expected that the Indenture and the Agreement will be supplemented to take into account the issuance of such Completion Bonds and a supplement to this Official Statement will be prepared.

Defeasance

If there is paid to the Owners of all of the Series 2019 Bonds the principal of and premium, if any, and interest on the Series 2019 Bonds due and thereafter to become due, together with all other sums payable under the Indenture, then the rights, title and interest of the Trustee in the estate pledged and assigned to it under the Indenture shall cease, and the Series 2019 Bonds shall cease to be entitled to the lien of the Indenture. The Trustee shall thereupon turn over to the Company any surplus in the Bond Fund and any other fund created under the Indenture. If the principal of and premium, if any, and interest due and thereafter to become due is paid on less than all the Series 2019 Bonds then outstanding, such Series 2019 Bonds shall cease to be entitled to the lien, benefit or security under the Indenture.

Any or all Series 2019 Bonds then bearing interest at a Long-Term Interest Rate during a Long-Term Interest Rate Period ending on or after the redemption date or on the day immediately preceding the maturity date, as the case may be, or at Commercial Paper Term Rates for Commercial Paper Terms which end on the redemption date or the day immediately preceding the maturity date, as the case may be, shall be deemed to have been paid when (a) in the case of Series 2019 Bonds to be redeemed, the Company shall have given to the Trustee irrevocable instructions to mail the notice of redemption therefor, (b) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or obligations issued or unconditionally guaranteed by the United States of America, or certain securities which represent interests in such obligations, the principal of and interest on which, when due, will provide moneys which, together with any moneys also deposited with or held by the Trustee, shall be sufficient to pay when due the principal of and premium, if any, and interest due or to become due on such Series 2019 Bonds, and (c) in the event such Series 2019 Bonds do not mature and are not to be redeemed within the next succeeding 60 days, the Company (i) shall have given the Trustee irrevocable instructions to mail, as soon as permitted by the Indenture, a notice to the Owners of such Series 2019 Bonds stating that the above deposit has been made with the Trustee and that such Series 2019 Bonds are deemed to have been paid and stating the maturity or redemption date upon which moneys are to be available to pay the principal of and premium, if any, and interest on such Series 2019 Bonds and (ii) shall cause to be delivered to the Trustee or escrow agent, as the case may be, a verification report of any independent, nationally recognized, certified public accountant showing the sufficiency of such deposit. The provisions of the Indenture relating to the rights of the Owners of the Series 2019 Bonds to payment, registration of transfer and exchange shall remain in full force and effect with respect

to all Series 2019 Bonds until the maturity date of the Series 2019 Bonds or the last date fixed for redemption of all Series 2019 Bonds prior to maturity notwithstanding that the Series 2019 Bonds are deemed to be paid as described above. If less than all Series 2019 Bonds are to be defeased, the Trustee shall select such Series 2019 Bonds in the manner described under “THE SERIES 2019 BONDS – Selection of Series 2019 Bonds to be Redeemed.”

Events of Default

The occurrence of any one or more of the following shall be an event of default under the Indenture: (a) failure to pay the principal of or premium, if any, on the Series 2019 Bonds when the same shall become due and payable, whether at maturity, through unconditional proceedings for redemption or otherwise; (b) failure to pay interest on any of the Series 2019 Bonds when the same shall become due and payable and the continuation of such failure for one Business Day; (c) a failure to pay amounts due to Owners of the Series 2019 Bonds for purchase thereof after such payment has become due and payable and the continuation of such failure for one Business Day; (d) failure to perform any other covenant, condition, agreement or provision contained in the Series 2019 Bonds or in the Indenture on the part of the Issuer to be performed for a period of 90 days after written notice thereof to the Issuer which may, and upon the written request of the Owners of not less than a majority in aggregate principal amount of the Series 2019 Bonds then outstanding shall, be given by the Trustee, unless such period is extended by the Trustee, or the Trustee and the Owners of the Series 2019 Bonds, as the case may be; provided, however, that the Trustee, or the Trustee and the Owners of the Series 2019 Bonds, as the case may be, will be deemed to have agreed to an extension of such period if corrective action is instituted by the Issuer or the Company within such period and is being diligently pursued; or (e) an event of default as defined in the Agreement.

Remedies

Acceleration and Limitations Thereon

Upon the occurrence and continuance of an event of default described in clause (a), (b), or (c) above in “Events of Default,” or an event of default described in clauses (c) or (d) above under “THE AGREEMENT – Events of Default,” the Trustee may, and upon the written request of the Owners of not less than a majority in aggregate principal amount of the Series 2019 Bonds then outstanding shall, by notice in writing to the Issuer and the Company, declare the principal of the Series 2019 Bonds then outstanding (if not then due and payable) to be immediately due and payable.

The provisions described in the preceding paragraph, however, are subject to the condition that, if, after the principal of the Series 2019 Bonds has been declared to be due and payable, and before any judgment or decree for the payment of the moneys due has been obtained or entered, the Company, pursuant to the Agreement, shall deposit with the Trustee an amount sufficient to pay all matured installments of interest upon the Series 2019 Bonds and the principal of the Series 2019 Bonds which have become due otherwise than by reason of such declaration (with interest upon such principal and, to the extent permissible by law, on overdue installments of interest, at the rate per annum borne by the Series 2019 Bonds on the date of such declaration) and such amounts as are sufficient to cover reasonable compensation and

reimbursement of expenses payable to the Trustee, and all events of default under the Indenture other than nonpayment of the principal of Series 2019 Bonds which shall have become due by such declaration have been remedied, then, such event of default will be deemed waived and such declaration and its consequences rescinded and annulled. The Trustee will promptly give written notice of such waiver, rescission and annulment to the Issuer, the Company, the Tender Agent, the Remarketing Agent, and, if notice of the acceleration of the Series 2019 Bonds has been given to the Owners, notice shall be given to the Owners. No such waiver, rescission and annulment shall extend to or affect any subsequent event of default or impair any right or remedy consequent thereon.

Notwithstanding anything contained in the Indenture to the contrary, the Trustee, upon the written request of the holders of not less than a majority in aggregate principal amount of the Series 2019 Bonds then outstanding, shall waive any event of default under the Indenture and its consequences; provided, however, that, except under certain circumstances described in the Indenture, an event of default under clauses (a), (b) or (c) above in “Events of Default” with respect to any Bonds may not be waived without the written consent of the holders of all such Bonds.

Other Remedies

Upon the occurrence and continuance of any event of default, the Trustee may, and upon the written request of the Owners of not less than a majority in aggregate principal amount of the Series 2019 Bonds then outstanding shall, upon receipt of indemnity to its satisfaction, proceed to protect and enforce its rights and the rights of the Owners of the Series 2019 Bonds under the laws of the State of Georgia, the Indenture and the Agreement by the exercise of any proper legal or equitable remedy as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights.

Owners’ Right to Direct Proceedings

The Owners of a majority in principal amount of the Series 2019 Bonds then outstanding shall have the right, upon receipt by the Trustee of indemnity to its satisfaction, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee. No Owner of any of the Series 2019 Bonds shall have any right to institute any suit, action or proceeding in equity or at law on any Series 2019 Bond or for the execution of any trust under the Indenture or for any other remedy thereunder except as provided in the Indenture, but nothing in the Indenture shall affect or impair the right of any Owner of a Series 2019 Bond to enforce the payment of the principal of and premium, if any, and interest on such Series 2019 Bond to the Owner thereof at the time and place stated in such Series 2019 Bond.

Amendment

The Issuer and the Trustee may, with the consent of the Company but without the consent of the Owners of the Series 2019 Bonds, enter into such supplemental indentures as shall not be inconsistent with the terms and provisions of the Indenture and shall not be, in the opinion of Bond Counsel, detrimental to the interests of the Owners of the Series 2019 Bonds (except to the extent permitted under (k) below): (a) to cure any ambiguity or defect or omission in the

Indenture or in any supplemental indenture, (b) to grant to or confer upon the Trustee for the benefit of the Owners of the Series 2019 Bonds any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Owners of the Series 2019 Bonds or the Trustee, (c) to confirm the lien of the Indenture or to subject to the Indenture additional revenues, properties or collateral, (d) to correct any description of, or to reflect changes in, any properties comprising the Project, (e) to authorize a different denomination or denominations of the Series 2019 Bonds and to make correlative amendments to the Indenture, (f) to increase or decrease the number of days prior to an adjustment of the interest rate that notice need be given by the Company to the Trustee and by the Trustee to the Owners of the Series 2019 Bonds, provided that no decrease in any such number of days shall become effective except during a Daily or a Weekly Interest Rate Period and until 30 days after the Trustee shall have given notice thereof to the Owners of the Series 2019 Bonds affected thereby; (g) in connection with any other change which, in the judgment of the Trustee, will not restrict, limit or reduce the obligation of the Issuer to pay the principal of, and interest on the Series 2019 Bonds or otherwise impair the security of the Owners of the Series 2019 Bonds under the Indenture, (h) to modify, amend or supplement the Indenture or any supplemental indenture in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute or to permit the qualification of the Series 2019 Bonds for sale under the securities laws of any of the states of the United States of America, (i) to make amendments to the provisions of the Indenture relating to matters under Section 148(f) of the Code, provided that an opinion of Bond Counsel as to the validity of the Series 2019 Bonds and as to the exclusion of interest on the Series 2019 Bonds for federal income tax purposes in customary form; (j) to make any amendments necessary or appropriate to provide for the delivery of any additional collateral or insurance policy, irrevocable transferable letter of credit or other security device delivered to the Trustee; (k) on any date on which all Series 2019 Bonds are subject to mandatory purchase to modify the Indenture in any respect (even if to the adverse interest of Owners) provided that such supplement will not be effective until after such mandatory purchase and the payment of the purchase price in connection therewith; (l) on any date on which all of the Series 2019 Bonds are subject to mandatory purchase, to modify the Indenture to specify redemption prices greater or lesser, and after periods longer or shorter than as set forth in the Indenture; or (m) to make amendments in connection with the issuance of Completion Bonds.

The Company and the Owners of not less than a majority in aggregate principal amount of the Series 2019 Bonds then outstanding shall have the right to consent to the execution by the Issuer and the Trustee of such other supplemental indentures as shall be deemed necessary or desirable by the Issuer for the purpose of modifying, altering, amending, adding to or rescinding, in any particular way, any of the terms or provisions contained in the Indenture or in any supplemental indenture; provided, however, that, unless approved by all of the Owners of the Series 2019 Bonds then outstanding and the Company, nothing contained in the Indenture shall permit, or be construed as permitting, (a) an extension of the maturity of the principal of or the interest on the Series 2019 Bonds, or (b) a reduction in the principal amount of the Series 2019 Bonds or the redemption premium or the rate of interest thereon, or (c) the creation of a lien upon or a pledge of the Trust Estate, including the Loan Repayments, other than the lien and pledge created by the Indenture, or (d) a preference or priority of any Series 2019 Bond over any other Series 2019 Bond, or (e) a reduction in the aggregate principal amount of the Series 2019 Bonds required for consent to such supplemental indenture.

Any supplemental indenture that affects any right, power, obligation or authority of the Company under the Agreement or requires a revision of the Agreement shall not become effective without the consent of the Company.

TAX MATTERS

In the opinion of King & Spalding LLP, Bond Counsel, under existing statutes, rulings and court decisions and under applicable regulations, interest on the Series 2019 Bonds is not includable in gross income for federal income tax purposes except interest on any Series 2019 Bond for any period during which it is held by a “substantial user” of the Project or a “related person,” as those terms are used in Section 147(a) of the Code; however, such interest is an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. No opinion will be expressed with respect to any other federal tax consequences relating to the receipt or accrual of interest on, or ownership of, the Series 2019 Bonds. Such opinion as to the Series 2019 Bonds will be in substantially the form attached hereto as part of Appendix C.

In concluding the interest on the Series 2019 Bonds is not includable in gross income for federal income tax purposes, Bond Counsel will (i) rely as to certain factual matters upon representations of the Issuer and the Company with respect to, among other things, the use of the proceeds of the Series 2019 Bonds, the design, scope, function, cost and reasonably expected economic useful life of the Project, without undertaking to verify the same by independent investigation, and (ii) assume the continued compliance by the Issuer and the Company with their respective covenants relating to the use of the proceeds of the Series 2019 Bonds and compliance with other requirements of the Code. The inaccuracy of any such representations or noncompliance with such covenants may cause interest on the Series 2019 Bonds to become includable in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2019 Bonds.

Ownership of the Series 2019 Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, banks, thrift institutions, and other financial institutions, foreign corporations which conduct a trade or business in the United States, property and casualty insurance corporations, S corporations, individual recipients of social security or railroad retirement benefits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Series 2019 Bonds. Purchasers of the Series 2019 Bonds should consult their tax advisors as to the applicability of such collateral federal tax consequences.

From time to time, there are legislative proposals in Congress that, if enacted, could cause interest on the Series 2019 Bonds to be subject, directly or indirectly, to federal income taxation, adversely affect the market value of the Series 2019 Bonds or otherwise prevent owners of the Series 2019 Bonds from realizing the full current benefit of the tax-exempt 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 the Series 2019 Bonds issued prior to enactment. Purchasers of the Series 2019 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 issuance and delivery of the Series 2019 Bonds, and Bond Counsel has expressed no

opinion with respect to any proposed legislation or as to the tax treatment of interest the Series 2019 Bonds, or as to the consequences of owning or receiving interest on the Series 2019 Bonds, as of any future date. Bond Counsel has not agreed to notify the Issuer, the Company or the owners of the Series 2019 Bonds as to any event subsequent to the issuance of the Series 2019 Bonds that might affect the tax treatment of interest on the Series 2019 Bonds, the market value of the Series 2019 Bonds or the consequences of owning or receiving interest on the Series 2019 Bonds.

In the opinion of Bond Counsel, under existing statutes, interest on the Series 2019 Bonds is exempt from all present State of Georgia income taxation. Interest on the Series 2019 Bonds may or may not be subject to state or local income taxation in jurisdictions other than Georgia under applicable state or local laws. Purchasers of the Series 2019 Bonds should consult their tax advisors as to the taxable status of the Series 2019 Bonds in a particular state or local jurisdiction other than Georgia.

CONTINUING DISCLOSURE

Solely for the purpose of enabling the Underwriter 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 a 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 A-1 to this Official Statement, 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 Issuer 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.

UNDERWRITING

Morgan Stanley & Co. LLC (the “Underwriter”) will agree to purchase the Series 2019 Bonds and, pursuant to a separate Bond Purchase Agreement, at a price equal to the principal amount thereof minus the Underwriter’s discount of \$28,125 and certain out-of-pocket expenses. The Company will agree to indemnify the Underwriter against certain liabilities, including certain liabilities under the federal securities laws.

With respect to the Series 2019 Bonds, the Underwriter's obligation to purchase the Series 2019 Bonds is subject to certain conditions precedent. The Underwriter does not have the right to purchase less than all of the Series 2019 Bonds if any Series 2019 Bonds are purchased. The offering price of the Series 2019 Bonds may be changed from that set forth on the cover page hereof from time to time by the Underwriter. The Underwriter may offer and sell the Series 2019 Bonds to certain dealers (including dealers depositing Series 2019 Bonds into investment trusts, accounts or funds) and others at prices lower than the public offering prices set forth on the cover page hereof.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2019 Bonds.

LEGALITY

Legal matters incident to the issuance of the Series 2019 Bonds are subject to the legal opinion of King & Spalding LLP, as Bond Counsel. The signed legal opinion for the Series 2019 Bonds, dated and premised on law in effect as of the date of original delivery of the Series 2019 Bonds, will be delivered to the Underwriter at the time of original delivery of the Series 2019 Bonds. The proposed form of such legal opinion is set forth in Appendix C hereto.

