

SOUTHERN CO
 Form 10-Q
 November 06, 2014
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UNITED STATES
 SECURITIES AND EXCHANGE COMMISSION
 Washington, D.C. 20549

FORM 10-Q
 ☐ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
 OF THE SECURITIES EXCHANGE ACT OF 1934
 For the quarterly period ended September 30, 2014
 OR
 ☐ 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 Boulevard Gulfport, Mississippi 39501 (228) 864-1211	64-0205820

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333-98553
Southern Power Company
(A Delaware Corporation)
30 Ivan Allen Jr. Boulevard, N.W.
Atlanta, Georgia 30308
(404) 506-5000

58-2598670

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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	<input checked="" type="checkbox"/>			
Alabama Power Company			<input checked="" type="checkbox"/>	
Georgia Power Company			<input checked="" type="checkbox"/>	
Gulf Power Company			<input checked="" type="checkbox"/>	
Mississippi Power Company			<input checked="" type="checkbox"/>	
Southern Power Company			<input checked="" type="checkbox"/>	

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 September 30, 2014
The Southern Company	Par Value \$5 Per Share	899,812,716
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	5,442,717
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.

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DEFINITIONS

Term	Meaning
2012 MPSC CPCN Order	A detailed order issued by the Mississippi PSC in April 2012 confirming the CPCN originally approved by the Mississippi PSC in 2010 authorizing the acquisition, construction, and operation of the Kemper IGCC
2013 ARP	Alternative Rate Plan approved by the Georgia PSC for Georgia Power for the years 2014 through 2016
AFUDC	Allowance for Funds Used During Construction
Alabama Power	Alabama Power Company
ASC	Accounting Standards Codification
Baseload Act	State of Mississippi legislation designed to enhance the Mississippi PSC's authority to facilitate development and construction of baseload generation in the State of Mississippi
Chancery Court	Chancery Court of Harrison County, Mississippi
Clean Air Act	Clean Air Act Amendments of 1990
Contractor	Westinghouse and Stone & Webster, Inc.
CO ₂	Carbon dioxide
CPCN	Certificate of Public Convenience and Necessity
CWIP	Construction work in progress
DOE	U.S. Department of Energy
ECO Plan	Mississippi Power's Environmental Compliance Overview Plan
EPA	U.S. Environmental Protection Agency
FERC	Federal Energy Regulatory Commission
FFB	Federal Financing Bank
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, 2013
GAAP	Generally accepted accounting principles
Georgia Power	Georgia Power Company
GHG	Greenhouse gas
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
IRS	Internal Revenue Service
ITCs	Investment tax credits
Kemper IGCC	IGCC facility under construction in Kemper County, Mississippi
KWH	Kilowatt-hour
LIBOR	London Interbank Offered Rate
Mississippi Power	Mississippi Power Company
mmBtu	Million British thermal unit
Moody's	Moody's Investors Service, Inc.
MW	Megawatt
NCCR	Nuclear Construction Cost Recovery
NRC	U.S. Nuclear Regulatory Commission
OCI	Other comprehensive income

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DEFINITIONS

(continued)

Term	Meaning
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	Alabama Power's Rate Certificated New Plant
Rate CNP Environmental	Alabama Power's Rate Certificated New Plant Environmental
Rate CNP PPA	Alabama Power's Rate Certificated New Plant Power Purchase Agreement
registrants	Southern Company, Alabama Power, Georgia Power, Gulf Power, Mississippi Power, and Southern Power
ROE	Return on equity
scrubber	Flue gas desulfurization system
SEC	U.S. Securities and Exchange Commission
SMEPA	South Mississippi Electric Power Association
Southern Company	The Southern Company
Southern Company system	Southern Company, the traditional operating companies, Southern Power, and other subsidiaries
Southern Nuclear	Southern Nuclear Operating Company, Inc.
Southern Power	Southern Power Company and its subsidiaries
S&P	Standard and Poor's Ratings Services, a division of The McGraw Hill Companies, Inc.
traditional operating companies	Alabama Power, Georgia Power, Gulf Power, and Mississippi Power Georgia Power, Oglethorpe Power Corporation, the Municipal Electric Authority of Georgia, and the City of Dalton, Georgia, an incorporated municipality in the State of Georgia acting by and through its Board of Water, Light, and Sinking Fund Commissioners
Vogtle Owners	
Westinghouse	Westinghouse Electric Company LLC
wholesale revenues	revenues generated from sales for resale

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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 retail rates, the strategic goals for the wholesale business, economic recovery, fuel and environmental cost recovery and other rate actions, current and proposed environmental regulations and related compliance plans and estimated expenditures, access to sources of capital, projections for the qualified pension plan, postretirement benefit plans, and nuclear decommissioning trust fund contributions, financing activities, completion dates of construction projects, plans and estimated costs for new generation resources, filings with state and federal regulatory authorities, impact of the American Taxpayer Relief Act of 2012, estimated sales and purchases under power sale and purchase agreements, and estimated construction and other capital expenditures. In some cases, forward-looking statements can be identified by terminology such as "may," "will," "could," "should," "expects," "plans," "anticipates," "believes," "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, environmental laws including regulation of water, coal combustion residuals, and emissions of sulfur, nitrogen, CO₂, soot, particulate matter, hazardous air pollutants, including mercury, and other substances, 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 pending EPA civil actions against certain Southern Company subsidiaries, FERC matters, and IRS and state tax 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 last recession, population and business growth (and declines), the effects of energy conservation measures, including from the development and deployment of alternative energy sources such as self-generation and distributed generation technologies, and any potential economic impacts resulting from federal fiscal decisions;
- available sources and costs of fuels;
- effects of inflation;
- ability to control costs and avoid cost overruns during the development and construction of facilities, which include the development and construction of generating facilities with designs that have not been finalized or previously constructed, including changes in labor costs and productivity factors, adverse weather conditions, shortages and inconsistent quality of equipment, materials, and labor, contractor or supplier delay, non-performance under construction or other agreements, operational performance, operational readiness, including specialized operator training, unforeseen engineering or design problems, delays associated with start-up activities (including major equipment failure and system integration), and/or operations;
- ability to construct facilities in accordance with the requirements of permits and licenses, to satisfy any operational and environmental performance standards, including any PSC requirements and the requirements of tax credits and other incentives, and to integrate facilities into the Southern Company system upon completion of construction;
- investment performance of Southern Company's employee and retiree benefit plans and the Southern Company system's 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;
- legal proceedings and regulatory approvals and actions related to Plant Vogtle Units 3 and 4, including Georgia PSC approvals and NRC actions and related legal proceedings involving the commercial parties;

actions related to cost recovery for the Kemper IGCC, including actions relating to proposed securitization, Mississippi PSC approval of Mississippi Power's proposed rate recovery plan, as ultimately amended, which currently includes the ability to complete the proposed sale of an interest in the Kemper IGCC to SMEPA, the ability to utilize bonus depreciation, which currently requires that assets be placed in service in 2014, and satisfaction of requirements to utilize ITCs and grants;

