

ALABAMA POWER CO
Form 10-Q
August 05, 2011

Table of Contents

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q
o QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2011
OR
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number	Registrant, State of Incorporation, Address and Telephone Number	I.R.S. Employer Identification No.
1-3526	The Southern Company (A Delaware Corporation) 30 Ivan Allen Jr. Boulevard, N.W. Atlanta, Georgia 30308 (404) 506-5000	58-0690070
1-3164	Alabama Power Company (An Alabama Corporation) 600 North 18 th Street Birmingham, Alabama 35203 (205) 257-1000	63-0004250
1-6468	Georgia Power Company (A Georgia Corporation) 241 Ralph McGill Boulevard, N.E. Atlanta, Georgia 30308 (404) 506-6526	58-0257110
001-31737	Gulf Power Company (A Florida Corporation) One Energy Place Pensacola, Florida 32520 (850) 444-6111	59-0276810
001-11229	Mississippi Power Company (A Mississippi Corporation) 2992 West Beach Gulfport, Mississippi 39501 (228) 864-1211	64-0205820
333-98553	Southern Power Company (A Delaware Corporation) 30 Ivan Allen Jr. Boulevard, N.W. Atlanta, Georgia 30308	58-2598670

Table of Contents

Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrants have submitted electronically and posted on their corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrants were required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of *large accelerated filer*, *accelerated filer* and *smaller reporting company* in Rule 12b-2 of the Exchange Act. (Check one):

Registrant	Large Accelerated Filer	Accelerated Filer	Non-accelerated Filer	Smaller Reporting Company
The Southern Company	X			
Alabama Power Company			X	
Georgia Power Company			X	
Gulf Power Company			X	
Mississippi Power Company			X	
Southern Power Company			X	

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.) Yes No (Response applicable to all registrants.)

Registrant	Description of Common Stock	Shares Outstanding at June 30, 2011
The Southern Company	Par Value \$5 Per Share	857,652,680
Alabama Power Company	Par Value \$40 Per Share	30,537,500
Georgia Power Company	Without Par Value	9,261,500
Gulf Power Company	Without Par Value	4,142,717
Mississippi Power Company	Without Par Value	1,121,000
Southern Power Company	Par Value \$0.01 Per Share	1,000

This combined Form 10-Q is separately filed by The Southern Company, Alabama Power Company, Georgia Power Company, Gulf Power Company, Mississippi Power Company, and Southern Power Company. Information contained herein relating to any individual registrant is filed by such registrant on its own behalf. Each registrant makes no representation as to information relating to the other registrants.

INDEX TO QUARTERLY REPORT ON FORM 10-Q
June 30, 2011

	Page Number
<u>DEFINITIONS</u>	5
<u>CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION</u>	7
PART I FINANCIAL INFORMATION	
Item 1. Financial Statements (Unaudited)	
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	
<u>The Southern Company and Subsidiary Companies</u>	
<u>Condensed Consolidated Statements of Income</u>	9
<u>Condensed Consolidated Statements of Cash Flows</u>	10
<u>Condensed Consolidated Balance Sheets</u>	11
<u>Condensed Consolidated Statements of Comprehensive Income</u>	13
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	14
<u>Alabama Power Company</u>	
<u>Condensed Statements of Income</u>	37
<u>Condensed Statements of Comprehensive Income</u>	37
<u>Condensed Statements of Cash Flows</u>	38
<u>Condensed Balance Sheets</u>	39
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	41
<u>Georgia Power Company</u>	
<u>Condensed Statements of Income</u>	57
<u>Condensed Statements of Comprehensive Income</u>	57
<u>Condensed Statements of Cash Flows</u>	58
<u>Condensed Balance Sheets</u>	59
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	61
<u>Gulf Power Company</u>	
<u>Condensed Statements of Income</u>	80
<u>Condensed Statements of Comprehensive Income</u>	80
<u>Condensed Statements of Cash Flows</u>	81
<u>Condensed Balance Sheets</u>	82
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	84
<u>Mississippi Power Company</u>	
<u>Condensed Statements of Income</u>	100
<u>Condensed Statements of Comprehensive Income</u>	100
<u>Condensed Statements of Cash Flows</u>	101
<u>Condensed Balance Sheets</u>	102
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	104
<u>Southern Power Company and Subsidiary Companies</u>	
<u>Condensed Consolidated Statements of Income</u>	125
<u>Condensed Consolidated Statements of Comprehensive Income</u>	125
<u>Condensed Consolidated Statements of Cash Flows</u>	126
<u>Condensed Consolidated Balance Sheets</u>	127
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	129
<u>Notes to the Condensed Financial Statements</u>	140