Morgan, Lewis & Bockius LLP, Liebler, Gonzalez, & Portuondo and McDaniel & Scott, P.C., as Counsel for the Company, will also render opinions relating to certain matters pertaining to the Company and its obligations under the Agreement. Haygood, Lynch, Harris, Melton & Watson, LLP will pass upon certain legal matters for the Issuer. Certain legal matters will be passed upon for the Underwriter by Ballard Spahr LLP, Philadelphia, Pennsylvania, counsel to the Underwriter.

VALIDATION AND LITIGATION

In accordance with the procedures set forth in the Revenue Bond Law (O.C.G.A. § 36-82-60 *et seq.*), as amended (the "Revenue Bond Law"), the Issuer instituted proceedings in the Superior Court of Monroe County to validate the Series 2019 Bonds and the Agreement and the payments made thereunder as security for the payment of the Series 2019 Bonds. A final, nonappealable validation order was received from the Superior Court of Monroe County on September 30, 2019.

There is no controversy or litigation of any nature now pending against the Issuer for which service has been perfected restraining or enjoining the issuance or delivery of the Series 2019 Bonds or questioning or affecting the validity of the Series 2019 Bonds or the proceedings and authority under which they are being issued nor, to the knowledge of the Issuer, is any such litigation threatened. There is no litigation pending for which service has been perfected which in any manner questions the power of the Issuer to issue the Series 2019 Bonds and to secure the Series 2019 Bonds in accordance with the provisions of the Indenture, nor is there now pending any litigation which in any manner questions the powers of the Issuer nor, to the knowledge of the Issuer, is any such litigation threatened.

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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 January 1, 2019, the Company served more than 460,000 customers in eight counties throughout northwest Florida and had approximately 2,300 MW of fossil-fueled electric generating capacity and 9,400 miles of transmission and distribution lines located in Florida, Mississippi and Georgia.

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 32501, and the telephone number is (850) 444-6111.

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 Official Statement.

Recent Developments

On September 30, 2019, the Company entered into a \$300 million term loan with a commercial bank (the “Term Loan Agreement”) and borrowed the entire amount under the agreement. Proceeds from the borrowing under the Term Loan Agreement provide funding for the Company’s general corporate purposes. The borrowing under the Term Loan Agreement has a maturity date of September 30, 2021.

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APPENDIX A-1
COMPANY FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

Gulf Power Company

We have audited the accompanying financial statements of Gulf Power Company (the Company), which comprise the balance sheets and statements of capitalization as of December 31, 2018 and 2017, and the related statements of income, comprehensive income, common stockholder's equity, and cash flows for the years then ended, and the related notes to the financial statements (collectively referred to as the "financial statements"), in conformity with accounting principles generally accepted in the United States of America.

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 auditor's 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, 2018 and 2017, 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

Atlanta, Georgia
April 1, 2019

STATEMENTS OF INCOME
For the Years Ended December 31, 2018 and 2017
Gulf Power Company Financial Statements and Notes

	2018	2017
	<i>(in millions)</i>	
Operating Revenues:		
Retail revenues	\$ 1,213	\$ 1,281
Wholesale revenues, non-affiliates	54	57
Wholesale revenues, affiliates	132	108
Other revenues	66	70
Total operating revenues	1,465	1,516
Operating Expenses:		
Fuel	421	427
Purchased power	177	155
Other operations and maintenance	356	369
Depreciation and amortization	191	137
Taxes other than income taxes	118	116
Loss on Plant Scherer Unit 3	—	33
Total operating expenses	1,263	1,237
Operating Income	202	279
Other Income and (Expense):		
Interest expense, net of amounts capitalized	(53)	(50)
Other income (expense), net	(9)	—
Total other income and (expense)	(62)	(50)
Earnings Before Income Taxes	140	229
Income taxes (benefit)	(20)	90
Net Income	160	139
Dividends on Preference Stock	—	4
Net Income After Dividends on Preference Stock	\$ 160	\$ 135

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

STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2018 and 2017
Gulf Power Company Financial Statements and Notes

	2018	2017
	<i>(in millions)</i>	
Net Income	\$ 160	\$ 139
Other comprehensive income (loss):		
Qualifying hedges:		
Changes in fair value, net of tax of \$- and \$(1), respectively	—	(1)
Total other comprehensive income (loss)	—	(1)
Comprehensive Income	\$ 160	\$ 138

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

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2018 and 2017
Gulf Power Company Financial Statements and Notes

	2018	2017
	<i>(in millions)</i>	
Operating Activities:		
Net income	\$ 160	\$ 139
Adjustments to reconcile net income to net cash provided from operating activities —		
Depreciation and amortization, total	197	149
Deferred income taxes	3	72
Loss on Plant Scherer Unit 3	—	33
Other, net	(4)	(2)
Changes in certain current assets and liabilities —		
-Receivables	29	(43)
-Other current assets	—	13
-Accounts payable	(103)	20
-Over recovered regulatory clause revenues	36	(12)
-Other current liabilities	(5)	(13)
Net cash provided from operating activities	313	356
Investing Activities:		
Property additions	(346)	(202)
Cost of removal, net of salvage	(34)	(21)
Other investing activities	(20)	(11)
Net cash used for investing activities	(400)	(234)
Financing Activities:		
Increase (decrease) in notes payable, net	(45)	(223)
Proceeds —		
Common stock issued to parent	—	175
Capital contributions from parent company	267	2
Senior notes	—	300
Redemptions —		
Preference stock	—	(150)
Senior notes	—	(85)
Payment of common stock dividends	(153)	(165)
Other financing activities	(1)	(4)
Net cash provided from (used for) financing activities	68	(150)
Net Change in Cash, Cash Equivalents, and Restricted Cash	(19)	(28)
Cash, Cash Equivalents, and Restricted Cash at Beginning of Year	28	56
Cash, Cash Equivalents, and Restricted Cash at End of Year	\$ 9	\$ 28
Supplemental Cash Flow Information:		
Cash paid (received) during the period for —		
Interest (net of \$- and \$- capitalized, respectively)	\$ 50	\$ 46
Income taxes (net of refunds)	(29)	12
Noncash transactions —		
Accrued property additions at year-end	26	31
Other financing activities related to energy services	—	(7)
Receivables related to energy services	—	7

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

BALANCE SHEETS
At December 31, 2018 and 2017
Gulf Power Company Financial Statements and Notes

Assets	2018	2017
	<i>(in millions)</i>	
Current Assets:		
Cash and cash equivalents	\$ 9	\$ 28
Receivables —		
Customer accounts receivable	77	76
Unbilled revenues	57	67
Under recovered regulatory clause revenues	—	27
Affiliated	—	14
Other accounts and notes receivable	8	7
Accumulated provision for uncollectible accounts	(1)	(1)
Fossil fuel stock	62	63
Materials and supplies	66	57
Other regulatory assets, current	45	56
Property damage reserve	34	—
Other current assets	11	21
Total current assets	368	415
Property, Plant, and Equipment:		
In service	5,391	5,196
Less: Accumulated provision for depreciation	1,543	1,461
Plant in service, net of depreciation	3,848	3,735
Construction work in progress	199	91
Total property, plant, and equipment	4,047	3,826
Deferred Charges and Other Assets:		
Deferred charges related to income taxes	29	31
Other regulatory assets, deferred	703	502
Other deferred charges and assets	41	23
Total deferred charges and other assets	773	556
Total Assets	\$ 5,188	\$ 4,797

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

BALANCE SHEETS
At December 31, 2018 and 2017
Gulf Power Company Financial Statements and Notes

Liabilities and Stockholder's Equity	2018	2017
	<i>(in millions)</i>	
Current Liabilities:		
Notes payable	\$ —	\$ 45
Accounts payable —		
Affiliated	—	52
Other	222	75
Customer deposits	34	35
Accrued taxes	17	10
Accrued interest	9	9
Accrued compensation	10	39
Deferred capacity expense, current	22	22
Asset retirement obligations, current	46	37
Other regulatory liabilities, current	50	—
Other current liabilities	17	27
Total current liabilities	427	351
Long-Term Debt (See accompanying statements)	1,286	1,285
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	622	537
Deferred credits related to income taxes	374	458
Employee benefit obligations	87	102
Deferred capacity expense	75	97
Asset retirement obligations	123	105
Other cost of removal obligations	211	221
Other regulatory liabilities, deferred	4	43
Other deferred credits and liabilities	59	67
Total deferred credits and other liabilities	1,555	1,630
Total Liabilities	3,268	3,266
Common Stockholder's Equity (See accompanying statements)	1,920	1,531
Total Liabilities and Stockholder's Equity	\$ 5,188	\$ 4,797
Commitments and Contingent Matters (See notes)		

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

STATEMENTS OF CAPITALIZATION
At December 31, 2018 and 2017
Gulf Power Company Financial Statements and Notes

	2018	2017	2018	2017
	<i>(in millions)</i>		<i>(percent of total)</i>	
Long-Term Debt:				
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		
Total long-term notes payable	990	990		
Other long-term debt —				
Pollution control revenue bonds —				
2.10% due 2022	37	37		
2.60% due 2023	33	33		
1.40% to 4.45% due 2037-2049	157	157		
Variable rate (1.76% at 12/31/18) due 2022	4	4		
Variable rates (1.79% to 1.85% at 12/31/18) due 2039-2042	78	78		
Total other long-term debt	309	309		
Unamortized debt discount	(4)	(5)		
Unamortized debt issuance expense	(9)	(9)		
Total long-term debt (annual interest requirement — \$48 million)	1,286	1,285	40.1%	45.6%
Common Stockholder's Equity:				
Common stock, without par value —				
Authorized — 20,000,000 shares				
Outstanding — 7,392,717 shares	678	678		
Paid-in capital	978	594		
Retained earnings	265	259		
Accumulated other comprehensive income	(1)	—		
Total common stockholder's equity	1,920	1,531	59.9	54.4
Total Capitalization	\$ 3,206	\$ 2,816	100.0%	100.0%

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

STATEMENTS OF COMMON STOCKHOLDER'S EQUITY
For the Years Ended December 31, 2018 and 2017
Gulf Power Company Financial Statements and Notes

	Number of Common Shares Issued	Common Stock	Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	<i>(in millions)</i>					
Balance at December 31, 2016	6	503	589	296	1	1,389
Net income after dividends on preference stock	—	—	—	135	—	135
Issuance of common stock	—	175	—	—	—	175
Capital contributions from parent company	—	—	5	—	—	5
Other comprehensive income (loss)	—	—	—	—	(1)	(1)
Cash dividends on common stock	—	—	—	(165)	—	(165)
Other	—	—	—	(7)	—	(7)
Balance at December 31, 2017	6	678	594	259	—	1,531
Net income after dividends on preference stock	—	—	—	160	—	160
Capital contributions from parent company	—	—	384	—	—	384
Cash dividends on common stock	—	—	—	(153)	—	(153)
Other	—	—	—	(1)	(1)	(2)
Balance at December 31, 2018	6	\$ 678	\$ 978	\$ 265	\$ (1)	\$ 1,920

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

NOTES TO FINANCIAL STATEMENTS
Gulf Power Company Financial Statements and Notes

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NOTES (continued)

Gulf Power Company Financial Statements and Notes

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Gulf Power Company (the Company) is a wholly-owned subsidiary of The Southern Company (Southern Company), which is the parent company of the Company (through December 31, 2018), Alabama Power Company (Alabama Power), Georgia Power Company (Georgia Power), and Mississippi Power Company (Mississippi Power) (collectively, the traditional electric operating companies), as well as Southern Power Company and its subsidiaries (Southern Power), Southern Company Gas and its subsidiaries (Southern Company Gas), Southern Company Services, Inc. (SCS), Southern Communications Services, Inc. (Southern Linc), Southern Company Holdings, Inc., Southern Nuclear Operating Company, Inc., PowerSecure, Inc., and other direct and indirect subsidiaries (collectively, the Southern Company system). The traditional electric operating companies are vertically integrated utilities providing electric service in four Southeastern states. The Company provides electric service to retail customers in northwest Florida and to wholesale customers in the Southeast.

The Company is subject to regulation by the Federal Energy Regulatory Commission (FERC) and the Florida Public Service Commission (PSC). As such, the Company'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 prior years' data presented in the financial statements have been reclassified to conform to the current year presentation.

On January 1, 2019, Southern Company completed the sale of all of the capital stock of the Company to 700 Universe, LLC, a wholly-owned subsidiary of NextEra Energy, Inc. (NextEra Energy) for an aggregate cash purchase price of approximately \$5.8 billion (less \$1.3 billion of indebtedness assumed), subject to customary working capital adjustments. Upon completion of the sale, the Company is no longer a subsidiary of Southern Company.

Recently Issued Accounting Standards

Revenue

In 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Codification 606, *Revenue from Contracts with Customers* (ASC 606), replacing the existing accounting standard and industry-specific guidance for revenue recognition with a five-step model for recognizing and measuring revenue from contracts with customers. The underlying principle of the standard is to recognize revenue to depict the transfer of goods or services to customers at the amount expected to be collected. ASC 606 became effective on January 1, 2018 and the Company adopted it using the modified retrospective method applied to open contracts and only to the version of contracts in effect as of January 1, 2018. In accordance with the modified retrospective method, the Company's previously issued financial statements have not been restated to comply with ASC 606 and the Company did not have a cumulative-effect adjustment to retained earnings. The adoption of ASC 606 had no significant impact on the timing of revenue recognition compared to previously reported results; however, it requires enhanced disclosures regarding the nature, amount, timing, and uncertainty of revenue and the related cash flows arising from contracts with customers, which are included herein and in Note 11.

Other

In March 2017, the FASB issued Accounting Standards Update No. 2017-07, *Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost* (ASU 2017-07). ASU 2017-07 requires that an employer report the service cost component in the same line item or items as other compensation costs and requires the other components of net periodic pension and postretirement benefit costs to be separately presented in the statements of income outside of income from operations. Additionally, only the service cost component is eligible for capitalization, when applicable. The Company adopted ASU 2017-07 effective January 1, 2018 with no material impact on its financial statements. ASU 2017-07 has been applied retrospectively, with the service cost component of net periodic benefit costs included in operations and maintenance expenses and all other components of net periodic benefit costs included in other income (expense), net in the statements of income for all periods presented. The Company used the practical expedient provided by ASU 2017-07, which permits an employer to use the amounts disclosed in its retirement benefits note for prior comparative periods as the estimation basis for applying the retrospective presentation requirements to those periods. The amounts of the other components of net periodic benefit costs reclassified for the prior periods are presented in Note 2. The presentation changes resulted in a decrease in operating income and an increase in other income for the year ended December 31, 2017. The requirement to limit capitalization to the service cost component of net periodic benefit costs has been applied on a prospective basis from the date of adoption.

NOTES (continued)

Gulf Power Company Financial Statements and Notes

In August 2017, the FASB issued Accounting Standards Update No. 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities* (ASU 2017-12). ASU 2017-12 makes more financial and non-financial hedging strategies eligible for hedge accounting, amends the related presentation and disclosure requirements, and simplifies hedge effectiveness assessment requirements. ASU 2017-12 is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. The Company adopted ASU 2017-12 effective January 1, 2018 with no material impact on its financial statements. See Note 10 for disclosures required by ASU 2017-12.