Mississippi PSC review of the prudence of Kemper IGCC costs;

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

(continued)

the outcome of any legal or regulatory proceedings regarding any settlement agreement between Mississippi Power and the Mississippi PSC, the March 2013 rate order approving retail rate increases consistent with the terms of any settlement agreement, or the Baseload Act;

- the inherent risks involved in operating and constructing nuclear generating facilities, including environmental, health, regulatory, natural disaster, terrorism, and financial risks;

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 the Southern Company system'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 benefits of the DOE loan guarantees;

the ability of Southern Company's 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 the Southern Company system'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 (including the Form 10-K) filed by the registrants from time to time with the SEC.

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

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THE SOUTHERN COMPANY
AND SUBSIDIARY COMPANIES

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CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2014	2013	2014	2013
	(in millions)		(in millions)	
Operating Revenues:				
Retail revenues	\$4,558	\$4,319	\$12,186	\$11,237
Wholesale revenues	600	520	1,719	1,406
Other electric revenues	169	166	503	477
Other revenues	12	12	42	40
Total operating revenues	5,339	5,017	14,450	13,160
Operating Expenses:				
Fuel	1,656	1,580	4,765	4,216
Purchased power	194	145	514	367
Other operations and maintenance	1,021	928	3,026	2,849
Depreciation and amortization	514	480	1,515	1,422
Taxes other than income taxes	258	243	751	710
Estimated loss on Kemper IGCC	418	150	798	1,140
Total operating expenses	4,061	3,526	11,369	10,704
Operating Income	1,278	1,491	3,081	2,456
Other Income and (Expense):				
Allowance for equity funds used during construction	63	53	182	139
Interest expense, net of amounts capitalized	(207)	(202)	(623)	(628)
Other income (expense), net	(7)	(5)	(20)	(31)
Total other income and (expense)	(151)	(154)	(461)	(520)
Earnings Before Income Taxes	1,127	1,337	2,620	1,936
Income taxes	392	468	889	657
Consolidated Net Income	735	869	1,731	1,279
Dividends on Preferred and Preference Stock of Subsidiaries	17	17	51	49
Consolidated Net Income After Dividends on Preferred and Preference Stock of Subsidiaries	\$718	\$852	\$1,680	\$1,230
Common Stock Data:				
Earnings per share (EPS) -				
Basic EPS	\$0.80	\$0.97	\$1.88	\$1.41
Diluted EPS	\$0.80	\$0.97	\$1.87	\$1.40
Average number of shares of common stock outstanding (in millions)				
Basic	898	878	894	874
Diluted	902	881	898	879
Cash dividends paid per share of common stock	\$0.5250	\$0.5075	\$1.5575	\$1.5050

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

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2014	2013	2014	2013
	(in millions)		(in millions)	
Consolidated Net Income	\$735	\$869	\$1,731	\$1,279
Other comprehensive income (loss):				
Qualifying hedges:				
Reclassification adjustment for amounts included in net income, net of tax of \$1, \$1, \$2 and \$5, respectively	1	1	4	7
Pension and other post retirement benefit plans:				
Reclassification adjustment for amounts included in net income, net of tax of \$1, \$1, \$2 and \$3, respectively	1	1	2	4
Total other comprehensive income (loss)	2	2	6	11
Dividends on preferred and preference stock of subsidiaries	(17	) (17	) (51	) (49
Comprehensive Income	\$720	\$854	\$1,686	\$1,241

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

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

	For the Nine Months Ended September 30,	
	2014	2013
	(in millions)	
Operating Activities:		
Consolidated net income	\$1,731	\$1,279
Adjustments to reconcile consolidated net income to net cash provided from operating activities —		
Depreciation and amortization, total	1,798	1,725
Deferred income taxes	330	263
Allowance for equity funds used during construction	(182)	(139)
Stock based compensation expense	51	48
Estimated loss on Kemper IGCC	798	1,140
Other, net	(74)	76
Changes in certain current assets and liabilities —		
-Receivables	(640)	(407)
-Fossil fuel stock	522	471
-Materials and supplies	(45)	33
-Other current assets	(29)	(1)
-Accounts payable	(92)	(140)
-Accrued taxes	403	268
-Accrued compensation	96	(198)
-Other current liabilities	20	(7)
Net cash provided from operating activities	4,687	4,411
Investing Activities:		
Property additions	(3,903)	(3,978)
Investment in restricted cash	(11)	(169)
Distribution of restricted cash	37	94
Nuclear decommissioning trust fund purchases	(635)	(744)
Nuclear decommissioning trust fund sales	633	742
Cost of removal, net of salvage	(106)	(90)
Prepaid long-term service agreement	(145)	(79)
Other investing activities	(27)	122
Net cash used for investing activities	(4,157)	(4,102)
Financing Activities:		
Decrease in notes payable, net	(1,117)	(70)
Proceeds —		
Long-term debt issuances	2,715	2,421
Interest-bearing refundable deposit	75	—
Preference stock	—	50
Common stock issuances	484	479
Redemptions —		
Long-term debt	(437)	(1,767)
Common stock repurchased	(5)	(19)
Payment of common stock dividends	(1,391)	(1,314)
Payment of dividends on preferred and preference stock of subsidiaries	(51)	(49)

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Other financing activities	(48) 14	
Net cash provided from (used for) financing activities	225	(255)
Net Change in Cash and Cash Equivalents	755	54	
Cash and Cash Equivalents at Beginning of Period	659	628	
Cash and Cash Equivalents at End of Period	\$1,414	\$682	
Supplemental Cash Flow Information:			
Cash paid during the period for —			
Interest (net of \$80 and \$67 capitalized for 2014 and 2013, respectively)	\$560	\$564	
Income taxes, net	263	149	
Noncash transactions — accrued property additions at end of period	415	539	
Noncash transactions — capital lease obligation	—	83	
The accompanying notes as they relate to Southern Company are an integral part of these condensed financial statements.			