<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures about Market Risk</u>	35
<u>Item 4.</u>	<u>Controls and Procedures</u>	35

Table of Contents

**INDEX TO QUARTERLY REPORT ON FORM 10-Q
June 30, 2011**

	Page Number
<u>PART II OTHER INFORMATION</u>	
<u>Item 1.</u> <u>Legal Proceedings</u>	175
<u>Item</u>	
<u>1A.</u> <u>Risk Factors</u>	175
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	Inapplicable
Item 3. Defaults Upon Senior Securities	Inapplicable
Item 5. Other Information	Inapplicable
<u>Item 6.</u> <u>Exhibits</u>	176
<u>Signatures</u>	180

Table of Contents**DEFINITIONS**

Term	Meaning
2007 Retail Rate Plan	Georgia Power's retail rate plan for the years 2008 through 2010
2010 ARP	Alternate Rate Plan approved by the Georgia PSC for Georgia Power which became effective January 1, 2011 and will continue through December 31, 2013
AFUDC	Allowance for funds used during construction
Alabama Power	Alabama Power Company
Clean Air Act	Clean Air Act Amendments of 1990
DOE	U.S. Department of Energy
Duke Energy	Duke Energy Corporation
ECO Plan	Mississippi Power's Environmental Compliance Overview Plan
EPA	U.S. Environmental Protection Agency
FERC	Federal Energy Regulatory Commission
Form 10-K	Combined Annual Report on Form 10-K of Southern Company, Alabama Power, Georgia Power, Gulf Power, Mississippi Power, and Southern Power for the year ended December 31, 2010
GAAP	Generally Accepted Accounting Principles
Georgia Power	Georgia Power Company
Gulf Power	Gulf Power Company
IGCC	Integrated coal gasification combined cycle
IIC	Intercompany Interchange Contract
Internal Revenue Code	Internal Revenue Code of 1986, as amended
IRP	Integrated Resource Plan
IRS	Internal Revenue Service
KWH	Kilowatt-hour
LIBOR	London Interbank Offered Rate
Mirant	Mirant Corporation
Mississippi Power	Mississippi Power Company
mmBtu	Million British thermal unit
MW	Megawatt
MWH	Megawatt-hour
NCCR tariff	Georgia Power's Nuclear Construction Cost Recovery tariff, which became effective January 1, 2011, in accordance with the Georgia Nuclear Energy Financing Act
NDR	Alabama Power's natural disaster reserve
NRC	Nuclear Regulatory Commission
NSR	New Source Review
OCI	Other Comprehensive Income
PEP	Mississippi Power's Performance Evaluation Plan
Plant Vogtle Units 3 and 4	Two new nuclear generating units under construction at Plant Vogtle
Power Pool	The operating arrangement whereby the integrated generating resources of the traditional operating companies and Southern Power are subject to joint commitment and dispatch in order to serve their combined load obligations
PPA	Power Purchase Agreement
PSC	Public Service Commission
Rate CNP Environmental	Alabama Power's rate certificated new plant environmental

Rate ECR
registrants

Alabama Power's energy cost recovery rate mechanism
Southern Company, Alabama Power, Georgia Power, Gulf Power, Mississippi
Power, and Southern Power

SCR

Selective catalytic reduction

SCS

Southern Company Services, Inc.

5

Table of Contents

Term	Meaning
SEC	Securities and Exchange Commission
Southern Company	The Southern Company
Southern Company system	Southern Company, the traditional operating companies, Southern Power, and other subsidiaries
SouthernLINC Wireless	Southern Communications Services, Inc.
Southern Nuclear	Southern Nuclear Operating Company, Inc.
Southern Power	Southern Power Company
traditional operating companies	Alabama Power, Georgia Power, Gulf Power, and Mississippi Power
Westinghouse	Westinghouse Electric Company LLC
wholesale revenues	revenues generated from sales for resale

Table of Contents

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This Quarterly Report on Form 10-Q contains forward-looking statements. Forward-looking statements include, among other things, statements concerning the strategic goals for the wholesale business, retail sales, customer growth, economic recovery, fuel cost recovery and other rate actions, current and proposed environmental regulations and related estimated expenditures, future earnings, access to sources of capital, financing activities, start and completion of construction projects, plans and estimated costs for new generation resources, impact of the Small Business Jobs and Credit Act of 2010, impact of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, estimated sales and purchases under new power sale and purchase agreements, storm damage cost recovery and repairs, and estimated construction and other expenditures. In some cases, forward-looking statements can be identified by terminology such as may, will, could, should, expects, plans, anticipates, estimates, projects, predicts, potential, or continue or the negative of these terms or other similar terminology. There are various factors that could cause actual results to differ materially from those suggested by the forward-looking statements; accordingly, there can be no assurance that such indicated results will be realized. These factors include:

- the impact of recent and future federal and state regulatory changes, including legislative and regulatory initiatives regarding deregulation and restructuring of the electric utility industry, implementation of the Energy Policy Act of 2005, environmental laws including regulation of water quality, coal combustion byproducts, and emissions of sulfur, nitrogen, carbon, soot, particulate matter, hazardous air pollutants, including mercury, and other substances, financial reform legislation, and also changes in tax and other laws and regulations to which Southern Company and its subsidiaries are subject, as well as changes in application of existing laws and regulations;
- current and future litigation, regulatory investigations, proceedings, or inquiries, including the pending EPA civil actions against certain Southern Company subsidiaries, FERC matters, and IRS audits;
- the effects, extent, and timing of the entry of additional competition in the markets in which Southern Company's subsidiaries operate;
- variations in demand for electricity, including those relating to weather, the general economy and recovery from the recent recession, population and business growth (and declines), and the effects of energy conservation measures;
- available sources and costs of fuels;
- effects of inflation;
- ability to control costs and avoid cost overruns during the development and construction of facilities;
- investment performance of Southern Company's employee benefit plans and nuclear decommissioning trust funds;
- advances in technology;
- state and federal rate regulations and the impact of pending and future rate cases and negotiations, including rate actions relating to fuel and other cost recovery mechanisms;
- regulatory approvals and actions related to the Plant Vogtle expansion, including Georgia PSC and NRC approvals and potential DOE loan guarantees;
- regulatory approvals and actions related to the Kemper IGCC, including Mississippi PSC approvals and potential DOE loan guarantees;
- the performance of projects undertaken by the non-utility businesses and the success of efforts to invest in and develop new opportunities;
- internal restructuring or other restructuring options that may be pursued;
- potential business strategies, including acquisitions or dispositions of assets or businesses, which cannot be assured to be completed or beneficial to Southern Company or its subsidiaries;
- the ability of counterparties of Southern Company and its subsidiaries to make payments as and when due and to perform as required;
- the ability to obtain new short- and long-term contracts with wholesale customers;
- the direct or indirect effect on Southern Company's business resulting from terrorist incidents and the threat of terrorist incidents, including cyber intrusion;
- interest rate fluctuations and financial market conditions and the results of financing efforts, including Southern Company's and its subsidiaries' credit ratings;

the impacts of any potential U.S. credit rating downgrade or other sovereign financial issues, including impacts on interest rates, access to capital markets, impacts on currency exchange rates, counterparty performance, and the economy in general, as well as potential impacts on the availability or benefits of proposed DOE loan guarantees; the ability of Southern Company and its subsidiaries to obtain additional generating capacity at competitive prices; catastrophic events such as fires, earthquakes, explosions, floods, hurricanes, droughts, pandemic health events such as influenzas, or other similar occurrences; the direct or indirect effects on Southern Company's business resulting from incidents affecting the U.S. electric grid or operation of generating resources;

the effect of accounting pronouncements issued periodically by standard setting bodies; and other factors discussed elsewhere herein and in other reports filed by the registrants from time to time with the SEC.

The registrants expressly disclaim any obligation to update any forward-looking statements.

Table of Contents

**THE SOUTHERN COMPANY
AND SUBSIDIARY COMPANIES**

8

Table of Contents

THE SOUTHERN COMPANY AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2011	2010	2011	2010
	<i>(in millions)</i>		<i>(in millions)</i>	
Operating Revenues:				
Retail revenues	\$ 3,842	\$ 3,571	\$ 7,238	\$ 7,030
Wholesale revenues	507	473	956	1,015
Other electric revenues	154	143	303	278
Other revenues	18	21	36	42
Total operating revenues	4,521	4,208	8,533	8,365
Operating Expenses:				
Fuel	1,673	1,629	3,149	3,274
Purchased power	145	128	245	255
Other operations and maintenance	910	919	1,854	1,827
Depreciation and amortization	430	367	848	710
Taxes other than income taxes	227	214	447	426
Total operating expenses	3,385	3,257	6,543	6,492
Operating Income	1,136	951	1,990	1,873
Other Income and (Expense):				
Allowance for equity funds used during construction	36	46	71	95
Interest expense, net of amounts capitalized	(199)	(219)	(421)	(441)
Other income (expense), net	(4)	(5)	(2)	(7)
Total other income and (expense)	(167)	(178)	(352)	(353)
Earnings Before Income Taxes	969	773	1,638	1,520
Income taxes	349	247	580	483
Consolidated Net Income	620	526	1,058	1,037
Dividends on Preferred and Preference Stock of Subsidiaries	16	16	32	32
Consolidated Net Income After Dividends on Preferred and Preference Stock of Subsidiaries	\$ 604	\$ 510	\$ 1,026	\$ 1,005
Common Stock Data:				
Earnings per share (EPS) -				
Basic EPS	\$ 0.71	\$ 0.62	\$ 1.20	\$ 1.22
Diluted EPS	\$ 0.70	\$ 0.61	\$ 1.20	\$ 1.21
Average number of shares of common stock outstanding (in millions)				
Basic	855	828	851	825