On February 14, 2018, the FASB issued Accounting Standards Update No. 2018-02, *Income Statement – Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income* (ASU 2018-02) to address the application of Accounting Standards Codification 740, *Income Taxes* (ASC 740) to certain provisions of The Tax Cuts and Jobs Act, which became effective on January 1, 2018 (Tax Reform Legislation). ASU 2018-02 specifically addresses the ASC 740 requirement that the effect of a change in tax laws or rates on deferred tax assets and liabilities be included in income from continuing operations, even when the tax effects were initially recognized directly in other comprehensive income (OCI) at the previous rate, which strands the income tax rate differential in accumulated OCI (AOCI). The amendments in ASU 2018-02 allow a reclassification from accumulated OCI to retained earnings for stranded tax effects resulting from the Tax Reform Legislation. The Company adopted ASU 2018-02 effective January 1, 2018 with no material impact on its financial statements.

Affiliate Transactions

The Company has an agreement with SCS under which the following services are rendered to the Company at direct or allocated cost: general and design engineering, operations, purchasing, accounting, finance, 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, and transactions under 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 (power pool). Costs for these services amounted to \$94 million and \$81 million during 2018 and 2017, respectively. Cost allocation methodologies used by SCS prior to the repeal of the Public Utility Holding Company Act of 1935, as amended, were approved by the U.S. Securities and Exchange Commission (SEC). Subsequently, additional cost allocation methodologies have been reported to the FERC and management believes they are reasonable. The FERC permits services to be rendered at cost by system service companies. See Note 7 under "Operating Leases" for information on leases of cellular tower space for the Company's digital wireless communications equipment.

The Company has operating agreements with Georgia Power and Mississippi Power under which the Company owns a portion of Plant Scherer and Plant Daniel, respectively. Georgia Power operates Plant Scherer and Mississippi Power operates Plant Daniel. The Company reimbursed Georgia Power \$8 million and \$11 million in 2018 and 2017, respectively, and Mississippi Power \$31 million in each of 2018 and 2017 for its proportionate share of related expenses. See Note 4 and Note 7 under "Operating Leases" for additional information.

Total power purchased from affiliates through the power pool, included in purchased power in the statements of income, totaled \$17 million and \$15 million in 2018 and 2017, respectively.

The Company has an agreement with Alabama Power under which Alabama Power made transmission system upgrades to ensure firm delivery of energy under a non-affiliate power purchase agreement (PPA) from a combined cycle plant located in Alabama. Payments by the Company to Alabama Power for the improvements were \$11 million in each of 2018 and 2017 and are expected to be approximately \$10 million annually for 2019 through 2023, when the PPA expires. These costs have been approved for recovery by the Florida PSC through the Company's purchased power capacity cost recovery clause and by the FERC in the transmission facilities cost allocation tariff.

The Company provides incidental services to and receives such services from other Southern Company subsidiaries which are generally minor in duration and amount. However, the Company received storm restoration assistance from other Southern Company subsidiaries totaling \$44 million in 2018. See Note 3 under "Retail Regulatory Matters – Storm Damage Cost Recovery" for additional information on Hurricane Michael impacts.

The traditional electric operating companies, including the Company, and Southern Power, may jointly enter into various types of wholesale energy, natural gas, and certain other contracts, either directly or through SCS, as agent. Each participating company may be jointly and severally liable for the obligations incurred under these agreements. See Note 7 under "Fuel and Purchased Power Agreements" for additional information.

NOTES (continued)
Gulf Power Company Financial Statements and Notes

Regulatory Assets and Liabilities

The Company is subject to accounting requirements for the effects of rate regulation. Regulatory assets represent probable future revenues associated with certain costs that are expected to be recovered from customers through the ratemaking process. Regulatory liabilities represent probable future reductions in revenues associated with amounts that are expected to be credited to customers through the ratemaking process.

Regulatory assets and (liabilities) reflected in the balance sheets at December 31 relate to:

	2018	2017	Note
	<i>(in millions)</i>		
Property damage reserve	\$ 255	\$ (40)	(a)
Retiree benefit plans, net	160	166	(b,c)
PPA charges	97	119	(d,c)
Closure of ash ponds	91	80	(e,c)
Remaining book value of retired assets	60	65	(f)
Environmental remediation	48	52	(e,c)
Deferred income tax charges	30	31	(g)
Deferred return on transmission upgrades	25	25	(f)
Loss on reacquired debt	15	17	(h)
Asset retirement obligations, net	18	13	(g,c)
Other regulatory assets, net	9	36	(i)
Fuel-hedging assets, net	6	21	(j,c)
Deferred income tax credits	(382)	(458)	(k)
Other cost of removal obligations	(211)	(221)	(g)
Over recovered regulatory clause revenues	(48)	(11)	(l)
Total regulatory assets (liabilities), net	\$ 173	\$ (105)	

Note: The recovery and amortization periods for these regulatory assets and (liabilities) are as follows:

- (a) Recovery is expected to be determined by the Florida PSC in connection with a petition filed on February 26, 2019. See "Property Damage Reserve" herein and Note 3 for additional information.
- (b) Recovered and amortized over the average remaining service period, which may range up to 14 years. See Note 2 for additional information.
- (c) Not earning a return as offset in rate base by a corresponding asset or liability.
- (d) Recovered over the life of the PPA for periods up to five years.
- (e) Recovered through the environmental cost recovery clause when the remediation or the work is performed.
- (f) Recorded and recovered or amortized as approved by the Florida PSC with remaining periods up to 39 years.
- (g) Asset retirement and removal assets and liabilities are recorded, and deferred income tax assets are recorded, recovered, and amortized, over the remaining property lives, which may range up to 47 years. Asset retirement and removal assets and liabilities will be settled and trued up following completion of the related activities.
- (h) Recovered over either the remaining life of the original issue or, if refinanced, over the life of the new issue, which may range up to 40 years.
- (i) Comprised primarily of vacation pay and under recovered regulatory clause revenues. Other regulatory assets costs, with the exception of vacation pay, are recorded and recovered or amortized as approved by the Florida PSC. Vacation pay, including banked holiday pay, does not earn a return as offset in rate base by a corresponding liability; it is recorded as earned by employees and recovered as paid, generally within one year.
- (j) Fuel-hedging assets and liabilities are recorded over the life of the underlying hedged purchase contracts, which currently do not exceed two years. Upon final settlement, actual costs incurred are recovered through the fuel cost recovery clause.
- (k) Deferred income tax liabilities are amortized over the remaining property lives, which may range up to 47 years. Includes the deferred tax liabilities as a result of the Tax Reform Legislation. See Notes 3 and 5 for additional information.
- (l) Recorded and recovered or amortized as approved by the Florida PSC, generally within one year.

In the event that a portion of the Company's operations is no longer subject to applicable accounting rules for rate regulation, the Company would be required to write off to income or reclassify to accumulated OCI related regulatory assets and liabilities that are not specifically recoverable through regulated rates. In addition, the Company would be required to determine if any impairment to other assets, including plant, exists and write down the assets, if impaired, to their fair values. All regulatory assets and liabilities are to be reflected in rates. See Note 3 under "Retail Regulatory Matters" for additional information.

NOTES (continued)

Gulf Power Company Financial Statements and Notes

Revenues

The Company generates revenues from a variety of sources which are accounted for under various revenue accounting guidance, including ASC 606, lease, derivative, and regulatory accounting. The Company has a diversified base of customers. No single customer or industry comprises 10% or more of revenues. The adoption of ASC 606 had no impact on the timing or amount of revenue recognized under previous guidance. See "Recently Adopted Accounting Standards – Revenue" herein and Note 11 for information regarding the Company's adoption of ASC 606 and related disclosures.

The majority of the revenues of the Company are generated from contracts with retail electric customers. Retail revenues recognized under ASC 606 are consistent with prior revenue recognition policies. 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. The Company continuously monitors the over or under recovered fuel cost balance in light of the inherent variability in fuel costs. The Company is required to notify the Florida PSC 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. The Company 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, the Company petitions for recovery of projected costs including any true-up amounts from prior periods, and approved rates are implemented each January. See Note 3 for additional information regarding regulatory matters of the Company.

Wholesale capacity revenues from PPAs 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 accounting for these revenues under ASC 606 is consistent with prior revenue recognition policies. 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. The Company 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, the Company 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 the Company'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 the Company through the fuel cost recovery and environmental cost recovery rates, respectively, approved annually by the Florida PSC.

Income Taxes

The Company uses the liability method of accounting for deferred income taxes and provides deferred income taxes for all significant income tax temporary differences. Federal investment tax credits (ITC) utilized are deferred and amortized to income over the average life of the related property and state ITCs are recognized in the period in which the credit is claimed on the state income tax return.

The Company recognizes tax positions that are "more likely than not" of being sustained upon examination by the appropriate taxing authorities. See Note 5 under "Unrecognized Tax Benefits" for additional information.

Other Taxes

Taxes imposed on and collected from customers on behalf of governmental agencies are presented net on the Company's statements of income and are excluded from the transaction price in determining the revenue related to contracts with a customer accounted for under ASC 606.

NOTES (continued)
Gulf Power Company Financial Statements and Notes

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.

The Company's property, plant, and equipment in service consisted of the following at December 31:

	2018	2017
	<i>(in millions)</i>	
Generation	\$ 3,064	\$ 3,005
Transmission	737	720
Distribution	1,385	1,282
General	204	188
Plant acquisition adjustment	1	1
Total plant in service	\$ 5,391	\$ 5,196

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 approximated 3.7% for all years presented. Depreciation studies are conducted periodically to update the composite rates. These studies are approved by the Florida PSC 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. As authorized in a settlement agreement approved by the Florida PSC in 2013, the Company reduced depreciation and recorded a regulatory asset totaling \$62.5 million between January 2014 and June 2017. See Note 3 under "Retail Regulatory Matters – Retail Base Rate Cases" for additional information.

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. The Company has received an order from the Florida PSC allowing the continued accrual of other future retirement costs for long-lived assets that the Company 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), principally ash ponds, and to the closure of an ash pond at Plant Scholz. In addition, the Company has retirement obligations related to combustion turbines at its Pea Ridge facility, various landfill sites, a barge unloading dock, asbestos removal, and disposal of polychlorinated biphenyls in certain transformers.

The Company also has identified retirement obligations related to certain transmission and distribution facilities, certain wireless communication towers, and certain structures authorized by the U.S. Army Corps of Engineers. However, liabilities for the removal of these assets have not been recorded because the settlement timing for the retirement obligations related to these assets is indeterminable and, therefore, the fair value of the retirement obligations cannot be reasonably estimated. A liability for these retirement obligations will be recognized when sufficient information becomes available to support a reasonable estimation of the ARO.

The Company 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

NOTES (continued)**Gulf Power Company Financial Statements and Notes**

environmental obligations and those reflected in rates are recognized as either a regulatory asset or liability, as ordered by the Florida PSC, and are reflected in the balance sheets.

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

	2018	2017
	<i>(in millions)</i>	
Balance at beginning of year	\$ 142	\$ 136
Liabilities settled	(32)	(8)
Accretion	2	2
Cash flow revisions	57	12
Balance at end of year	\$ 169	\$ 142

In 2018, the Company recorded an increase of approximately \$57 million primarily related to its AROs subject to the CCR Rule, including an increase of approximately \$46 million related to closure of an ash pond at Plant Smith. The revised cost estimates were based on detailed design quantities and costs and reflect the estimated amount of ash to be excavated and water management requirements necessary to support closure. These factors also impact the timing of future cash outlays.

In December 2018, the Company also recorded an increase of approximately \$15 million related to Plant Scherer Unit 3. During the second half of 2018, Georgia Power completed a strategic assessment related to its plans to close the ash ponds at all its generating plants, including Plant Scherer Unit 3, which is jointly owned with the Company, in compliance with the CCR Rule and the related state of Georgia rule. This assessment included engineering and constructability studies related to design assumptions for ash pond closures and advanced engineering methods. The results indicated that additional closure costs will be required to close these ash ponds primarily due to changes in closure strategies, the estimated amount of ash to be excavated, and additional water management requirements to support closure strategies. These factors also impact the timing of future cash outlays.

These increases were partially offset by a decrease of approximately \$4 million primarily related to the closure of an ash pond at Plant Scholz.

The cost estimates for AROs related to coal combustion residuals are based on information as of December 31, 2018 using various assumptions related to closure and post-closure costs, timing of future cash outlays, inflation and discount rates, and the potential methods for complying with the CCR Rule requirements for closure for those facilities impacted by the CCR Rule. The Company expects to continue to periodically update these cost estimates, which could increase further, as additional information becomes available. Absent continued recovery of ARO costs through regulated rates, the Company's results of operations, cash flows, and financial condition could be materially impacted. The ultimate outcome of this matter cannot be determined at this time.

Allowance for Funds Used During Construction

The Company 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

The Company evaluates long-lived assets for impairment when events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. The determination of whether an impairment has occurred is based on 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.

See Note 3 under "Retail Regulatory Matters – Retail Base Rate Cases" for information regarding a regulatory disallowance recorded in 2017.

NOTES (continued)

Gulf Power Company Financial Statements and Notes

Property Damage Reserve

The Company 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 Florida PSC 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 a settlement agreement approved by the Florida PSC on April 4, 2017 (2017 Rate Case Settlement Agreement), the Company suspended further property damage reserve accruals effective April 2017. The Company may make discretionary accruals and is required to resume accruals of \$3.5 million annually if the reserve falls below zero. The Company accrued total expenses of \$28.2 million in 2018 and \$3.5 million in 2017. As of December 31, 2018, the Company's property damage reserve had a deficit balance of approximately \$255 million, of which \$34 million and \$221 million are included in property damage reserve and other regulatory assets, deferred on the balance sheet, respectively. As of December 31, 2017, the balance in the Company's property damage reserve totaled approximately \$40 million, which is included in other regulatory liabilities, deferred on the balance sheet.

When the property damage reserve is inadequate to cover the cost of major storms, the Florida PSC can authorize a storm cost recovery surcharge to be applied to customer bills. As authorized in the 2017 Rate Case Settlement Agreement, the Company 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 the Company 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. See Note 3 under "Retail Regulatory Matters – Retail Base Rate Cases" for information on a storm surcharge request related to Hurricane Michael.

Injuries and Damages Reserve

The Company is subject to claims and lawsuits arising in the ordinary course of business. As permitted by the Florida PSC, the Company accrues \$1.6 million annually for the uninsured costs of injuries and damages. The Florida PSC has also given the Company the flexibility to increase its annual accrual above \$1.6 million to the extent the balance in the reserve does not exceed \$2 million and to defer expense recognition of liabilities greater than the balance in the reserve. The cost of settling claims is charged to the reserve. The injuries and damages reserve totaled \$2.8 million and \$2.1 million at December 31, 2018 and 2017, respectively, of which \$1.6 million is included in other current liabilities each year. There were no liabilities in excess of the reserve balance at December 31, 2018 or 2017.

Long-Term Service Agreement

The Company 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 noncash transactions in the statements of cash flows. Any payment made prior to the work being performed are recorded as prepayments in noncurrent assets on the balance sheets. At the time work is performed, an appropriate amount is transferred from the prepayment and recorded as property, plant, and equipment or expensed.

Cash and Cash Equivalents

For purposes of the financial statements, temporary cash investments are considered cash equivalents. Temporary cash investments are securities with original maturities of 90 or less.

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

NOTES (continued)

Gulf Power Company Financial Statements and Notes

recovered by the Company through the fuel cost recovery and environmental cost recovery rates, respectively, approved annually by the Florida PSC. Emissions allowances granted by the EPA are included in inventory at zero cost.

Financial Instruments

The Company 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 (included in "Other" or shown separately as "Risk Management Activities") and are measured at fair value. See Note 9 for additional information regarding fair value. Substantially all of the Company'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 Florida PSC 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. 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 Florida PSC extended the moratorium on the Company'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 10 for additional information regarding derivatives.