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CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

Assets	At September 30, 2014 (in millions)	At December 31, 2013
Current Assets:		
Cash and cash equivalents	\$ 1,414	\$ 659
Receivables —		
Customer accounts receivable	1,439	1,027
Unbilled revenues	476	448
Under recovered regulatory clause revenues	104	58
Other accounts and notes receivable	259	304
Accumulated provision for uncollectible accounts	(20)	(18)
Fossil fuel stock, at average cost	817	1,339
Materials and supplies, at average cost	1,018	959
Vacation pay	170	171
Prepaid expenses	387	489
Other regulatory assets, current	147	124
Other current assets	47	39
Total current assets	6,258	5,599
Property, Plant, and Equipment:		
In service	68,545	66,021
Less accumulated depreciation	23,846	23,059
Plant in service, net of depreciation	44,699	42,962
Other utility plant, net	218	240
Nuclear fuel, at amortized cost	840	855
Construction work in progress	7,410	7,151
Total property, plant, and equipment	53,167	51,208
Other Property and Investments:		
Nuclear decommissioning trusts, at fair value	1,510	1,465
Leveraged leases	680	665
Miscellaneous property and investments	245	218
Total other property and investments	2,435	2,348
Deferred Charges and Other Assets:		
Deferred charges related to income taxes	1,488	1,432
Prepaid pension costs	438	419
Unamortized debt issuance expense	206	139
Unamortized loss on reacquired debt	274	293
Other regulatory assets, deferred	2,624	2,557
Other deferred charges and assets	764	551
Total deferred charges and other assets	5,794	5,391
Total Assets	\$ 67,654	\$ 64,546

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

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CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

Liabilities and Stockholders' Equity	At September 30, 2014 (in millions)	At December 31, 2013	
Current Liabilities:			
Securities due within one year	\$2,398	\$469	
Interest-bearing refundable deposit	225	150	
Notes payable	361	1,482	
Accounts payable	1,381	1,376	
Customer deposits	386	380	
Accrued taxes —			
Accrued income taxes	238	13	
Other accrued taxes	558	456	
Accrued interest	270	251	
Accrued vacation pay	213	217	
Accrued compensation	423	303	
Other regulatory liabilities, current	84	92	
Other current liabilities	353	347	
Total current liabilities	6,890	5,536	
Long-term Debt	21,699	21,344	
Deferred Credits and Other Liabilities:			
Accumulated deferred income taxes	10,817	10,563	
Deferred credits related to income taxes	191	202	
Accumulated deferred investment tax credits	1,006	966	
Employee benefit obligations	1,474	1,461	
Asset retirement obligations	2,133	2,006	
Other cost of removal obligations	1,341	1,270	
Other regulatory liabilities, deferred	566	475	
Other deferred credits and liabilities	549	584	
Total deferred credits and other liabilities	18,077	17,527	
Total Liabilities	46,666	44,407	
Redeemable Preferred Stock of Subsidiaries	375	375	
Stockholders' Equity:			
Common Stockholders' Equity:			
Common stock, par value \$5 per share —			
Authorized — 1.5 billion shares			
Issued — September 30, 2014: 901 million shares			
— December 31, 2013: 893 million shares			
Treasury — September 30, 2014: 0.7 million shares			
— December 31, 2013: 5.7 million shares			
Par value	4,500	4,461	
Paid-in capital	5,652	5,362	
Treasury, at cost	(25) (250)
Retained earnings	9,800	9,510	
Accumulated other comprehensive loss	(70) (75)
Total Common Stockholders' Equity	19,857	19,008	

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Preferred and Preference Stock of Subsidiaries	756	756
Total Stockholders' Equity	20,613	19,764
Total Liabilities and Stockholders' Equity	\$67,654	\$64,546

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONSTHIRD QUARTER 2014 vs. THIRD QUARTER 2013
AND
YEAR-TO-DATE 2014 vs. YEAR-TO-DATE 2013

OVERVIEW

Southern Company is a holding company that owns all of the common stock of the traditional operating companies – Alabama Power, Georgia Power, Gulf Power, and Mississippi Power – and Southern Power and other direct and indirect subsidiaries. Discussion of the results of operations is focused on the Southern Company system's primary business of electricity sales by the traditional operating companies and Southern Power. The four traditional operating companies are vertically integrated utilities providing electric service in four Southeastern states. Southern Power constructs, acquires, owns, and manages generation assets, including renewable energy projects, and sells electricity at market-based rates in the wholesale market. Southern Company's other business activities include investments in leveraged lease projects and telecommunications. For additional information on these businesses, see BUSINESS – "The Southern Company System – Traditional Operating Companies," "Southern Power," and "Other Businesses" in Item 1 of the Form 10-K.

In addition, subsidiaries of Southern Company are constructing Plant Vogtle Units 3 and 4 (45.7% ownership interest by Georgia Power in two units, each with approximately 1,100 MWs) and the Kemper IGCC (in which Mississippi Power is ultimately expected to hold an 85% ownership interest in the 582-MW facility). See RESULTS OF OPERATIONS – "Estimated Loss on Kemper IGCC," FUTURE EARNINGS POTENTIAL – "Construction Program," and Note (B) to the Condensed Financial Statements under "Retail Regulatory Matters – Georgia Power – Nuclear Construction" and "Integrated Coal Gasification Combined Cycle" herein for additional information.

Southern Company continues to focus on several key performance indicators. These indicators include customer satisfaction, plant availability, system reliability, execution of major construction projects, and earnings per share. For additional information on these indicators, see MANAGEMENT'S DISCUSSION AND ANALYSIS – OVERVIEW – "Key Performance Indicators" of Southern Company in Item 7 of the Form 10-K. See Note (B) to the Condensed Financial Statements under "Integrated Coal Gasification Combined Cycle" herein for information regarding revisions to the cost estimate for the Kemper IGCC that have negatively impacted Southern Company's earnings per share, one of its key performance indicators, for 2014, as compared to the target.

RESULTS OF OPERATIONS

Net Income

Third Quarter 2014 vs. Third Quarter 2013		Year-to-Date 2014 vs. Year-to-Date 2013	
(change in millions)	(% change)	(change in millions)	(% change)
\$(134)	(15.7)	\$450	36.6

Southern Company's third quarter 2014 net income after dividends on preferred and preference stock of subsidiaries was \$718 million (\$0.80 per share) compared to \$852 million (\$0.97 per share) for the third quarter 2013. The decrease was primarily the result of a \$418 million pre-tax charge (\$258 million after tax) recorded in the third quarter 2014 compared to a \$150 million pre-tax charge (\$93 million after tax) recorded in the third quarter 2013 for revisions of estimated costs expected to be incurred on Mississippi Power's construction of the Kemper IGCC, as well as increases in non-fuel operations and maintenance expenses. The decrease was partially offset by an increase in revenues due to retail base rate increases and warmer weather in the third quarter 2014 as compared to the corresponding period in 2013.