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Diluted	862	833	858	829
Cash dividends paid per share of common stock	\$ 0.4725	\$ 0.4550	\$ 0.9275	\$ 0.8925

The accompanying notes as they relate to Southern Company are an integral part of these condensed financial statements.

Table of Contents

THE SOUTHERN COMPANY AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	For the Six Months Ended June 30,	
	2011	2010
	<i>(in millions)</i>	
Operating Activities:		
Consolidated net income	\$ 1,058	\$ 1,037
Adjustments to reconcile consolidated net income to net cash provided from operating activities		
Depreciation and amortization, total	1,011	868
Deferred income taxes	427	215
Deferred revenues	(6)	(47)
Allowance for equity funds used during construction	(71)	(95)
Pension, postretirement, and other employee benefits	(38)	(1)
Stock based compensation expense	27	24
Generation construction screening costs		(51)
Other, net	1	(63)
Changes in certain current assets and liabilities		
-Receivables	(156)	(255)
-Fossil fuel stock	81	72
-Other current assets	(106)	(95)
-Accounts payable	58	(52)
-Accrued taxes	300	(80)
-Accrued compensation	(193)	(34)
-Other current liabilities	(4)	(28)
Net cash provided from operating activities	2,389	1,415
Investing Activities:		
Property additions	(2,126)	(1,936)
Investment in restricted cash	(3)	
Distribution of restricted cash	61	11
Nuclear decommissioning trust fund purchases	(1,405)	(516)
Nuclear decommissioning trust fund sales	1,401	489
Proceeds from property sales	17	
Cost of removal, net of salvage	(68)	(60)
Change in construction payables	37	13
Other investing activities	22	(37)
Net cash used for investing activities	(2,064)	(2,036)
Financing Activities:		
Increase (decrease) in notes payable, net	(440)	244
Proceeds		
Long-term debt issuances	1,950	1,146
Common stock issuances	482	341
Redemptions		

Long-term debt	(1,504)	(754)
Payment of common stock dividends	(787)	(735)
Payment of dividends on preferred and preference stock of subsidiaries	(32)	(32)
Other financing activities	(4)	(13)
Net cash provided from (used for) financing activities	(335)	197
Net Change in Cash and Cash Equivalents	(10)	(424)
Cash and Cash Equivalents at Beginning of Period	447	690
Cash and Cash Equivalents at End of Period	\$ 437	\$ 266

Supplemental Cash Flow Information:

Cash paid during the period for		
Interest (net of \$35 and \$40 capitalized for 2011 and 2010, respectively)	\$ 419	\$ 387
Income taxes (net of refunds)	(355)	285
Noncash transactions accrued property additions at end of period	407	356

The accompanying notes as they relate to Southern Company are an integral part of these condensed financial statements.

Table of Contents

THE SOUTHERN COMPANY AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

Assets	At June 30, 2011	At December 31, 2010
		<i>(in millions)</i>
Current Assets:		
Cash and cash equivalents	\$ 437	\$ 447
Restricted cash and cash equivalents	13	68
Receivables		
Customer accounts receivable	1,275	1,140
Unbilled revenues	518	420
Under recovered regulatory clause revenues	222	209
Other accounts and notes receivable	254	285
Accumulated provision for uncollectible accounts	(26)	(25)
Fossil fuel stock, at average cost	1,226	1,308
Materials and supplies, at average cost	841	827
Vacation pay	150	151
Prepaid expenses	360	784
Other regulatory assets, current	181	210
Other current assets	51	59
Total current assets	5,502	5,883
Property, Plant, and Equipment:		
In service	57,817	56,731
Less accumulated depreciation	20,657	20,174
Plant in service, net of depreciation	37,160	36,557
Other utility plant, net	66	
Nuclear fuel, at amortized cost		