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

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

Provision for Uncollectible Accounts

All customers of the Company 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 the Company 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.

Comprehensive Income

The objective of comprehensive income is to report a measure of all changes in common stock equity of an enterprise that result from transactions and other economic events of the period other than transactions with owners. Comprehensive income consists of net income, changes in the fair value of qualifying cash flow hedges, and reclassifications for amounts included in net income.

2. RETIREMENT BENEFITS

The Company has a qualified defined benefit, trustee, pension plan covering substantially all employees. This qualified defined benefit pension plan is 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 and no mandatory contributions to the qualified pension plan are anticipated for the year ending December 31, 2019. The Company also provides certain non-qualified defined benefits for a select group of management and highly compensated employees, which are funded on a cash basis. In addition, the Company provides certain medical care and life insurance benefits for retired employees through other postretirement benefit plans. The Company funds its other postretirement trusts to the extent required by the FERC. For the year ending December 31, 2019, no other postretirement trust contributions are expected.

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.

NOTES (continued)
Gulf Power Company Financial Statements and Notes

Assumptions used to determine net periodic costs:	2018	2017
Pension plans		
Discount rate – benefit obligations	3.82%	4.46%
Discount rate – interest costs	3.48	3.82
Discount rate – service costs	3.98	4.81
Expected long-term return on plan assets	7.95	7.95
Annual salary increase	4.46	4.46
Other postretirement benefit plans		
Discount rate – benefit obligations	3.69%	4.25%
Discount rate – interest costs	3.30	3.56
Discount rate – service costs	3.90	4.62
Expected long-term return on plan assets	7.81	7.81
Annual salary increase	4.46	4.46

Assumptions used to determine benefit obligations:	2018	2017
Pension plans		
Discount rate	4.51%	3.82%
Annual salary increase	4.46	4.46
Other postretirement benefit plans		
Discount rate	4.37%	3.69%
Annual salary increase	4.46	4.46

The Company estimates 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 projects 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 is 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>(in millions)</i>	
Benefit obligation	\$ 2	\$ 2
Service and interest costs	—	—

NOTES (continued)
Gulf Power Company Financial Statements and Notes

Pension Plans

The total accumulated benefit obligation for the pension plans was \$481 million at December 31, 2018 and \$524 million at December 31, 2017. Changes in the projected benefit obligations and the fair value of plan assets during the plan years ended December 31, 2018 and 2017 were as follows:

	2018	2017
	<i>(in millions)</i>	
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 587	\$ 517
Service cost	16	13
Interest cost	20	19
Benefits paid	(30)	(20)
Actuarial (gain) loss	(67)	58
Balance at end of year	526	587
Change in plan assets		
Fair value of plan assets at beginning of year	553	491
Actual return (loss) on plan assets	(40)	81
Employer contributions	9	1
Benefits paid	(30)	(20)
Fair value of plan assets at end of year	492	553
Accrued liability	\$ (34)	\$ (34)

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

Amounts recognized in the balance sheets at December 31, 2018 and 2017 related to the Company's pension plans consist of the following:

	2018	2017
	<i>(in millions)</i>	
Other regulatory assets, deferred	\$ 164	\$ 160
Other current liabilities	(1)	(1)
Employee benefit obligations	(33)	(33)

Presented below are the amounts included in regulatory assets at December 31, 2018 and 2017 related to the defined benefit pension plans that had not yet been recognized in net periodic pension cost along with the estimated amortization of such amounts for 2019.

	2018	2017	Estimated Amortization in 2019
	<i>(in millions)</i>		
Prior service cost	\$ 2	\$ 2	\$ —
Net (gain) loss	162	158	5
Regulatory assets	\$ 164	\$ 160	

NOTES (continued)
Gulf Power Company Financial Statements and Notes

The changes in the balance of regulatory assets related to the defined benefit pension plans for the years ended December 31, 2018 and 2017 are presented in the following table:

	2018	2017
	<i>(in millions)</i>	
Regulatory assets:		
Beginning balance	\$ 160	\$ 153
Net (gain) loss	14	15
Reclassification adjustments:		
Amortization of prior service costs	—	(1)
Amortization of net gain (loss)	(10)	(7)
Total reclassification adjustments	(10)	(8)
Total change	4	7
Ending balance	\$ 164	\$ 160

Components of net periodic pension cost were as follows:

	2018	2017
	<i>(in millions)</i>	
Service cost	\$ 16	\$ 13
Interest cost	20	19
Expected return on plan assets	(40)	(38)
Recognized net (gain) loss	10	7
Net amortization	—	1
Net periodic pension cost	\$ 6	\$ 2

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, the Company has 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.

Future benefit payments reflect expected future service and are estimated based on assumptions used to measure the projected benefit obligation for the pension plans. At December 31, 2018, estimated benefit payments were as follows:

	Benefit Payments
	<i>(in millions)</i>
2019	\$ 26
2020	26
2021	26
2022	27
2023	28
2024 to 2028	151

NOTES (continued)
Gulf Power Company Financial Statements and Notes

Other Postretirement Benefits

Changes in the APBO and in the fair value of plan assets during the plan years ended December 31, 2018 and 2017 were as follows:

	2018	2017
	<i>(in millions)</i>	
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 83	\$ 83
Service cost	1	1
Interest cost	3	3
Benefits paid	(4)	(5)
Actuarial (gain) loss	(14)	1
Balance at end of year	69	83
Change in plan assets		
Fair value of plan assets at beginning of year	20	18
Actual return (loss) on plan assets	(1)	3
Employer contributions	2	4
Benefits paid	(4)	(5)
Fair value of plan assets at end of year	17	20
Accrued liability	\$ (52)	\$ (63)

Amounts recognized in the balance sheets at December 31, 2018 and 2017 related to the Company's other postretirement benefit plans consist of the following:

	2018	2017
	<i>(in millions)</i>	
Other regulatory assets, deferred	\$ —	\$ 8
Other current liabilities	(1)	(1)
Other regulatory liabilities, deferred	(4)	(2)
Employee benefit obligations	(51)	(62)

Approximately \$(4) million and \$6 million was included in net regulatory (liabilities) assets at December 31, 2018 and 2017, respectively, related to the net loss for the other postretirement benefit plans that had not yet been recognized in net periodic other postretirement benefit cost. The estimated amortization of such amounts for 2019 is immaterial.

The changes in the balance of net regulatory assets (liabilities) related to the other postretirement benefit plans for the plan years ended December 31, 2018 and 2017 are presented in the following table:

	2018	2017
	<i>(in millions)</i>	
Net regulatory assets (liabilities):		
Beginning balance	\$ 6	\$ 7
Net (gain) loss	(10)	(1)
Ending balance	\$ (4)	\$ 6

NOTES (continued)
Gulf Power Company Financial Statements and Notes

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

	2018	2017
	<i>(in millions)</i>	
Service cost	\$ 1	\$ 1
Interest cost	3	3
Expected return on plan assets	(2)	(1)
Net periodic postretirement benefit cost	\$ 2	\$ 3

Future benefit payments, including prescription drug benefits, reflect expected future service and are estimated based on assumptions used to measure the APBO for the other postretirement benefit plans. Estimated benefit payments are reduced by drug subsidy receipts expected as a result of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 as follows:

	Benefit Payments	Subsidy Receipts	Total
	<i>(in millions)</i>		
2019	\$ 6	\$ —	\$ 6
2020	5	—	5
2021	5	—	5
2022	5	—	5
2023	5	(1)	4
2024 to 2028	25	(2)	23

Benefit Plan Assets

Pension plan and other postretirement benefit plan assets are managed and invested in accordance with all applicable requirements, including ERISA and the Internal Revenue Code of 1986, as amended. The Company's investment policies for both the pension plan and the other postretirement benefit plans cover a diversified mix of assets, as described below. Derivative instruments may be used to gain efficient exposure to the various asset classes and as hedging tools. The Company minimizes the risk of large losses primarily through diversification but also monitors and manages other aspects of risk.

NOTES (continued)
Gulf Power Company Financial Statements and Notes

The composition of the Company's pension plan and other postretirement benefit plan assets as of December 31, 2018 and 2017, along with the targeted mix of assets for each plan, is presented below:

	Target	2018	2017
Pension plan assets:			
Domestic equity	26%	28%	31%
International equity	25	25	25
Fixed income	23	24	24
Special situations	3	1	1
Real estate investments	14	15	13
Private equity	9	7	6
Total	100%	100%	100%
Other postretirement benefit plan assets:			
Domestic equity	25%	27%	30%
International equity	24	24	24
Domestic fixed income	25	26	26
Special situations	3	1	1
Real estate investments	14	15	13
Private equity	9	7	6
Total	100%	100%	100%

The investment strategy for plan assets related to the Company's qualified pension plan is to be broadly diversified across major asset classes. The asset allocation is 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 is long-term in nature, the assets are invested consistent with long-term investment expectations for return and risk. To manage the actual asset class exposures relative to the target asset allocation, the Company employs a formal rebalancing program. As additional risk management, external investment managers and service providers are subject to written guidelines to ensure appropriate and prudent investment practices. Management believes the portfolio is well-diversified with no significant concentrations of risk.

Investment Strategies

Detailed below is 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

Following are the fair value measurements for the pension plan and the other postretirement benefit plan assets as of December 31, 2018 and 2017. 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

NOTES (continued)
Gulf Power Company Financial Statements and Notes

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

The fair values of pension plan assets as of December 31, 2018 and 2017 are presented below. These fair values exclude cash, receivables related to investment income and pending investments sales, and payables related to pending investment purchases. The Company did not have any investments classified as Level 3 at December 31, 2018 or 2017.

	Fair Value Measurements Using				Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Net Asset Value as a Practical Expedient (NAV)		
At December 31, 2018:					
	<i>(in millions)</i>				
Assets:					
Domestic equity ^(*)	\$ 89	\$ 44	\$ —	\$ 133	
International equity ^(*)	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	

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

NOTES (continued)
Gulf Power Company Financial Statements and Notes

At December 31, 2017:	Fair Value Measurements Using			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Net Asset Value as a Practical Expedient (NAV)	
<i>(in millions)</i>				
Assets:				
Domestic equity ^(*)	\$ 112	\$ 54	\$ —	\$ 166
International equity ^(*)	72	65	—	137
Fixed income:				
U.S. Treasury, government, and agency bonds	—	39	—	39
Corporate bonds	—	57	—	57
Pooled funds	—	30	—	30
Cash equivalents and other	10	—	—	10
Real estate investments	22	—	55	77
Special situations	—	—	8	8
Private equity	—	—	31	31
Total	\$ 216	\$ 245	\$ 94	\$ 555

(*) 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 and 2017 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. The Company did not have any investments classified as Level 3 at December 31, 2018 or 2017.

At December 31, 2018:	Fair Value Measurements Using			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Net Asset Value as a Practical Expedient (NAV)	
<i>(in millions)</i>				
Assets:				
Domestic equity ^(*)	\$ 3	\$ 2	\$ —	\$ 5
International equity ^(*)	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

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

NOTES (continued)
Gulf Power Company Financial Statements and Notes

	Fair Value Measurements Using			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Net Asset Value as a Practical Expedient (NAV)	
At December 31, 2017:				
	<i>(in millions)</i>			
Assets:				
Domestic equity ^(*)	\$ 4	\$ 2	\$ —	\$ 6
International equity ^(*)	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	\$ 8	\$ 8	\$ 3	\$ 19

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

Employee Savings Plan

The Company also sponsors a 401(k) defined contribution plan covering substantially all employees and provides matching contributions up to specified percentages of an employee's eligible pay. Total matching contributions made to the plan for 2018 and 2017 were \$5 million each year.

3. CONTINGENCIES AND REGULATORY MATTERS

General Litigation Matters

The Company is subject to certain claims and legal actions arising in the ordinary course of business. In addition, the Company's business activities are subject to extensive governmental regulation related to public health and the environment, such as laws and regulations governing air, water, land, and protection of other natural resources. Litigation over environmental issues and claims of various types, including property damage, personal injury, common law nuisance, and citizen enforcement of environmental laws and regulations has occurred throughout the U.S. This litigation has included claims for damages alleged to have been caused by carbon dioxide and other emissions, CCR, and alleged exposure to hazardous materials, and/or requests for injunctive relief in connection with such matters.

The ultimate outcome of such pending or potential litigation against the Company cannot be predicted at this time; however, for current proceedings not specifically reported herein, management does not anticipate that the ultimate liabilities, if any, arising from such current proceedings would have a material effect on the Company's financial statements.

Environmental Matters

Environmental Remediation

The Company must comply with environmental laws and regulations governing the handling and disposal of waste and releases of hazardous substances. Under these various laws and regulations, the Company could incur substantial costs to clean up affected sites. The Company received authority from the Florida PSC to recover approved environmental compliance costs through the environmental cost recovery clause. The Florida PSC reviews costs and adjusts rates up or down annually.

The Company recognizes a liability for environmental remediation costs only when it determines a loss is probable and reasonably estimable. At December 31, 2018, the Company's environmental remediation liability included estimated costs of environmental remediation projects of approximately \$48 million, of which approximately \$4 million is included in other regulatory liabilities, current and other current liabilities and approximately \$44 million is included in other regulatory assets, deferred and other deferred credits and liabilities. At December 31, 2017, the environmental remediation liability included

NOTES (continued)

Gulf Power Company Financial Statements and Notes

estimated costs of approximately \$52 million, of which approximately \$5 million is included in under recovered regulatory clause revenues and other current liabilities and approximately \$47 million is included in other regulatory assets, deferred and other deferred credits and liabilities.

These estimated costs primarily relate to site closure criteria by the Florida Department of Environmental Protection (FDEP) for potential impacts to soil and groundwater from herbicide applications at the Company's substations. The schedule for completion of the remediation projects is subject to FDEP approval. The projects have been approved by the Florida PSC for recovery through the Company's environmental cost recovery clause; therefore, these liabilities have no impact on net income.

The ultimate outcome of these matters cannot be determined at this time; however, as a result of the regulatory treatment for environmental remediation expenses described above, the final disposition of these matters is not expected to have a material impact on the Company's financial statements.

FERC Matters

Open Access Transmission Tariff

On May 10, 2018, Alabama Municipal Electric Authority and Cooperative Energy filed with the FERC a complaint against SCS and the traditional electric operating companies (including the Company) claiming that the current 11.25% base return on equity (ROE) used in calculating the annual transmission revenue requirements of the traditional electric operating companies' (including the Company's) open access transmission tariff is unjust and unreasonable as measured by the applicable FERC standards. The complaint requested that the base ROE be set no higher than 8.65% and that the FERC order refunds for the difference in revenue requirements that results from applying a just and reasonable ROE established in this proceeding upon determining the current ROE is unjust and unreasonable. On June 18, 2018, SCS and the traditional electric operating companies (including the Company) filed their response challenging the adequacy of the showing presented by the complainants and offering support for the current ROE. On September 6, 2018, the FERC issued an order establishing a refund effective date of May 10, 2018 in the event a refund is due and initiating an investigation and settlement procedures regarding the current base ROE. Through December 31, 2018, the estimated maximum potential refund is not expected to be material to the Company's results of operations or cash flows. The ultimate outcome of this matter cannot be determined at this time.

Retail Regulatory Matters

The Company's rates and charges for service to retail customers are subject to the regulatory oversight of the Florida PSC. The Company's rates are a combination of base rates and several separate cost recovery clauses for specific categories of costs. These separate cost recovery clauses address such items as fuel and purchased energy costs, purchased power capacity costs, energy conservation and demand side management programs, and the costs of compliance with environmental laws and regulations. Costs not addressed through one of the specific cost recovery clauses are recovered through the Company's base rates.