Southern Company's year-to-date 2014 net income after dividends on preferred and preference stock of subsidiaries was \$1.7 billion (\$1.88 per share) compared to \$1.2 billion (\$1.41 per share) for the corresponding period in 2013. The increase was primarily the result of \$798 million in pre-tax charges (\$493 million after tax) recorded year-to-

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date 2014 compared to \$1.1 billion in pre-tax charges (\$704 million after tax) recorded year-to-date 2013 for revisions of estimated costs expected to be incurred on Mississippi Power's construction of the Kemper IGCC. The increase was also related to an increase in revenues due to retail base rate increases as well as colder weather in the first quarter 2014 and warmer weather in the second and third quarters 2014 as compared to the corresponding periods in 2013, partially offset by increases in non-fuel operations and maintenance expenses.

Retail Revenues

Third Quarter 2014 vs. Third Quarter 2013		Year-to-Date 2014 vs. Year-to-Date 2013	
(change in millions)	(% change)	(change in millions)	(% change)
\$239	5.5	\$949	8.4

In the third quarter 2014, retail revenues were \$4.6 billion compared to \$4.3 billion for the corresponding period in 2013. For year-to-date 2014, retail revenues were \$12.2 billion compared to \$11.2 billion for the corresponding period in 2013.

Details of the changes in retail revenues were as follows:

	Third Quarter 2014 (in millions)	(% change)	Year-to-Date 2014 (in millions)	(% change)	
Retail – prior year	\$4,319		\$11,237		
Estimated change resulting from –					
Rates and pricing	89	2.1	242	2.1	
Sales growth	9	0.2	29	0.3	
Weather	87	2.0	238	2.1	
Fuel and other cost recovery	54	1.2	440	3.9	
Retail – current year	\$4,558	5.5	\$12,186	8.4	%

Revenues associated with changes in rates and pricing increased in the third quarter and year-to-date 2014 when compared to the corresponding periods in 2013 primarily due to retail rate increases at all of the traditional operating companies. The increases in revenues at Georgia Power were primarily due to base tariff increases effective January 1, 2014, as approved by the Georgia PSC in the 2013 ARP, and increases in collections for financing costs related to the construction of Plant Vogtle Units 3 and 4 through the NCCR tariff as well as higher contributions from market-driven rates from commercial and industrial customers. Also contributing to the increases were increased revenues at Alabama Power associated with Rate CNP Environmental primarily resulting from the inclusion of pre-2005 environmental assets and increased revenues at Gulf Power primarily resulting from the retail base rate increase effective January 2014, as approved by the Florida PSC. In addition, the year-to-date 2014 increase also reflects increased revenues at Mississippi Power related to the collection of Kemper IGCC cost recovery revenues, the majority of which were deferred to a regulatory liability, and a PEP base rate increase, which both became effective in March 2013.

See Note 3 to the financial statements of Southern Company under "Retail Regulatory Matters – Georgia Power – Rate Plans," "Retail Regulatory Matters – Alabama Power – Rate CNP," and "Retail Regulatory Matters – Gulf Power – Retail Base Rate Case" in Item 8 of the Form 10-K for additional information. Also see Note (B) to the Condensed Financial Statements under "Retail Regulatory Matters – Mississippi Power – Performance Evaluation Plan" and "Integrated Coal Gasification Combined Cycle" herein for additional information.

Revenues attributable to changes in sales increased in the third quarter and year-to-date 2014 when compared to the corresponding periods in 2013. Industrial KWH energy sales increased 4.8% in the third quarter and 3.6% for year-to-date 2014 primarily due to increased sales in the primary metals, chemicals, paper, non-manufacturing, transportation, and stone, clay, and glass sectors. Weather-adjusted commercial KWH energy sales decreased 1.1% in the third quarter and 0.5% for year-to-date 2014 primarily due to decreased customer usage, partially offset by

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customer growth. Weather-adjusted residential KWH sales remained relatively flat in the third quarter and for year-to-date 2014 as a result of customer growth offset by decreased customer usage. Household income, one of the primary drivers of residential customer usage, has been flat in 2014.

Fuel and other cost recovery revenues increased \$54 million in the third quarter 2014 when compared to the corresponding period in 2013 primarily due to increased energy sales as a result of warmer weather in the third quarter 2014 as compared to the corresponding period in 2013. Fuel and other cost recovery revenues increased \$440 million for year-to-date 2014 when compared to the corresponding period in 2013 primarily due to higher natural gas prices and increased energy sales as a result of colder weather in the first quarter 2014 and warmer weather in the second and third quarters 2014 as compared to the corresponding periods in 2013.

Electric rates for the traditional operating companies include provisions to adjust billings for fluctuations in fuel costs, including the energy component of purchased power costs. Under these provisions, fuel revenues generally equal fuel expenses, including the energy component of purchased power costs, and do not affect net income. The traditional operating companies may also have one or more regulatory mechanisms to recover other costs such as environmental, storm damage, new plants, and PPAs.

Wholesale Revenues

Third Quarter 2014 vs. Third Quarter 2013		Year-to-Date 2014 vs. Year-to-Date 2013	
(change in millions)	(% change)	(change in millions)	(% change)
\$80	15.4	\$313	22.3

Wholesale revenues consist of PPAs primarily with investor-owned utilities and electric cooperatives and short-term opportunity sales. Wholesale revenues from PPAs have both capacity and energy components. Capacity revenues reflect the recovery of fixed costs and a return on investment. Energy revenues will vary depending on fuel prices, the market prices of wholesale energy compared to the Southern Company system's generation, demand for energy within the Southern Company system's service territory, and the availability of the Southern Company system's generation. Increases and decreases in energy revenues that are driven by fuel prices are accompanied by an increase or decrease in fuel costs and do not have a significant impact on net income. Short-term opportunity sales are made at market-based rates that generally provide a margin above the Southern Company system's variable cost to produce the energy.

In the third quarter 2014, wholesale revenues were \$600 million compared to \$520 million for the corresponding period in 2013 primarily related to an \$82 million increase in energy revenues. The increase in energy revenues was primarily related to new solar PPAs and requirements contracts and increased revenue under existing contracts primarily at Southern Power, as well as an increase in KWH sales resulting from utilization of the Southern Company system's lower cost generation.

For year-to-date 2014, wholesale revenues were \$1.7 billion compared to \$1.4 billion for the corresponding period in 2013, reflecting a \$303 million increase in energy revenues and a \$10 million increase in capacity revenues. The increase in energy revenues was primarily related to increased revenue under existing contracts as well as new solar PPAs and requirements contracts primarily at Southern Power, increased demand resulting from colder weather in the first quarter 2014 compared to the corresponding period in 2013, and an increase in the average cost of natural gas. The increase in capacity revenues was primarily due to wholesale base rate increases at Mississippi Power, partially offset by a decrease in capacity revenues at Southern Power.