Storm Damage Cost Recovery

See Note 1 under "Property Damage Reserve" for information on how the Company maintains a reserve for property damage to cover the cost of damages from major storms to its transmission and distribution lines and the cost of uninsured damages to its generating facilities and other property.

On October 10, 2018, Hurricane Michael made landfall on the Gulf Coast of Florida causing substantial damage in the Company's service territory. The Company estimates the cost of repairing the damages to its transmission and distribution lines and uninsured facilities will total approximately \$425 million to \$450 million, which primarily will be charged to the Company's property damage reserve or capitalized. As a result, the accumulated reserve had a deficit balance of approximately \$255 million at December 31, 2018.

As authorized in the 2017 Rate Case Settlement Agreement, on February 6, 2019, the Company filed a petition with the Florida PSC requesting to recover approximately \$342 million from its retail customers through a storm surcharge, which would also replenish the property damage reserve to approximately \$40 million. The ultimate outcome of this matter cannot be determined at this time.

Retail Base Rate Cases

On April 4, 2017, the Florida PSC approved the 2017 Rate Case Settlement Agreement among the Company and three intervenors with respect to the Company's request in 2016 to increase retail base rates. Among the terms of the 2017 Rate Case Settlement Agreement, the Company 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

NOTES (continued)

Gulf Power Company Financial Statements and Notes

million through December 2019. In addition, the Company continued its authorized retail ROE midpoint (10.25%) and range (9.25% to 11.25%), is deemed to have a maximum equity ratio of 52.5% for all retail regulatory purposes, and implemented new dismantlement accruals effective July 1, 2017. The Company 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. The 2017 Rate Case Settlement Agreement also resulted in a \$32.5 million write-down of the Company's ownership of Plant Scherer Unit 3 (205 megawatts), which was recorded in the first quarter 2017.

As a continuation of the 2017 Rate Case Settlement Agreement, on March 26, 2018, the Florida PSC approved a stipulation and settlement agreement among the Company 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 the Company'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 Florida PSC also approved an increase in the Company's maximum equity ratio from 52.5% to 53.5% for all retail regulatory purposes.

On October 30, 2018, the Florida PSC 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, the Company had deferred \$8 million of related 2018 tax benefits as a regulatory liability to be refunded to retail customers in 2019 through the Company's fuel cost recovery rate.

Cost Recovery Clauses

On November 5, 2018, the Florida PSC approved the Company's annual clause rate request for its fuel, purchased power capacity, environmental, and energy conservation cost recovery factors for 2019. The net effect of the approved changes is a \$38 million decrease in annual revenues effective in January 2019, the majority of which will be offset by related expense decreases.

Revenues for all cost recovery clauses, as recorded on the financial statements, are adjusted for differences in actual recoverable costs and amounts billed in current regulated rates. Accordingly, changes in the billing factor for fuel and purchased power will have no significant effect on the Company's revenues or net income, but will affect annual cash flow. The recovery provisions for environmental compliance and energy conservation include related expenses and a return on net average investment.

Retail Fuel Cost Recovery

The Company has established fuel cost recovery rates as approved by the Florida PSC. If, at any time during the year, the projected year-end fuel cost over or under recovery balance exceeds 10% of the projected fuel revenue applicable for the period, the Company is required to notify the Florida PSC and indicate if an adjustment to the fuel cost recovery factor is being requested.

At December 31, 2018, the over recovered fuel balance was approximately \$28 million, which is included in other regulatory liabilities, current on the balance sheet. At December 31, 2017, the under recovered fuel balance was approximately \$22 million, which is included in under recovered regulatory clause revenues on the balance sheet.

Purchased Power Capacity Recovery

The Company has established purchased power capacity cost recovery rates as approved by the Florida PSC. If the projected year-end purchased power capacity cost over or under recovery balance exceeds 10% of the projected purchased power capacity revenue applicable for the period, the Company is required to notify the Florida PSC and indicate if an adjustment to the purchased power capacity cost recovery factor is being requested.

At December 31, 2018, the over recovered purchased power capacity balance was \$2 million, which is included in other regulatory liabilities, current on the balance sheet. At December 31, 2017, the under recovered purchased power capacity balance was approximately \$2 million, which is included in under recovered regulatory clause revenues on the balance sheet.

Environmental Cost Recovery

The Florida Legislature adopted legislation for an environmental cost recovery clause, which allows an electric utility to petition the Florida PSC for recovery of prudent environmental compliance costs that are not being recovered through base rates or any other recovery mechanism. Such environmental costs include operations and maintenance expenses, emissions allowance expense, depreciation, and a return on net average investment. This legislation also allows recovery of costs incurred as a result of

NOTES (continued)

Gulf Power Company Financial Statements and Notes

an agreement between the Company and the FDEP for the purpose of ensuring compliance with ozone ambient air quality standards adopted by the EPA.

Annually, the Company seeks recovery of projected costs including any true-up amounts from prior periods. At December 31, 2018, the over recovered environmental balance of approximately \$15 million, along with the current portion of projected environmental expenditures, is included in other regulatory liabilities, current on the balance sheet.

At December 31, 2017, the over recovered environmental balance of approximately \$11 million, along with the current portion of projected environmental expenditures of approximately \$14 million, was included in under recovered regulatory clause revenues on the balance sheet.

Energy Conservation Cost Recovery

Every five years, the Florida PSC establishes new numeric conservation goals covering a 10-year period for utilities to reduce annual energy and seasonal peak demand using demand-side management programs. After the goals are established, utilities develop plans and programs to meet the approved goals. The costs for these programs are recovered through rates established annually in the energy conservation cost recovery (ECCR) clause.

At December 31, 2018, the over recovered ECCR balance was immaterial. At December 31, 2017, the under recovered ECCR balance was immaterial.

4. JOINT OWNERSHIP AGREEMENTS

The Company and 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 the Company's agent with respect to the construction, operation, and maintenance of these units.

The Company and 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 the Company's agent with respect to the construction, operation, and maintenance of the unit.

At December 31, 2018, the Company's percentage ownership and investment in these jointly-owned facilities were as follows:

	Plant Scherer Unit 3 (coal)	Plant Daniel Units 1 & 2 (coal)
	<i>(in millions)</i>	
Plant in service	\$ 392	\$ 705
Accumulated depreciation	156	243
Construction work in progress	21	6
Company ownership	25%	50%

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

In conjunction with Southern Company's sale of the Company, Mississippi Power and the Company 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, the Company provided notice to Mississippi Power that the Company will retire its share of the generating capacity of Plant Daniel on January 15, 2024. Mississippi Power has the option to purchase the Company'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. 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 PSC, and cannot now be determined. See Note 1 under "General" for information regarding the sale of the Company.

5. INCOME TAXES

On behalf of the Company, Southern Company files a consolidated federal income tax return and various combined and separate state income tax returns. Under a joint consolidated income tax allocation agreement, each Southern Company subsidiary's current and deferred tax expense is computed on a stand-alone basis and no subsidiary is allocated more current expense than would be paid if it filed a separate income tax return. In accordance with IRS regulations, each company is jointly and severally liable for the federal tax liability.

NOTES (continued)**Gulf Power Company Financial Statements and Notes****Federal Tax Reform Legislation**

Following the enactment of the Tax Reform Legislation, the SEC staff issued Staff Accounting Bulletin 118 – "Income Tax Accounting Implications of the Tax Cuts and Jobs Act" (SAB 118), which provided for a measurement period of up to one year from the enactment date to complete accounting under GAAP for the tax effects of the legislation. Due to the complex and comprehensive nature of the enacted tax law changes and their application under GAAP, the Company considered all amounts recorded in the financial statements as a result of the Tax Reform Legislation "provisional" as discussed in SAB 118 and subject to revision prior to filing its 2017 tax return in the fourth quarter 2018. As of December 31, 2018, the Company considered the measurement of impacts from the Tax Reform Legislation on deferred income tax assets and liabilities, primarily due to the impact of the reduction of the corporate income tax rate, to be complete.

However, the IRS continues to issue regulations that provide further interpretation and guidance on the law and each state's adoption of the provisions contained in the Tax Reform Legislation remains uncertain. The regulatory treatment of certain impacts of the Tax Reform Legislation is subject to the discretion of the FERC. The ultimate impact of this matter cannot be determined at this time. See Note 3 for additional information.

Current and Deferred Income Taxes

Details of income tax provisions are as follows:

	2018	2017
	<i>(in millions)</i>	
Federal -		
Current	\$ (26)	\$ 19
Deferred	(2)	58
	(28)	77
State -		
Current	(1)	(1)
Deferred	9	14
	8	13
Total	\$ (20)	\$ 90

NOTES (continued)
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The tax effects of temporary differences between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases, which give rise to deferred tax assets and liabilities, are as follows:

	2018	2017
	<i>(in millions)</i>	
Deferred tax liabilities-		
Accelerated depreciation	\$ 557	\$ 552
Property basis differences	119	105
Employee benefit obligations	37	38
Regulatory assets associated with employee benefit obligations	42	44
Regulatory assets associated with asset retirement obligations	45	38
Property damage reserve	65	—
Other	26	35
Total deferred income tax liabilities	891	812
Deferred tax assets-		
Federal effect of state deferred taxes	41	25
Employee benefit obligations	61	66
Other property differences	81	98
Asset retirement obligations	45	38
Deferred state tax assets	12	—
Other	29	48
Total deferred income tax assets	269	275
Net deferred income tax liabilities	\$ 622	\$ 537

The implementation of the Tax Reform Legislation significantly reduced accumulated deferred income taxes in 2017, partially offset by bonus depreciation provisions in the Protecting Americans from Tax Hikes Act. The Tax Reform Legislation also significantly reduced tax-related regulatory assets and increased tax-related regulatory liabilities.

The Company 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, deferred taxes previously recognized at rates lower than the current enacted tax law, 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 for the Company's related balances at December 31, 2018 and 2017.

At December 31, 2018, the Company had state of Florida net operating loss (NOL) carryforwards totaling approximately \$224 million, resulting in a net deferred tax asset of approximately \$10 million. The NOLs will begin expiring in 2036. The ultimate outcome of this matter cannot be determined at this time.

Effective Tax Rate

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

	2018	2017
Federal statutory rate	21.0%	35.0%
State income tax, net of federal deduction	4.4	3.7
Non-deductible book depreciation	0.5	0.2
Flowback of excess deferred income taxes	(39.4)	—
Other	(0.6)	0.5
Effective income tax (benefit) rate	(14.1)%	39.4%

The Company's effective tax rate for 2018 varied significantly as compared to 2017 due to the 14% lower 2018 federal tax rate resulting from the Tax Reform Legislation and the flowback of excess deferred income taxes.

NOTES (continued)
Gulf Power Company Financial Statements and Notes

Unrecognized Tax Benefits

The Company has no material unrecognized tax benefits for the periods presented. The Company classifies interest on tax uncertainties as interest expense. Accrued interest for unrecognized tax benefits was immaterial and the Company did not accrue any penalties on uncertain tax positions.

It is reasonably possible that the amount of the unrecognized tax benefits could change within 12 months. New audit findings or settlements associated with ongoing audits could result in significant unrecognized tax benefits. At this time, a range of reasonably possible outcomes cannot be determined.

The IRS has finalized its audits of Southern Company's consolidated federal income tax returns through 2017. Southern Company is a participant in the Compliance Assurance Process of the IRS. The audits for the Company's state income tax returns have either been concluded, or the statute of limitations has expired, for years prior to 2015.

6. FINANCING

Securities Due Within One Year

At December 31, 2018 and 2017, the Company had no long-term debt due within one year.

Maturities through 2023 applicable to total long-term debt include \$175 million in 2020, \$141 million in 2022, and \$33 million in 2023. There are no scheduled maturities in 2019 or 2021.

Senior Notes

At December 31, 2018 and 2017, the Company had a total of \$990 million of senior notes outstanding. These senior notes are effectively subordinate to all secured debt of the Company, which totaled approximately \$41 million at both December 31, 2018 and 2017.

Pollution Control Revenue Bonds

Pollution control revenue bond obligations represent loans to the Company from public authorities of funds derived from sales by such authorities of revenue bonds issued to finance pollution control and solid waste disposal facilities. The Company 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, 2018 and 2017 was \$309 million.

Outstanding Classes of Capital Stock

The Company has preferred stock, Class A preferred stock, preference stock, and common stock authorized. The Company's preferred stock and Class A preferred stock, without preference between classes, would rank senior to the Company'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, 2018. The Company'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, 2018.

Dividend Restrictions

The Company can only pay dividends out of retained earnings or paid-in-capital.

Assets Subject to Lien

The Company 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, 2018. There are no agreements or other arrangements among the Southern Company system companies under which the assets of one company have been pledged or otherwise made available to satisfy obligations of Southern Company or any of its subsidiaries.

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Gulf Power Company Financial Statements and Notes

Bank Credit Arrangements

At December 31, 2018, committed credit arrangements with banks were as follows:

Expires					Executable Term Loans		Expires Within One Year	
2019	2020	2021	Total	Unused	One Year	Two Years	Term Out	No Term Out
<i>(in millions)</i>			<i>(in millions)</i>		<i>(in millions)</i>		<i>(in millions)</i>	
\$ 45	\$ 235	\$ —	\$ 280	\$ 280	\$ 45	\$ —	\$ 45	\$ —

In November 2018, the Company amended \$20 million of its multi-year credit arrangements to extend the maturity dates from 2018 to 2019.

Most of the bank credit arrangements require payment of commitment fees based on the unused portion of the commitments. Commitment fees average less than $\frac{1}{4}$ of 1% for the Company.

Subject to applicable market conditions, the Company expects to renew or replace its bank credit arrangements as needed, prior to expiration. In connection therewith, the Company may extend the maturity dates and/or increase or decrease the lending commitments thereunder.

Most of these bank credit arrangements contain covenants that limit the Company's debt level to 65% of total capitalization, as defined in the arrangements. For purposes of these definitions, debt excludes certain hybrid securities. At December 31, 2018, the Company was in compliance with these covenants.

Most of the \$280 million of unused credit arrangements with banks provide liquidity support to the Company's pollution control revenue bonds and commercial paper program. The amount of variable rate pollution control revenue bonds outstanding requiring liquidity support as of December 31, 2018 was approximately \$82 million. In addition, at December 31, 2018, the Company had \$58 million of fixed rate pollution control revenue bonds outstanding that were required to be remarketed within the next 12 months.

For short-term cash needs, the Company borrows primarily through a commercial paper program that has the liquidity support of the Company's committed bank credit arrangements described above. The Company may also borrow through various other arrangements with banks. Commercial paper and short-term bank loans are included in notes payable on the balance sheets. The Company had no short-term borrowings outstanding at December 31, 2018. At December 31, 2017 the Company had \$45 million of commercial paper outstanding at a weighted average interest rate of 2.0%.

7. COMMITMENTS

Fuel and Purchased Power Agreements

To supply a portion of the fuel requirements of its generating plants, the Company has entered into various long-term commitments for the procurement and delivery of fossil fuel not recognized on the balance sheets. In 2018 and 2017, the Company incurred fuel expense of \$421 million and \$427 million, respectively, the majority of which was purchased under long-term commitments. The Company expects that a substantial amount of its future fuel needs will continue to be purchased under long-term commitments.

In addition, the Company has entered into various long-term commitments for the purchase of capacity, energy, and transmission, some of which are accounted for as operating leases. 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 under a PPA accounted for as an operating lease was \$74 million for 2018 and \$75 million for 2017.

NOTES (continued)
Gulf Power Company Financial Statements and Notes

Estimated total obligations under non-affiliate PPAs accounted for as operating leases at December 31, 2018 were as follows:

	<i>(in millions)</i>
2019	\$ 79
2020	79
2021	79
2022	79
2023 and thereafter	33
Total	\$ 349

SCS may enter into various types of wholesale energy and natural gas contracts acting as an agent for the Company and all of the other traditional electric operating companies and Southern Power. Under these agreements, each of the traditional electric operating companies and Southern Power may be jointly and severally liable. Accordingly, Southern Company has entered into keep-well agreements with the Company and each of the other traditional electric operating companies to ensure the Company will not subsidize or be responsible for any costs, losses, liabilities, or damages resulting from the inclusion of Southern Power as a contracting party under these agreements.

Operating Leases

In addition to the operating lease PPAs discussed above, the Company has entered into operating leases with Southern Linc and other third parties for the use of cellular tower space. These agreements have initial terms ranging from five to 10 years and renewal options of up to five years. The Company also has other operating lease agreements with various terms and expiration dates. Total lease payments were \$10 million for each of 2018 and 2017. The Company excludes contingent rent but includes any step rents, fixed escalations, lease concessions, and lease extension to cover the expected life of the facility in the computation of minimum lease payments.

At December 31, 2018, estimated minimum lease payments under operating leases were as follows:

	Minimum Lease Payments		
	Affiliate Operating Leases^(a)	Non-Affiliate Operating Leases^(b)	Total
	<i>(in millions)</i>		
2019	\$ 2	\$ 2	\$ 4
2020	2	1	3
2021	2	—	2
2022	2	—	2
2023	—	—	—
2024 and thereafter	4	—	4
Total	\$ 12	\$ 3	\$ 15

(a) Includes operating leases for cellular tower space.

(b) Includes operating leases for barges, facilities, and other equipment.

The Company also has operating lease agreements for railcars, barges, and towboats for the transport of coal. The Company has the option to renew the leases at the end of the lease term. The Company's lease costs, charged to fuel inventory and recovered through the retail fuel cost recovery clause, were \$6 million in 2018 and \$7 million in 2017. The Company's annual barge and towboat payments for 2019 are expected to be approximately \$1 million.

8. STOCK-BASED COMPENSATION

Stock-based compensation primarily in the form of Southern Company performance share units (PSU) and restricted stock units (RSU) may be granted through the Omnibus Incentive Compensation Plan to the Company's management employees. At December 31, 2018, there were 131 current and former employees participating in stock-based compensation programs.

Employees immediately vest in PSUs and RSUs upon retirement. As a result, compensation expense for employees that are retirement eligible at the grant date is recognized immediately, while compensation expense for employees that become retirement eligible during the vesting period is recognized over the period from grant date to the date of retirement eligibility. The

NOTES (continued)**Gulf Power Company Financial Statements and Notes**

compensation cost related to the grant of Southern Company stock-based compensation to the Company's employees is recognized in the Company's financial statements with a corresponding credit to equity, representing a capital contribution from Southern Company. In addition, the Company recognizes forfeitures as they occur. The financial statement impact of the Company's stock-based compensation awards was immaterial for all periods presented. As of December 31, 2018, the unrecognized compensation cost of stock-based compensation awards was immaterial.

All unvested stock-based awards vest immediately upon a change in control where Southern Company is not the surviving corporation or in the event of a subsidiary change in control. In accordance with the change in control provisions of the Omnibus Incentive Compensation Plan, at the effective time of the sale of the Company on January 1, 2019, all active Company employees' unvested 2017 and 2018 granted stock-based awards vested at 100% of the target number of share units granted. In the first quarter 2019, all vested performance share and restricted stock units were paid in cash. Unexercised stock options of active Company employees at the time of sale will be exercisable through their original 10-year exercise period.

9. 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 the Company of what a market participant would use in pricing an asset or liability. If there is little available market data, then the Company'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.

At December 31, 2018 and 2017, assets and liabilities measured at fair value on a recurring basis during the period, 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)	
At December 31, 2018:				
	<i>(in millions)</i>			
Liabilities:				
Energy-related derivatives	\$ —	\$ 6	\$ —	\$ 6

	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)	
At December 31, 2017:				
	<i>(in millions)</i>			
Assets:				
Cash equivalents	21	—	—	21
Liabilities:				
Energy-related derivatives	\$ —	\$ 21	\$ —	\$ 21

Valuation Methodologies

The energy-related derivatives primarily consist of exchange-traded and 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

NOTES (continued)**Gulf Power Company Financial Statements and Notes**

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. The fair value of interest rate derivatives reflects the net present value of expected payments and receipts under the swap agreement based on the market's expectation of future interest rates. Additional inputs to the net present value calculation may include the contract terms, counterparty credit risk, and occasionally, implied volatility of interest rate options. The interest rate derivatives are categorized as Level 2 under Fair Value Measurements as these inputs are based on observable data and valuations of similar instruments. See Note 10 for additional information on how these derivatives are used.

As of December 31, 2018 and 2017, other financial instruments for which the carrying amount did not equal fair value were as follows:

	Carrying Amount	Fair Value
	<i>(in millions)</i>	
Long-term debt:		
2018	\$ 1,286	\$ 1,309
2017	\$ 1,285	\$ 1,334

The fair values are determined using Level 2 measurements and are based on quoted market prices for the same or similar issues or on the current rates available to the Company.

10. DERIVATIVES

The Company is exposed to market risks, primarily commodity price risk and interest rate risk. To manage the volatility attributable to these exposures, the Company nets its exposures, where possible, to take advantage of natural offsets and may enter into various derivative transactions for the remaining exposures pursuant to the Company's policies in areas such as counterparty exposure and risk management practices. The Company'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 9 for additional information. In the statements of cash flows, any cash impacts of settled energy-related and interest rate derivatives are recorded as operating activities.

The Company adopted ASU 2017-12 as of January 1, 2018. See Note 1 under "Recently Adopted Accounting Standards – Other" for additional information.

Energy-Related Derivatives

The Company enters into energy-related derivatives to hedge exposures to electricity, natural gas, and other fuel price changes. However, due to cost-based rate regulations and other various cost recovery mechanisms, the Company has limited exposure to market volatility in energy-related commodity prices. The Company manages fuel-hedging programs, implemented per the guidelines of the Florida PSC, through the use of financial derivative contracts, which are expected to continue to mitigate price volatility. With respect to wholesale generating capacity, the Company has limited exposure to market volatility in energy-related commodity prices because long-term sales contracts shift substantially all fuel cost responsibility to the purchaser. However, the Company may be exposed to market volatility in energy-related commodity prices to the extent any uncontracted capacity is used to sell electricity. The Florida PSC approved a stipulation and agreement that prospectively imposed a moratorium on the Company's fuel-hedging program in October 2016 through December 31, 2017. In connection with the 2017 Rate Case Settlement Agreement, the Florida PSC extended the moratorium on the Company'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 are accounted for under one of three methods:

- *Regulatory Hedges* — Energy-related derivative contracts which are designated as regulatory hedges relate primarily to the Company'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.

NOTES (continued)**Gulf Power Company Financial Statements and Notes**

- *Cash Flow Hedges* — Gains and losses on energy-related derivatives designated as cash flow hedges (which are mainly used to hedge anticipated purchases and sales) are initially deferred in AOCI before being recognized in the statements of income in the same period and in the same income statement line item as the earnings effect of the hedged transactions.
- *Not Designated* — Gains and losses on energy-related derivative contracts that are not designated or fail to qualify as hedges are recognized in the statements of income as incurred.

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, 2018, the net volume of energy-related derivative contracts for natural gas positions totaled 6 million mmBtu (million British thermal units) for the Company, with the longest hedge date of 2020 over which it is hedging its exposure to the variability in future cash flows for forecasted transactions.

In addition to the volume discussed above, the Company enters into physical natural gas supply contracts that provide the option to sell back excess gas due to operational constraints. The maximum expected volume of natural gas subject to such a feature is 2 million mmBtu for the Company.

Interest Rate Derivatives

The Company may also enter into interest rate derivatives to hedge exposure to changes in interest rates. The derivatives employed as hedging instruments are structured to minimize ineffectiveness. Derivatives related to existing variable rate securities or forecasted transactions are accounted for as cash flow hedges where the derivatives' fair value gains or losses are recorded in OCI and are reclassified into earnings at the same time and presented in the same income statement line item as the earnings effect of the hedged transactions.

At December 31, 2018, there were no interest rate derivatives outstanding.

The estimated pre-tax gains related to interest rate derivatives that will be reclassified from accumulated OCI to interest expense for the 12-month period ending December 31, 2019 are immaterial. Deferred gains and losses related to interest rate derivatives are expected to be amortized into earnings through 2027.

Derivative Financial Statement Presentation and Amounts

The Company 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. The fair value amounts of derivative assets and liabilities in the balance sheets are presented net to the extent that there are netting arrangements or similar agreements with the counterparties.

At December 31, 2018 and 2017, all energy-related derivatives were designated as hedging instruments for regulatory purposes. The related fair values totaled \$6 million and \$21 million, respectively, at December 31, 2018 and 2017 and were reflected in the balance sheets as other current liabilities and other deferred credits and liabilities as follows:

	Other Current Liabilities	Other Deferred Credits and Liabilities	Total
	<i>(in millions)</i>		
December 31, 2018	\$ 6	— \$	6
December 31, 2017	\$ 14	\$ 7	21

Energy-related derivatives not designated as hedging instruments were immaterial at December 31, 2018 and 2017.

NOTES (continued)**Gulf Power Company Financial Statements and Notes**

At December 31, 2018 and 2017, the pre-tax effects of unrealized derivative losses arising from energy-related derivative instruments designated as regulatory hedging instruments and deferred were as follows:

Balance Sheet Location	Unrealized Losses	
	2018	2017
	<i>(in millions)</i>	
Other regulatory assets, current	\$ (6)	\$ (14)
Other regulatory assets, deferred	—	(7)
Total energy-related derivative losses	\$ (6)	\$ (21)

For the years ended December 31, 2018 and 2017, the pre-tax effects of energy-related derivatives and interest rate derivatives designated as cash flow hedging instruments and energy-related derivatives not designated as hedging instruments on the statements of income were immaterial. Also, there was no material ineffectiveness recorded in earnings for any period presented.

Upon the adoption of ASU 2017-12, beginning in 2018, ineffectiveness was no longer separately measured and recorded in earnings. See Note 1 for additional information.

Contingent Features

The Company 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, 2018, the Company had no collateral posted with derivative counterparties to satisfy these arrangements.

At December 31, 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 BBB- and /or Baa3, were \$3 million, 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 the Company to NextEra Energy, the Company 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.

Generally, collateral may be provided by a Southern Company 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.

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

The Company does not anticipate a material adverse effect on the financial statements as a result of counterparty nonperformance.

11. REVENUE FROM CONTRACTS WITH CUSTOMERS

The Company generates revenues from a variety of sources, some of which are excluded from the scope of ASC 606, such as leases, derivatives, and certain cost recovery mechanisms. See Note 1 under "Recently Adopted Accounting Standards – Revenue" for additional information on the adoption of ASC 606 for revenue from contracts with customers and under "Revenues" and "Other Taxes" for additional information on the revenue policies of the Company.

NOTES (continued)
Gulf Power Company Financial Statements and Notes

The following table disaggregates revenue sources for the year ended December 31, 2018:

	2018
Operating revenues	
Retail revenues ^(a)	
Residential	\$ 698
Commercial	379
Industrial	131
Other	5
Total retail electric revenues	\$ 1,213
Wholesale energy revenues ^(b)	160
Wholesale capacity revenues	26
Other revenues ^(c)	66
Total operating revenues	\$ 1,465

(a) Retail revenues include a net reduction of \$60 million related to certain cost recovery mechanisms that are not accounted for as revenue under ASC 606. See Note 3 for additional information on cost recovery mechanisms.

(b) Wholesale revenues include \$4 million accounted for as derivatives primarily related to physical energy sales in the wholesale electricity market. See Note 10 for additional information on energy-related derivative contracts.

(c) Other revenues includes \$6 million of revenues not accounted for under ASC 606.

Remaining Performance Obligations

The Company has long-term contracts with customers in which revenues are recognized as performance obligations are satisfied over the contract term primarily related to PPAs whereby the Company provides electricity and generation capacity to a customer. The revenue recognized for the delivery of electricity is variable; however, certain PPAs include a fixed payment for fixed generation capacity over the term of the contract. At December 31, 2018, revenues from contracts with customers related to these remaining performance obligations totaling \$22 million are expected to be recognized in 2019.

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**Gulf Power Company
Financial Statements as of
and for the Quarterly Periods Ended June 30, 2019 and 2018
(Unaudited)**

DEFINITIONS

<u>Term</u>	<u>Meaning</u>
ASU	Accounting Standards Update
CCR	Coal combustion residuals
CO ₂	Carbon dioxide
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FPL	Florida Power & Light Company
FPSC	Florida Public Service Commission
Gulf Power	Gulf Power Company
IRS	Internal Revenue Service
mmBtu	Million British thermal units
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
SCS	Southern Company Services, Inc. (the Southern Company system service company)
SEC	U.S. Securities and Exchange Commission
Southern Company	The Southern Company
Southern Company system	Southern Company, the traditional electric operating companies, Southern Power Company and its subsidiaries, Southern Company Gas and its subsidiaries, SEGCO, Southern Nuclear Operating Company, Inc., SCS, Southern Communications Services, Inc.,
traditional electric operating companies	Alabama Power Company, Georgia Power Company, Gulf Power and Mississippi Power Company

**GULF POWER COMPANY
STATEMENTS OF INCOME**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(millions)			
Operating Revenues	\$ 366	\$ 344	\$ 694	\$ 692
Operating Expenses:				
Fuel, purchased power and interchange	137	135	260	263
Other operations and maintenance	61	81	130	157
Acquisition-related	18	—	18	—
Depreciation and amortization	56	57	106	104
Taxes other than income taxes and other - net	26	28	55	58
Total operating expenses	298	301	569	582
Operating Income	68	43	125	110
Other Income (Expense):				
Interest expense, net of amounts capitalized	(14)	(13)	(27)	(26)
Other income (expense) - net	1	1	—	3
Total other income (expense) - net	(13)	(12)	(27)	(23)
Income Before Income Taxes	55	31	98	87
Income taxes	10	(11)	17	3
Net Income	\$ 45	\$ 42	\$ 81	\$ 84

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

**GULF POWER COMPANY
BALANCE SHEETS**

	June 30, 2019	December 31, 2018
(millions)		
PROPERTY, PLANT and EQUIPMENT		
Electric plant in service and other property	\$ 5,511	\$ 5,391
Construction work in progress	307	199
Accumulated depreciation and amortization	(1,619)	(1,543)
Total property, plant and equipment - net	4,199	4,047
CURRENT ASSETS		
Cash and cash equivalents	12	9
Customer receivables, net of allowances of \$1 and \$1, respectively	168	133
Other receivables	5	8
Materials, supplies and fossil fuel inventory	141	128
Regulatory assets	118	79
Other	19	11
Total current assets	463	368
OTHER ASSETS		
Regulatory assets	509	732
Other assets	234	41
Total other assets	743	773
TOTAL ASSETS	\$ 5,405	\$ 5,188
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	1,014	978
Retained earnings	347	265
Accumulated other comprehensive loss	(1)	(1)
Long-term debt	1,111	1,286
Total capitalization	3,149	3,206
CURRENT LIABILITIES		
Commercial Paper	100	—
Current portion of long-term debt	175	—
Accounts payable	106	222
Customer deposits	34	34
Accrued interest and taxes	38	26
Regulatory liabilities	19	50
Other	209	95
Total current liabilities	681	427
OTHER LIABILITIES AND DEFERRED CREDITS		
Asset retirement obligations	117	123
Deferred income taxes	629	622
Regulatory liabilities	570	589
Other	259	221
Total other liabilities and deferred credits	1,575	1,555
COMMITMENTS AND CONTINGENCIES		
TOTAL CAPITALIZATION AND LIABILITIES	\$ 5,405	\$ 5,188