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Other Electric Revenues

Third Quarter 2014 vs. Third Quarter 2013		Year-to-Date 2014 vs. Year-to-Date 2013	
(change in millions)	(% change)	(change in millions)	(% change)
\$3	1.8	\$26	5.5

For year-to-date 2014, other electric revenues were \$503 million compared to \$477 million for the corresponding period in 2013. The increase was primarily due to a \$19 million increase in open access transmission tariff revenues at Alabama Power and Georgia Power and a \$6 million increase in solar application fee revenue at Georgia Power.

Fuel and Purchased Power Expenses

	Third Quarter 2014		Year-to-Date 2014	
	vs.		vs.	
	Third Quarter 2013		Year-to-Date 2013	
	(change in millions)	(% change)	(change in millions)	(% change)
Fuel	\$76	4.8	\$549	13.0
Purchased power	49	33.8	147	40.1
Total fuel and purchased power expenses	\$125		\$696	

In the third quarter 2014, total fuel and purchased power expenses were \$1.9 billion compared to \$1.7 billion for the corresponding period in 2013. The increase was primarily the result of a \$139 million increase in the volume of KWHs generated primarily due to increased demand resulting from warmer weather in the third quarter 2014 compared to the corresponding period in 2013, a \$41 million increase in the average cost of purchased power, and a \$16 million increase in the volume of KWHs purchased, partially offset by a \$71 million decrease in the average cost of fuel primarily due to lower coal prices.

For year-to-date 2014, total fuel and purchased power expenses were \$5.3 billion compared to \$4.6 billion for the corresponding period in 2013. The increase was primarily the result of a \$439 million increase in the volume of KWHs generated primarily due to increased demand resulting from colder weather in the first quarter 2014 and warmer weather in the second and third quarters 2014 compared to the corresponding periods in 2013 and a \$298 million increase in the average cost of fuel and purchased power primarily due to higher natural gas prices. These increases were partially offset by a \$41 million decrease in the volume of KWHs purchased as the marginal cost of the Southern Company system's generation available was lower than the market cost of available energy.

Fuel and purchased power energy transactions at the traditional operating companies are generally offset by fuel revenues and do not have a significant impact on net income. See FUTURE EARNINGS POTENTIAL – "PSC Matters – Retail Fuel Cost Recovery" herein for additional information. Fuel expenses incurred under Southern Power's PPAs are generally the responsibility of the counterparties and do not significantly impact net income.

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Details of the Southern Company system's generation and purchased power were as follows:

	Third Quarter 2014	Third Quarter 2013	Year-to-Date 2014	Year-to-Date 2013
Total generation (billions of KWHs)	54	50	147	136
Total purchased power (billions of KWHs)	3	3	9	10
Sources of generation (percent) —				
Coal	44	44	45	40
Nuclear	15	16	16	17
Gas	40	37	36	39
Hydro	1	3	3	4
Cost of fuel, generated (cents per net KWH) —				
Coal	3.63	4.06	3.87	4.08
Nuclear	0.84	0.87	0.87	0.87
Gas	3.42	3.27	3.77	3.30
Average cost of fuel, generated (cents per net KWH)	3.13	3.24	3.34	3.21
Average cost of purchased power (cents per net KWH) ^(a)	6.77	5.66	7.60	5.22

^(a) Average cost of purchased power includes fuel purchased by the Southern Company system for tolling agreements where power is generated by the provider.

Fuel

In the third quarter 2014, fuel expense was \$1.7 billion compared to \$1.6 billion for the corresponding period in 2013. The increase was primarily due to a 68.3% decrease in the volume of KWHs generated by hydro facilities resulting from less rainfall and a 9.9% increase in the volume of KWHs generated by fossil fuel, partially offset by a 10.6% decrease in the average cost of coal per KWH generated.

For year-to-date 2014, fuel expense was \$4.8 billion compared to \$4.2 billion for the corresponding period in 2013. The increase was primarily due to a 21.6% increase in the volume of KWHs generated by coal, a 14.2% increase in the average cost of natural gas per KWH generated, and a 31.5% decrease in the volume of KWHs generated by hydro facilities resulting from less rainfall.

Purchased Power

In the third quarter 2014, purchased power expense was \$194 million compared to \$145 million for the corresponding period in 2013. The increase was primarily due to a 19.6% increase in the average cost per KWH purchased primarily as a result of higher natural gas prices and an 8.3% increase in the volume of KWHs purchased primarily as a result of increased demand from warmer weather in the third quarter 2014 as compared to the corresponding period in 2013.

For year-to-date 2014, purchased power expense was \$514 million compared to \$367 million for the corresponding period in 2013. The increase was primarily due to a 45.6% increase in the average cost per KWH purchased, partially offset by an 8.3% decrease in the volume of KWHs purchased as the marginal cost of the Southern Company system's generation available was lower than the market cost of available energy primarily due to higher natural gas prices.

Energy purchases will vary depending on demand for energy within the Southern Company system's service territory, the market prices of wholesale energy as compared to the cost of the Southern Company system's generation, and the availability of the Southern Company system's generation.

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Other Operations and Maintenance Expenses

Third Quarter 2014 vs. Third Quarter 2013		Year-to-Date 2014 vs. Year-to-Date 2013	
(change in millions)	(% change)	(change in millions)	(% change)
\$93	10.0	\$177	6.2

In the third quarter 2014, other operations and maintenance expenses were \$1.0 billion compared to \$928 million for the corresponding period in 2013. The increase was primarily due to a \$30 million increase in transmission and distribution costs primarily related to overhead line maintenance, a \$29 million increase in scheduled outage and maintenance costs at generation facilities, a \$14 million increase in commodity and contract labor costs, a \$12 million net increase in employee compensation and benefits including pension costs, and a \$6 million increase in customer accounts, service, and sales costs primarily related to customer incentive and demand side management programs. The increase in scheduled outage and maintenance costs was partially offset by a \$16 million deferral of certain non-nuclear outage expenditures under an accounting order at Alabama Power.

For year-to-date 2014, other operations and maintenance expenses were \$3.0 billion compared to \$2.8 billion for the corresponding period in 2013. The increase was primarily due to an \$80 million increase in scheduled outage and maintenance costs at generation facilities, a \$53 million increase in transmission and distribution costs primarily related to overhead line maintenance, a \$29 million increase in commodity and contract labor costs, a \$15 million net increase in employee compensation and benefits including pension costs, a \$10 million increase in customer accounts, service, and sales costs primarily related to customer incentive and demand-side management programs, and a \$7 million increase in litigation expense. The increase in scheduled outage and maintenance costs was partially offset by a \$57 million deferral of certain non-nuclear outage expenditures under an accounting order at Alabama Power. See Note 3 to the financial statements of Southern Company under "Retail Regulatory Matters – Alabama Power – Non-Nuclear Outage Accounting Order" in Item 8 of the Form 10-K for additional information related to non-nuclear outage expenditures. Also see Note (F) to the Condensed Financial Statements herein for additional information related to pension costs.