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

**GULF POWER COMPANY
STATEMENTS OF CASH FLOWS**

	Six months ended June 30,	
	2019	2018
	(millions)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 81	\$ 84
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	106	104
Other amortization	29	4
Deferred income taxes	13	(21)
Cost recovery clauses and franchise fees	(31)	28
Other - net	(15)	(12)
Changes in operating assets and liabilities:		
Current assets	(53)	(16)
Noncurrent assets	(29)	(3)
Current liabilities	(62)	(12)
Noncurrent liabilities	15	1
Net cash provided by operating activities	<u>54</u>	<u>157</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(248)	(158)
Net cash used in investing activities	<u>(248)</u>	<u>(158)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuances of long-term debt	105	—
Retirements of long-term debt	(105)	—
Capital contributions from parent company	100	37
Net change in commercial paper	100	45
Dividends on common stock	—	(77)
Other - net	—	(1)
Net cash provided by financing activities	<u>200</u>	<u>4</u>
Net increase in cash, cash equivalents and restricted cash	6	3
Cash, cash equivalents, and restricted cash at beginning of period	9	28
Cash, cash equivalents, and restricted cash at end of period	<u>\$ 15</u>	<u>\$ 31</u>
Supplemental Cash Flow Information:		
Noncash transactions:		
Accrued property additions at quarter-end	\$ 37	\$ 22

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

GULF POWER COMPANY NOTES TO FINANCIAL STATEMENTS

The accompanying financial statements should be read in conjunction with the 2018 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. Certain amounts included in the prior year's financial statements have been reclassified to conform to the current year's presentation. The results of operations for an interim period generally will not give a true indication of results for the year.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Leases

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) (ASU 2016-02). ASU 2016-02 requires lessees to recognize on the balance sheet a lease liability and a right-of-use asset for all leases. ASU 2016-02 also changes the recognition, measurement, and presentation of expense associated with leases and provides clarification regarding the identification of certain components of contracts that would represent a lease. Gulf Power has adopted the new standard effective January 1, 2019 on a prospective basis. As permitted by the new lease standard, 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 non-current liabilities on the balance sheet at January 1, 2019. Operating lease expense is included in other operations and maintenance expenses and amortization expense is included in depreciation and amortization expense on Gulf Power's statement of income.

Operating right-of-use assets and lease liabilities were recorded primarily related to a purchased power agreement; such amounts totaled approximately \$234 million at June 30, 2019. Gulf Power's lease liabilities at June 30, 2019 were calculated using a weighted-average incremental borrowing rate at the lease inception of 3.39% and a weighted average remaining lease term of 3.91 years. Gulf Power's operating lease expense for the three and six months ended June 30, 2019 was \$14 million and \$28 million respectively. Rental expense for operating leases, as included within operations as reported under the previous lease standard, for the year ended December 31, 2018 was \$85 million and included within other operations and maintenance expense.

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

Operating leases primarily have fixed payments with expiration dates ranging from 2019 to 2023. At June 30, 2019, expected lease payments over the remaining terms of the operating leases for each of the following calendar years (in millions):

2019	\$	32
2020	\$	64
2021	\$	64
2022	\$	64
2023	\$	26
Total lease payments	\$	250
Less: imputed interest	\$	(16)
Total lease obligation	\$	234

GULF POWER COMPANY
NOTES TO FINANCIAL STATEMENTS (Continued)

The following table presents future 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>364</u>

Affiliate Transactions

During the first quarter of 2019, certain services were provided to Gulf Power by FPL at direct or allocated fully loaded cost. FPL has long been the primary operating entity of NextEra Energy and as such, has operated as the embedded shared services company for NextEra Energy and affiliates within the NextEra Energy organization. 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 Cost Allocation Manual and amounted to \$33 million for the six months ended June 30, 2019.

In 2018, Gulf Power had an agreement with SCS under which the following services were rendered to Gulf Power at direct or allocated cost: 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, and power pool transactions. Costs for these services amounted to \$37 million, for the six months ended June 30, 2018. Cost allocation methodologies used by SCS prior to the repeal of the Public Utility Holding Company Act of 1935, as amended, were approved by the SEC. Subsequently, additional cost allocation methodologies have been reported to the FERC and management believes they are reasonable. The FERC permits services to be rendered at cost by system service companies.

Restricted Cash

At June 30, 2019, Gulf Power had approximately \$3 million of restricted cash which is included in current other assets on the consolidated balance sheets. Restricted cash is related to funds for property insurance.

2. RETIREMENT BENEFITS

On January 1, 2019, Gulf Power's retiree benefit plan regulatory assets of approximately \$160 million and non-current liabilities of approximately \$80 million were reduced to zero as the pension plan was absorbed and will be held by NextEra Energy. Gulf Power employees will now participate in NextEra Energy's qualified noncontributory defined benefit pension plan. 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.

3. REGULATORY MATTERS

Retail Regulatory Matters

On May 14, 2019, the FPSC approved Gulf Power's request to recover costs of restoring power and rebuilding the grid following Hurricane Michael. The FPSC approved an interim surcharge of \$8 per month for a residential customer using 1,000 kilowatt-hours. This equates to approximately \$342 million from its retail customers, which will also replenish the property damage reserve to approximately \$41 million.

GULF POWER COMPANY
NOTES TO FINANCIAL STATEMENTS (Continued)

4. INCOME TAXES

In 2019, on behalf of Gulf Power, NextEra Energy will file a consolidated federal income tax return and various combined and separate state tax returns. Under the tax sharing agreement between NextEra Energy and certain of its subsidiaries, the income tax provision at each applicable subsidiary 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.

In 2018, on behalf of Gulf Power, Southern Company filed a consolidated federal income tax return and various combined and separate state income tax returns. Under a joint consolidated income tax allocation agreement, each Southern Company subsidiary's current and deferred tax expense is computed on a stand-alone basis and no subsidiary is allocated more current expense than would be paid if it filed a separate income tax return. In accordance with IRS regulations, each company is jointly and severally liable for the federal tax liability.

Effective Tax Rate

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Statutory federal income tax rate	21.0%	21.0 %	21.0%	21.0%
State income tax, net of federal deduction	5.0	5.0	4.6	4.7
Amortization of deferred regulatory credit	(8.0)	(60.8)	(9.0)	(22.3)
Other, net	0.6	0.9	0.7	(0.1)
Effective income tax rate	18.6%	(33.9)%	17.3%	3.3%

5. FINANCING

In April 2019, two issuances of pollution control bonds with principle balances of \$37 million and \$29 million were remarketed from fixed rates of 2.1% and 4.45%, respectively, to variable rates based on an underlying index plus a specified margin. There was no change to the outstanding principal of the pollution control bonds. Additionally, in April 2019 there were \$30 million of new issuances related to the revolving credit facility with a maturity date of 2020. The interest rate is variable based on an underlying index plus a specified margin.

6. STOCK COMPENSATION

Stock-based compensation primarily in the form of NextEra Energy performance share awards, restricted stock, and stock options may be granted through the NextEra Energy, Inc. Amended and Restated 2011 Long Term Incentive Plan. As of June 30, 2019, there were 5 current employees participating in the performance share, restricted stock and stock option programs.

Performance share awards are typically payable at the end of a three-year performance period if the specified performance criteria are met. The fair value for the majority of performance share awards is estimated based upon the closing market price of NextEra Energy's common stock as of the date of grant less the present value of expected dividends, multiplied by an estimated performance multiple which is subsequently trued up based on actual performance.

Restricted stock typically vests within three years after the date of grant and is subject to, among other things, restrictions on transferability prior to vesting. The fair value of restricted stock is measured based upon the closing market price of NextEra Energy's common stock as of the date of grant.

Options typically vest within three years after the date of grant and have a maximum term of ten years. The exercise price of each option granted equals the closing market price of NextEra Energy's common stock on the date of grant. The fair value of the options is estimated on the date of the grant using the Black-Scholes option-pricing model.

GULF POWER COMPANY
NOTES TO FINANCIAL STATEMENTS (Continued)

7. 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 June 30, 2019:				
Liabilities: Energy-related derivatives	\$ —	\$ 5	\$ —	\$ 5
As of December 31, 2018				
Liabilities: Energy-related derivatives	\$ —	\$ 6	\$ —	\$ 6

Valuation Methodologies

The energy-related derivatives primarily consist of over-the-counter financial products for natural gas and physical power products, including, from time to time, basis swaps. These are standard products used within the energy industry and are valued using the market approach. The inputs used are mainly from observable market sources, such as forward natural gas prices, power prices, implied volatility, and overnight index swap interest rates. Interest rate derivatives are also standard over-the-counter products that are valued using observable market data and assumptions commonly used by market participants. See Note 8 for additional information on how these derivatives are used.

As of June 30, 2019 and December 31, 2018, other financial instruments for which the carrying amount did not equal fair value were as follows:

	Carrying Amount	Fair Value
	(millions)	
Long-term debt, including current portion		
June 30, 2019	\$ 1,286	\$ 1,366
December 31, 2018	\$ 1,286	\$ 1,309

The fair values are determined using Level 2 measurements and are based on quoted market prices for the same or similar issues or on the current rates available to Gulf Power.

8. 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

GULF POWER COMPANY
NOTES TO FINANCIAL STATEMENTS (Continued)

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 7 for additional information. In the statements of cash flows, the cash impacts of settled energy-related derivatives are recorded as operating activities.

Energy-Related Derivatives

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

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

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

At June 30, 2019, the net volume of energy-related derivative contracts for natural gas positions totaled 3.4 million mmBtu for Gulf Power, with the longest hedge date of 2020.

Derivative Financial Statement Presentation and Amounts

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

At June 30, 2019 and December 31, 2018, the fair value of energy-related derivatives was reflected on the balance sheets as follows:

	Other Current Liabilities	Other Deferred Credits and Liabilities	Total
	(millions)		
June 30, 2019	\$ 5	\$ —	\$ 5
December 31, 2018	\$ 6	\$ —	\$ 6

Energy-related derivatives not designated as hedging instruments were immaterial on the balance sheets at June 30, 2019 and December 31, 2018.

At June 30, 2019 and December 31, 2018, the pre-tax effects of unrealized derivative gains (losses) arising from energy-related derivatives designated as regulatory hedging instruments and deferred were as follows:

Balance Sheet Location*	Unrealized Losses	
	June 30, 2019	December 31, 2018
	(millions)	
Other regulatory assets, current	\$ 4	\$ 6
Other regulatory assets, deferred	—	—
	<u>\$ 4</u>	<u>\$ 6</u>

(*) The unrealized gains and losses for derivative contracts subject to netting arrangements were presented net on the balance sheets.

GULF POWER COMPANY NOTES TO FINANCIAL STATEMENTS (Continued)

For the periods ended June 30, 2019 and December 31, 2018, the pre-tax effects of energy-related derivatives and energy-related derivatives not designated as hedging instruments on the income statement were immaterial.

Contingent Features

Gulf Power does not have any credit arrangements that would require material changes in payment schedules or terminations as a result of a credit rating downgrade. There are certain derivatives that could require collateral, but not accelerated payment, in the event of various credit rating changes of certain affiliated companies. At June 30, 2019 and December 31, 2018, Gulf Power had no collateral posted with derivative counterparties to satisfy these arrangements.

At June 30, 2019, the fair value of derivative instruments with credit-risk-related contingent features that were in a liability position was approximately \$5 million. At December 31, 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 \$3 million as of June 30, 2019 and December 31, 2018, and include certain agreements that could require collateral in the event that one or more Southern Company power pool participants has a credit rating change to below investment grade. Following the sale of Gulf Power to NextEra Energy, Gulf Power is continuing to participate in the Southern Company power pool for a defined transition period that, subject to certain potential adjustments, is scheduled to end on January 1, 2024. Some derivative contracts do not contain credit ratings downgrade triggers, but do contain provisions that require certain financial measures be maintained and/or have credit-related cross-default triggers. In the event these provisions were triggered, Gulf Power could be required to post additional collateral of up to approximately \$2 million at June 30, 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.

Gulf Power does not anticipate a material adverse effect on the financial statements as a result of counterparty nonperformance.

9. COMMITMENTS AND CONTINGENCIES

General Litigation Matters

Gulf Power is subject to certain claims and legal actions arising in the ordinary course of business. In addition, Gulf Power's business activities are subject to extensive governmental regulation related to public health and the environment, such as regulation of air emissions and water discharges. Litigation over environmental issues and claims of various types, including property damage, personal injury, common law nuisance, and citizen enforcement of environmental requirements such as standards for air, water, land, and protection of natural resources has occurred throughout the U.S. This litigation has included claims for damages alleged to have been caused by CO₂ and other emissions, CCR, and alleged exposure to hazardous materials, and/or requests for injunctive relief in connection with such matters. The ultimate outcome of such pending or potential litigation against Gulf Power cannot be predicted at this time; however, for current proceedings not specifically reported herein, management does not anticipate that the ultimate liabilities, if any, arising from such current proceedings would have a material effect on Gulf Power's financial statements.

Environmental Remediation

Gulf Power must comply with environmental laws and regulations governing the handling and disposal of waste and releases of hazardous substances. Under these various laws and regulations, Gulf Power may also incur substantial costs to clean up affected sites. Gulf Power received authority from the FPSC to recover approved environmental compliance costs through the environmental cost recovery clause. The FPSC reviews costs and adjusts rates up or down annually.

Gulf Power recognizes a liability for environmental remediation costs only when it determines a loss is probable and reasonably estimable. At June 30, 2019, Gulf Power's environmental remediation liability included estimated costs of environmental remediation projects of approximately \$46 million, of which approximately \$4 million is included in current regulatory liabilities and other current liabilities and approximately \$42 million is included in regulatory liabilities, deferred and other liabilities and deferred credits. At December 31, 2018, the environmental remediation liability included estimated costs for environmental remediation projects of approximately \$48 million, of which approximately \$4 million is included in current regulatory liabilities and other current liabilities and approximately \$44 million is included in other regulatory liabilities, deferred and other liabilities and deferred credits.

**GULF POWER COMPANY
NOTES TO FINANCIAL STATEMENTS (Continued)**

These estimated costs primarily relate to site closure criteria by the Florida Department of Environmental Protection (FDEP) for potential impacts to soil and groundwater from herbicide applications at Gulf Power's substations. The schedule for completion of the remediation projects is subject to FDEP approval. The projects have been approved by the FPSC for recovery through Gulf Power's environmental cost recovery clause; therefore, these liabilities have no impact on net income.

The ultimate outcome of these matters cannot be determined at this time; however, as a result of the regulatory treatment for environmental remediation expenses described above, the final disposition of these matters is not expected to have a material impact on Gulf Power's financial statements.

APPENDIX B
SUMMARY OF TERMS

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Glossary:	
BD	= Business Day
IPD	= Interest Payment Date
RA	= Remarketing Agent
TA	= Tender Agent

	Daily Interest Rate Period	Weekly Interest Rate Period	Commercial Paper Interest Rate Period	Long-Term Interest Rate Period
Authorized Denomination	\$100,000 and any integral multiple of \$5,000 in excess of \$100,000	\$100,000 and any integral multiple of \$5,000 in excess of \$100,000	\$100,000 and any integral multiple of \$1,000 in excess of \$100,000	Integral multiples of \$5,000
Interest Rate Setting	Par rate determined by RA	Par rate determined by RA	Par rate and Commercial Paper Terms determined by RA	Par rate determined by RA
Purchase from Owner at Owner's Option	On any BD with irrevocable notice to TA by 11:00 a.m.	On any BD with at least 7 days irrevocable notice to TA	Not applicable	Not applicable
Interest Rate Effective	Daily (Sat., Sun. and holidays will be same as preceding BD)	Wednesday through Tuesday	Commercial Paper Date through last day of Commercial Paper Term (not greater than 270 days)	First day of Period through last day of Period (one year or more)
Interest Rate Announced	Daily	No later than BD prior to the Wednesday	No later than the Commercial Paper Date	No later than first day of Period
Interest Accrual Date	First day thereof and first BD of each month thereafter	First day thereof and first Wednesday of each month thereafter	Commercial Paper Date through last day of Commercial Paper Term	IPD through day preceding next IPD
Calculation of Accrued Interest	365/366-day year and actual days elapsed	365/366-day year and actual days elapsed	365/366-day year and actual days elapsed	360-day year; twelve 30-day months
Interest Payment Date	Fifth BD of the month	First Wednesday of the month	Day after end of Commercial Paper Term (next Commercial Paper Date or first day of next Period)	fifth day of the calendar month that is six months after the calendar month in which the adjustment date occurs and the fifth day of the calendar month every six months after each such payment date thereafter until the end of Period
Interest Payment	By check to registered owner as of Record Date on IPD; in immediately available funds by deposit to account or wire transfers to owners who request same	By check to registered owner as of Record Date on IPD; in immediately available funds by deposit to account or wire transfers to owners who request same	By check to registered owner as of Record Date on IPD; in immediately available funds by deposit to account or wire transfers to owners who request same, but only when Bond is presented	By check to registered owner as of Record Date on IPD
Mandatory Tender for Purchase	Effective date of any change in the Period	Effective date of any change in the Period	First day of Period and the Commercial Paper Date	Effective date of any change in the Period
Optional Redemption	100% of par plus accrued interest on any BD	100% of par plus accrued interest on any BD	100% of par plus accrued interest on day immediately succeeding last day of the Commercial Paper Term	If the period is less than or equal to 10 years, then non-callable. If the period is longer than 10 years, callable at par after 10 years; 100% of par plus accrued interest on any BD upon the occurrence of certain events

	Daily Interest Rate Period	Weekly Interest Rate Period	Commercial Paper Interest Rate Period	Long-Term Interest Rate Period
Mandatory Redemption	100% of par plus accrued interest upon final determination of taxability	100% of par plus accrued interest upon final determination of taxability	100% of par plus accrued interest upon final determination of taxability	100% of par plus accrued interest upon final determination of taxability
Principal and any Premium Paid	Upon presentation and surrender of Series 2019 Bonds	Upon presentation and surrender of Series 2019 Bonds	Upon presentation and surrender of Series 2019 Bonds	Upon presentation and surrender of Series 2019 Bonds
Eligible Adjustment Date out of Period	Any BD	Any BD	BD following a Commercial Paper Term	BD following Period; any BD on which Series 2019 Bonds permitted to be redeemed
Adjustment to Period	By the Company	By the Company	By the Company	By the Company
Notice to Owners of Adjustment to Period	At least 15 days	At least 15 days	At least 15 days	At least 15 days (30 days if effective date is not day after originally scheduled last day of Long-Term Interest Rate Period)
Favorable Opinion of Counsel Required on Adjustment to Period	Yes	Yes	Yes	Yes

APPENDIX C

Form of Approving Opinion of Bond Counsel

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

October 17, 2019

Development Authority of Monroe County
Forsyth, Georgia

Gulf Power Company
Juno Beach, Florida

U.S. Bank National Association
Atlanta, Georgia

Morgan Stanley & Co. LLC
New York, New York

Re: \$45,000,000 Development Authority of Monroe County Revenue Bonds
(Gulf Power Company Project), Series 2019

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 Revenue Bonds (Gulf Power Company Project), Series 2019, in the aggregate principal amount of \$45,000,000 (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 10, 2019 and October 8, 2019, and a Trust Indenture, dated as of October 1, 2019 (the “*Indenture*”), between the Authority and U.S. Bank National Association, as trustee (the “*Trustee*”). The Bonds are being sold pursuant to an Underwriting Agreement, dated October 16, 2019 (the “*Underwriting Agreement*”), between the Authority and Morgan Stanley & Co. LLC (the “*Underwriter*”) and approved by Gulf Power Company, a Florida corporation (“*Gulf Power*”).

Pursuant to a Loan Agreement, dated as of October 1, 2019 (the “*Agreement*”), between the Authority, as lender, and Gulf Power, as borrower, the Bonds are being issued for the purpose of (i) financing or refinancing a portion of the cost of the acquisition, construction, installation and equipping of additions, extensions and improvements to the undivided interest of Gulf Power in certain sewage or solid waste disposal facilities (the “*Facilities*”) at Unit 3 of the Plant Robert W. Scherer coal-fired steam electric generating facilities (“*Plant Scherer*”) located in Monroe County, Georgia, and the common facilities associated with Units 1 to 4 (the “*Project*”) and (ii) paying all or a portion of the costs of issuance of the Bonds.

As security for the payment of the Bonds, the Authority has, pursuant to the Indenture, assigned to the Trustee and pledged to the payment of the principal of, redemption premium (if any) on, tender price of, and interest on the Bonds, the trust estate for the Bonds (the “*Trust Estate*”) which consists of the Authority's rights under the Agreement (except its rights to payment of certain costs, expenses and indemnification), including its rights to the Loan Repayments (as defined in the Indenture) and other moneys to the extent provided in the Indenture and under the Agreement.

As to questions of fact material to our opinion, we have relied upon (a) representations of the Authority and Gulf Power, (b) certified proceedings and other certifications of public officials furnished to us, (c) certifications by officials of Gulf Power, and (d) representations of Gulf Power relating to the use of the proceeds of the Bonds, the design, scope, function, cost and economic useful life of the Project and the relationship of the Project to Plant Scherer, contained in certificates of Gulf Power, without undertaking to verify the same by independent investigation.

We express no opinion with respect to (a) the corporate status and good standing of Gulf Power, (b) the corporate power of Gulf Power to enter into the Agreement, (c) the authorization, execution and delivery of the Agreement by Gulf Power, and (d) the Agreement being binding and enforceable upon Gulf Power. As to such matters, we refer you to the opinions of even date of Liebler, Gonzalez, & Portuondo, Morgan, Lewis & Bockius LLP, and McDaniel & Scott, P.C., Counsels to Gulf Power. We express no opinion as to the priority of the lien on the Trust Estate. We express no opinion herein as to the adequacy or sufficiency for its intended purpose of the Official Statement dated October 10, 2019 relating to the Bonds or any other material used in connection with the offering or sale of the Bonds.

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

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 Gulf Power and (c) to execute, deliver and perform its obligations under the Indenture, the Agreement and the Underwriting Agreement.

2. The Indenture, the Agreement and the Underwriting Agreement have been duly authorized, executed and delivered by the Authority, and the Indenture and the Agreement are valid and binding obligations of the Authority enforceable against the Authority. The Indenture creates a valid security interest in the Trust Estate.

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 Trust Estate.

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 Underwriting Agreement 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. Under existing statutes, rulings and court decisions, and under applicable regulations and proposed regulations, 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 Project or a “related person” within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended (the “Code”); however, interest on the Bonds is an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. 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 and Gulf Power 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. 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.

6. 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 Underwriting Agreement 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. This opinion is given as of the date set forth above, and we have not undertaken to notify you, the owners of the Bonds, the Trustee or any other person or entity of any change in law or fact 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 D

NOTICE OF TENDER OF BOOK-ENTRY BONDS-WEEKLY INTEREST RATE PERIOD

\$ _____
Development Authority of Monroe County (Georgia)
Revenue Bonds
(Gulf Power Company Project),
Series 2019

The Undersigned DTC Participant representing the beneficial owner of the book-entry bonds described below (the “Tendered Book-Entry Bonds”) does hereby irrevocably tender the Tendered Book-Entry Bonds to U.S. Bank National Association, or its successor, as Tender Agent (the “Tender Agent”), for purchase by the Tender Agent seven days from the date of the Tender Agent’s receipt, by telecopy or otherwise, of this notice, or the next Business Day* if such seventh day is not a Business Day (the “Tender Date”); provided, however, that if this notice is received by the Tender Agent by telecopy, this notice shall be of no force or effect, and the Tendered Book-Entry Bonds shall not be accepted or purchased by the Tender Agent, unless the Tender Agent receives this notice in original executed form by hand delivery prior to 2:00 p.m. New York time on the Business Day next succeeding its receipt of such notice by telecopy. The Purchase Price of Tendered Book-Entry Bonds shall be the unpaid principal amount of the Tendered Book-Entry Bonds plus accrued and unpaid interest, if any, thereon to, but not including, the Tender Date, and without premium (the “Purchase Price”). In the event that the Tender Date is also an interest payment date for the Tendered Book-Entry Bonds, interest on the Tendered Book-Entry Bonds to, but not including, the Tender Date shall be paid in the ordinary fashion and shall not constitute part of the Purchase Price.

Tendered Book-Entry Bonds

Tendered Principal Amount (in multiples of \$100,000 and \$5,000 in excess thereof)	<u>DTC Participant Number</u>	<u>CUSIP Number(s)</u>
--	-------------------------------	------------------------

\$

The undersigned acknowledges and agrees by the execution and delivery of this notice that (1) the tender of the Tendered Book-Entry Bonds is irrevocable; (2) the undersigned is contractually bound to tender such Tendered Book-Entry Bonds to the Tender Agent on the Tender Date; and (3) in the event of a failure to tender the Tendered Book-Entry Bonds to the Tender Agent on or before 12:00 Noon, New York City time on the Tender Date the undersigned shall pay to the Tender Agent an amount (the “default amount”) equal to the difference between (a) the costs arising out of the failure to tender and (b) the purchase price, as defined above,

* “Business Day” shall have the meaning ascribed thereto by the Indenture under which the Tendered Book-Entry Bonds are issued.

which would have been paid to the undersigned upon a tender. As used herein the “costs arising out of the failure to tender” shall mean the sum of (x) the amount expended by the Tender Agent, either directly or through an agent, in acquiring book-entry bonds in substitution of the Tendered Book-Entry Bonds (including interest thereon) and (y) the administrative and other charges, expenses or commissions incurred in connection with the acquisition of such substitute book-entry bonds.

The undersigned agrees that the Tender Agent, either directly or through an agent, may acquire such substitute bonds in such manner and market them as it deems commercially reasonable, and further agrees that the default amount is reasonable in light of the anticipated harm caused by the failure to tender and the inconvenience of obtaining any other remedy.

The undersigned hereby irrevocably appoints the Tender Agent as his duly authorized attorney and directs the Tender Agent to effect the transfer of the Tendered Book-Entry Bonds.

Date of Notice:

Signature of DTC Participant Representing the
Beneficial Owner of the Tendered Book-Entry
Bonds

Street City

State Zip

Area Code Telephone Number

Federal Taxpayer Identification Number

NOTICE OF TENDER OF BOOK-ENTRY BONDS-DAILY INTEREST RATE PERIOD

\$ _____
Development Authority of Monroe County (Georgia)
Revenue Bonds
(Gulf Power Company Project),
Series 2019

The Undersigned DTC Participant representing the beneficial owner of the book-entry bonds described below (the “Tendered Book-Entry Bonds”) does hereby irrevocably tender the Tendered Book-Entry Bonds to U.S. Bank National Association, or its successor, as Tender Agent (the “Tender Agent”), for purchase by the Tender Agent on the date hereof or the next Business Day* if the date hereof is not a Business Day (the “Tender Date”); provided, however, that if this notice is not received by the Tender Agent by 11:00 a.m. on the date hereof, this notice shall be of no force or effect, and the Tendered Book-Entry Bonds shall not be accepted or purchased by the Tender Agent. The Purchase Price of Tendered Book-Entry Bonds shall be the unpaid principal amount of the Tendered Book-Entry Bonds plus accrued and unpaid interest, if any, thereon to, but not including, the Tender Date, and without premium (the “Purchase Price”). In the event that the Tender Date is also an interest payment date for the Tendered Book-Entry Bonds, interest on the Tendered Book-Entry Bonds to, but not including, the Tender Date shall be paid in the ordinary fashion and shall not constitute part of the Purchase Price.

Tendered Book-Entry Bonds

Tendered Principal Amount (in multiples of \$100,000 and <u>\$5,000 in excess thereof</u>)	<u>DTC Participant Number</u>	<u>CUSIP Number(s)</u>
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\$

The undersigned acknowledges and agrees by the execution and delivery of this notice that (1) the tender of the Tendered Book-Entry Bonds is irrevocable; (2) the undersigned is contractually bound to tender such Tendered Book-Entry Bonds to the Tender Agent on the Tender Date; and (3) in the event of a failure to tender the Tendered Book-Entry Bonds to the Tender Agent on or before 12:00 Noon, New York City time on the Tender Date the undersigned shall pay to the Tender Agent an amount (the “default amount”) equal to the difference between (a) the costs arising out of the failure to tender and (b) the purchase price, as defined above, which would have been paid to the undersigned upon a tender. As used herein the “costs arising out of the failure to tender” shall mean the sum of (x) the amount expended by the Tender Agent, either directly or through an agent, in acquiring book-entry bonds in substitution of the Tendered Book-Entry Bonds (including interest thereon) and (y) the administrative and other charges,

* “Business Day” shall have the meaning ascribed thereto by the Indenture under which the Tendered Book-Entry Bonds are issued.

expenses or commissions incurred in connection with the acquisition of such substitute book-entry bonds.

The undersigned agrees that the Tender Agent, either directly or through an agent, may acquire such substitute bonds in such manner and market them as it deems commercially reasonable, and further agrees that the default amount is reasonable in light of the anticipated harm caused by the failure to tender and the inconvenience of obtaining any other remedy.

The undersigned hereby irrevocably appoints the Tender Agent as his duly authorized attorney and directs the Tender Agent to effect the transfer of the Tendered Book-Entry Bonds.

Date of Notice:

Signature of DTC Participant Representing the
Beneficial Owner of the Tendered Book-Entry
Bonds

Street City

State Zip

Area Code Telephone Number

Federal Taxpayer Identification Number

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APPENDIX E

Form of 15c2-12 Undertaking

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GULF POWER COMPANY

CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (the “Disclosure Undertaking”) is dated October [17], 2019 by GULF POWER COMPANY (the “Company”), in connection with the sale of \$45,000,000 aggregate principal amount of Development Authority of Monroe County Revenue Bonds (Gulf Power Company Project), Series 2019 (the “Bonds”). The Bonds are issued pursuant to a Trust Indenture dated as of October 1, 2019 (the “Indenture”), between the Development Authority of Monroe County (the “Issuer”) and U.S. Bank National Association, as trustee (the “Trustee”). The proceeds of the Bonds are provided by the Issuer to the Company pursuant to a Loan Agreement dated as of October 1, 2019 (the “Loan Agreement”) between Company and the Issuer.

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, 2019 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 Official Statement dated October [], 2019, 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, 2019 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. 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:

Signature Page to Continuing Disclosure Undertaking
\$45,000,000
Development Authority of Monroe County
Revenue Bonds
(Gulf Power Company Project),
Series 2019

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