Depreciation and Amortization

Third Quarter 2014 vs. Third Quarter 2013		Year-to-Date 2014 vs. Year-to-Date 2013	
(change in millions)	(% change)	(change in millions)	(% change)
\$34	7.1	\$93	6.5

In the third quarter 2014, depreciation and amortization was \$514 million compared to \$480 million for the corresponding period in 2013. For year-to-date 2014, depreciation and amortization was \$1.5 billion compared to \$1.4 billion for the corresponding period in 2013. The increases were primarily due to an increase in plant in service at Southern Power related to the additions of solar facilities in 2013 and 2014 and additional component depreciation at Southern Power as a result of production being greater during the summer months, as well as the completion of amortization of a regulatory liability related to state income tax credits in December 2013 at Georgia Power. Also contributing to the year-to-date increase was an increase in depreciation rates related to environmental assets at Alabama Power. These increases were partially offset by a decrease in depreciation and amortization at Georgia Power, as authorized in the 2013 ARP. See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "PSC Matters – Alabama Power – Rate CNP" of Southern Company in Item 7 of the Form 10-K for additional information regarding Alabama Power's revision to Rate CNP Environmental. Also see Note (A) to the Condensed Financial Statements under "Depreciation" herein for additional information related to component depreciation at Southern Power.

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Taxes Other Than Income Taxes

Third Quarter 2014 vs. Third Quarter 2013		Year-to-Date 2014 vs. Year-to-Date 2013	
(change in millions)	(% change)	(change in millions)	(% change)
\$15	6.2	\$41	5.8

In the third quarter 2014, taxes other than income taxes were \$258 million compared to \$243 million for the corresponding period in 2013. For year-to-date 2014, taxes other than income taxes were \$751 million compared to \$710 million for the corresponding period in 2013. The increases were primarily the result of increases of \$7 million and \$29 million in municipal franchise fees related to higher retail revenues in 2014 and \$5 million and \$9 million in payroll taxes primarily related to higher employee benefits in the third quarter and year-to-date 2014, respectively.

Estimated Loss on Kemper IGCC

Third Quarter 2014 vs. Third Quarter 2013		Year-to-Date 2014 vs. Year-to-Date 2013	
(change in millions)	(% change)	(change in millions)	(% change)
\$268	N/M	\$(342)	(30.0)

N/M – Not meaningful

In the third quarter 2014 and 2013, estimated probable losses on the Kemper IGCC of \$418 million and \$150 million, respectively, were recorded at Southern Company. For year-to-date 2014 and 2013, estimated probable losses on the Kemper IGCC of \$798 million and \$1.1 billion, respectively, were recorded at Southern Company. These losses reflect revisions of estimated costs expected to be incurred on Mississippi Power's construction of the Kemper IGCC in excess of the \$2.88 billion cost cap established by the Mississippi PSC, net of \$245 million of grants awarded to the project by the DOE under the Clean Coal Power Initiative Round 2 (DOE Grants) and excluding the cost of the lignite mine and equipment, the cost of the CO₂ pipeline facilities, AFUDC, and certain general exceptions, including change of law, force majeure, and beneficial capital (which exists when Mississippi Power demonstrates that the purpose and effect of the construction cost increase is to produce efficiencies that will result in a neutral or favorable effect on customers relative to the original proposal for the CPCN) (Cost Cap Exceptions). See FUTURE EARNINGS POTENTIAL – "Construction Program" and Note (B) to the Condensed Financial Statements under "Integrated Coal Gasification Combined Cycle" herein for additional information.

Allowance for Equity Funds Used During Construction

Third Quarter 2014 vs. Third Quarter 2013		Year-to-Date 2014 vs. Year-to-Date 2013	
(change in millions)	(% change)	(change in millions)	(% change)
\$10	18.9	\$43	30.9

In the third quarter 2014, AFUDC equity was \$63 million compared to \$53 million for the corresponding period in 2013. The increase was primarily related to additional capital expenditures at Alabama Power.

For year-to-date 2014, AFUDC equity was \$182 million compared to \$139 million for the corresponding period in 2013. The increase was primarily due to an increase in CWIP related to Mississippi Power's Kemper IGCC and additional capital expenditures at Alabama Power. See Note (B) to the Condensed Financial Statements under "Integrated Coal Gasification Combined Cycle" herein for additional information regarding the Kemper IGCC.

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Interest Expense, Net of Amounts Capitalized

Third Quarter 2014 vs. Third Quarter 2013		Year-to-Date 2014 vs. Year-to-Date 2013	
(change in millions)	(% change)	(change in millions)	(% change)
\$5	2.5	\$(5)	(0.8)

In the third quarter 2014, interest expense, net of amounts capitalized was \$207 million compared to \$202 million in the corresponding period in 2013. The increase was primarily due to a \$17 million increase related to a higher amount of outstanding long-term debt, partially offset by a \$12 million decrease related to the refinancing of long-term debt at lower rates.

For year-to-date 2014, interest expense, net of amounts capitalized was \$623 million compared to \$628 million in the corresponding period in 2013. The decrease was primarily due to a \$30 million decrease related to the refinancing of long-term debt at lower rates and a \$13 million increase in capitalized interest, partially offset by a \$34 million increase related to a higher amount of outstanding long-term debt and a \$7 million increase in interest expense resulting from the deposit received by Mississippi Power in January 2014 related to SMEPA's pending purchase of an undivided interest in the Kemper IGCC. See Note (E) to the Condensed Financial Statements herein for additional information.

Other Income (Expense), Net

Third Quarter 2014 vs. Third Quarter 2013		Year-to-Date 2014 vs. Year-to-Date 2013	
(change in millions)	(% change)	(change in millions)	(% change)
\$(2)	N/M	\$11	35.5

N/M – Not meaningful

For year-to-date 2014, other income (expense), net was \$(20) million compared to \$(31) million for the corresponding period in 2013. The decrease in expense was primarily due to a \$26 million charge related to the restructuring of a leveraged lease investment in the first quarter 2013, partially offset by a \$7 million charge related to a settlement with the Sierra Club at Mississippi Power in 2014. See Note (B) to the Condensed Financial Statements under "Other Matters – Sierra Club Settlement Agreement" herein for additional information.

Income Taxes

Third Quarter 2014 vs. Third Quarter 2013		Year-to-Date 2014 vs. Year-to-Date 2013	
(change in millions)	(% change)	(change in millions)	(% change)
\$(76)	(16.2)	\$232	35.3

In the third quarter 2014, income taxes were \$392 million compared to \$468 million for the corresponding period in 2013. The decrease was primarily due to higher tax benefits in 2014 related to the estimated probable losses recorded on Mississippi Power's construction of the Kemper IGCC, partially offset by higher pre-tax earnings.

For year-to-date 2014, income taxes were \$889 million compared to \$657 million for the corresponding period in 2013. The increase was primarily due to higher pre-tax earnings and lower tax benefits in 2014 related to the estimated probable losses recorded on Mississippi Power's construction of the Kemper IGCC.

FUTURE EARNINGS POTENTIAL

The results of operations discussed above are not necessarily indicative of Southern Company's future earnings potential. The level of Southern Company's future earnings depends on numerous factors that affect the opportunities, challenges, and risks of the Southern Company system's primary business of selling electricity. These factors include the traditional operating companies' ability to maintain a constructive regulatory environment that continues to allow for the timely recovery of prudently-incurred costs during a time of increasing costs and the

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completion and subsequent operation of the Kemper IGCC and Plant Vogtle Units 3 and 4 as well as other ongoing construction projects. Another major factor is the profitability of the competitive wholesale business. Future earnings for the electricity business in the near term will depend, in part, upon maintaining and growing sales which is subject to a number of factors. These factors include weather, competition, new energy contracts with other utilities and other wholesale customers, energy conservation practiced by customers, the price of electricity, the price elasticity of demand, and the rate of economic growth or decline in the service territory. In addition, the level of future earnings for the wholesale business also depends on numerous factors including creditworthiness of customers, total generating capacity available and related costs, future acquisitions and construction of generating facilities, and the successful remarketing of capacity as current contracts expire. Changes in regional and global economic conditions may impact sales for the traditional operating companies and Southern Power as the pace of the economic recovery remains uncertain. The timing and extent of the economic recovery will impact growth and may impact future earnings. For additional information relating to these issues, see RISK FACTORS in Item 1A and MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL of Southern Company in Item 7 of the Form 10-K.

Environmental Matters

Compliance costs related to federal and state environmental statutes and regulations could affect earnings if such costs cannot continue to be fully recovered in rates on a timely basis. Environmental compliance spending over the next several years may differ materially from the amounts estimated. The timing, specific requirements, and estimated costs could change as environmental statutes and regulations are adopted or modified. Further, higher costs that are recovered through regulated rates could contribute to reduced demand for electricity, which could negatively affect results of operations, cash flows, and financial condition. See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "Environmental Matters" of Southern Company in Item 7 and Note 3 to the financial statements of Southern Company under "Environmental Matters" in Item 8 of the Form 10-K for additional information.

Environmental Statutes and Regulations

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "Environmental Matters – Environmental Statutes and Regulations," – "PSC Matters – Alabama Power – Environmental Accounting Order," and – "PSC Matters – Georgia Power – Integrated Resource Plans" of Southern Company in Item 7 of the Form 10-K and "PSC Matters – Alabama Power – Environmental Accounting Order" and – "PSC Matters – Georgia Power – Integrated Resource Plan" herein for additional information regarding the plans of Alabama Power and Georgia Power for compliance with environmental statutes and regulations.

Air Quality

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "Environmental Matters – Environmental Statutes and Regulations – Air Quality" of Southern Company in Item 7 of the Form 10-K for additional information regarding the Cross State Air Pollution Rule (CSAPR) and the EPA's proposed rules regarding the regulation of excess emissions during periods of startup, shutdown, or malfunction (SSM).

On April 29, 2014, the U.S. Supreme Court overturned the U.S. Court of Appeals for the District of Columbia Circuit's August 2012 decision to vacate CSAPR and remanded the case back to the U.S. Court of Appeals for the District of Columbia Circuit for further proceedings. On October 23, 2014, the U.S. Court of Appeals for the District of Columbia Circuit granted the EPA's motion to lift the stay on CSAPR implementation and approved a revised schedule under which the first phase of the rule will go into effect beginning January 1, 2015. The Southern Company system has developed and continually updates a comprehensive environmental compliance strategy to assess compliance obligations associated with current and proposed environmental requirements, including CSAPR. The ultimate financial and unit operational impact of the rule cannot be determined at this time and is dependent on the outcome of further legal proceedings, the manner in which the EPA and the states implement the final rule, and the development of related emissions allowance markets.

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On September 17, 2014, the EPA published a supplemental proposal for the SSM rule. The EPA previously entered into a revised settlement agreement requiring the EPA to finalize the proposed rules by May 22, 2015. The proposed rule would require states subject to the rule (including Alabama, Florida, Georgia, Mississippi, and North Carolina) to revise their SSM provisions within 18 months after issuance of the final rule. The ultimate impact of the proposed SSM rule will depend on the specific provisions of the final rule, the development and implementation of rules at the state level, and the outcome of any legal challenges and cannot be determined at this time.

The ultimate outcome of these matters cannot be determined at this time.

Water Quality

On April 21, 2014, the EPA and the U.S. Army Corps of Engineers jointly published a proposed rule to revise the regulatory definition of waters of the U.S. for all Clean Water Act (CWA) programs, significantly expanding the scope of federal jurisdiction under the CWA. If finalized as proposed, this rule could significantly increase permitting and regulatory requirements and costs associated with the siting of new facilities and the installation, expansion, and maintenance of transmission and distribution lines. In addition, the rule as proposed could have significant impacts on economic development projects which could affect customer demand growth. The ultimate impact of the proposed rule will depend on the specific requirements of the final rule and the outcome of any legal challenges and cannot be determined at this time.

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "Environmental Matters – Environmental Statutes and Regulations – Water Quality" of Southern Company in Item 7 of the Form 10-K for additional information regarding the EPA's rulemaking for cooling water intake structures.

On August 15, 2014, the EPA published a final rule establishing standards for reducing effects on fish and other aquatic life caused by new and existing cooling water intake structures at existing power plants and manufacturing facilities, which became effective October 14, 2014. The ultimate outcome of this final rule will depend on the results of additional studies and implementation of the rule by state regulators, but could result in additional capital and operational costs associated with changes to existing intake structures and cooling systems and increased costs associated with the construction of new generating units. The ultimate impact of this rule will depend on the outcome of any legal challenges and cannot be determined at this time.

Global Climate Issues

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "Environmental Matters – Global Climate Issues" of Southern Company in Item 7 of the Form 10-K for additional information regarding the EPA's current and proposed regulation of GHG emissions under the Clean Air Act.

On June 18, 2014, the EPA published the proposed Clean Power Plan, setting forth guidelines for states to develop plans to address CO₂ emissions from existing fossil fuel-fired electric generating units. The EPA's proposed guidelines establish state-specific interim and final CO₂ emission rate goals to be achieved between 2020 and 2029 and in 2030 and thereafter. The EPA also published proposed CO₂ performance standards for modified and reconstructed fossil fuel-fired electric generating units. The proposed guidelines and standards could result in operational restrictions and material compliance costs, including capital expenditures, that could impact unit retirement and replacement decisions. Also, additional compliance costs could affect results of operations, cash flows, and financial condition if such costs are not recovered through regulated rates or through market-based contracts. Further, any resulting higher costs that are recovered through regulated rates could contribute to reduced demand for electricity, which could negatively impact results of operations, cash flows, and financial condition.

On October 28, 2014, the EPA issued a notice of data availability related to the proposed Clean Power Plan, which was not intended to revise the EPA's proposal but to provide the public with an opportunity to consider and comment on technical issues and data related to the guidelines. The Southern Company system expects to file comments with the EPA at or prior to the EPA's December 1, 2014 extended deadline. These comments may include a preliminary estimated cost of complying with the proposed guidelines utilizing one of the EPA's compliance scenarios. These costs could be significant to the utility industry and the Southern Company system. However, the

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ultimate financial and operational impact of the Clean Power Plan proposed guidelines on the Southern Company system cannot be determined at this time and will be dependent upon numerous factors. These factors include: the structure, timing, and content of the EPA's final guidelines; individual state implementation of these guidelines, including the potential that state implementation plans impose different standards; additional rulemaking activities in response to legal challenges and court decisions; the impact of future changes in generation and emissions-related technology and costs; the impact of future decisions regarding unit retirement and replacement, including the type and amount of any such replacement capacity; and the time periods over which compliance will be required.

On June 23, 2014, the U.S. Supreme Court struck down a portion of the EPA's program for GHG permitting under the Prevention of Significant Deterioration and Title V operating permit programs, holding that a facility's GHG emissions alone could not trigger a requirement to obtain a permit and that the EPA did not have the authority to tailor the statutory permitting thresholds. The ultimate impact of the U.S. Supreme Court's decision cannot be determined at this time.

PSC Matters

Retail Fuel Cost Recovery

The traditional operating companies each have established fuel cost recovery rates approved by their respective state PSCs. Fuel cost recovery revenues are adjusted for differences in actual recoverable fuel costs and amounts billed in current regulated rates. Accordingly, changes in the billing factor will not have a significant effect on Southern Company's revenues or net income, but will affect cash flow. The traditional operating companies continuously monitor their under or over recovered fuel cost balances. At September 30, 2014, Georgia Power, Gulf Power, and Mississippi Power had total under recovered fuel costs included on Southern Company's Condensed Balance Sheet herein of approximately \$230 million. At December 31, 2013, Gulf Power had under recovered fuel costs included on Southern Company's Condensed Balance Sheet herein of approximately \$21 million. The total over recovered fuel balance at Alabama Power included on Southern Company's Condensed Balance Sheet herein was approximately \$44 million at September 30, 2014 compared to the total over recovered fuel balance at Alabama Power, Georgia Power, and Mississippi Power at December 31, 2013 of approximately \$115 million.

See Note 3 to the financial statements of Southern Company under "Retail Regulatory Matters – Alabama Power – Retail Energy Cost Recovery" and "Retail Regulatory Matters – Georgia Power – Fuel Cost Recovery" in Item 8 of the Form 10-K for additional information.

Alabama Power

Environmental Accounting Order

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "Environmental Matters – Environmental Statutes and Regulations" and – "PSC Matters – Alabama Power – Environmental Accounting Order" of Southern Company in Item 7 of the Form 10-K for additional information regarding Alabama Power's plan for compliance with environmental statutes and regulations.

As part of its environmental compliance strategy, Alabama Power plans to retire Plant Gorgas Units 6 and 7. These units represent 200 MWs of Alabama Power's approximately 12,200 MWs of generating capacity. Alabama Power also plans to cease using coal at Plant Barry Units 1 and 2 (250 MWs), but such units will remain available on a limited basis with natural gas as the fuel source. Additionally, Alabama Power expects to cease using coal at Plant Barry Unit 3 (225 MWs) and Plant Greene County Units 1 and 2 (300 MWs) and begin operating those units solely on natural gas. These plans are expected to be effective no later than April 2016.

In accordance with an accounting order from the Alabama PSC, Alabama Power will transfer the unrecovered plant asset balances to a regulatory asset at their respective retirement dates. The regulatory asset will be amortized over the remaining useful lives, as established prior to the decision for retirement. As a result, these decisions will not have a significant impact on Southern Company's financial statements.

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Nuclear Waste Fund Accounting Order

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "Other Matters" of Southern Company in Item 7 of the Form 10-K and "Other Matters" herein for additional information regarding the court order for the DOE to set the spent fuel depository fees at zero.

On August 5, 2014, the Alabama PSC issued an order to provide for the continued recovery from customers of amounts associated with the permanent disposal of nuclear waste from the operation of Plant Farley. In accordance with the order, effective May 16, 2014, Alabama Power is authorized to recover from customers an amount equal to the prior fee and to record the amounts in a regulatory liability account (approximately \$14 million annually). Upon the DOE meeting the requirements of the Nuclear Waste Policy Act of 1982 and a new spent fuel depository fee being put in place, the accumulated balance in the regulatory liability account will be available for purposes of the associated cost responsibility. In the event the balance is later determined to be more than needed, those amounts would be used for the benefit of customers subject to the approval of the Alabama PSC. The ultimate outcome of this matter cannot be determined at this time.

Cost of Removal Accounting Order

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "PSC Matters – Alabama Power" of Southern Company in Item 7 of the Form 10-K regarding the previously approved compliance and pension costs accounting order and non-nuclear outage accounting order.

On November 3, 2014, the Alabama PSC issued an accounting order authorizing Alabama Power to fully amortize the balances in certain regulatory asset accounts, projected to be \$120 million at December 31, 2014. This amortization expense will be offset by the amortization of up to \$120 million of the regulatory liability for other cost of removal obligations. The regulatory asset account balances to be fully amortized as of December 31, 2014 represent costs deferred under the compliance and pension cost accounting order as well as the non-nuclear outage accounting order, which were approved by the Alabama PSC in November 2012 and August 2013, respectively. This accounting order also requires Alabama Power to terminate, as of December 31, 2014, the regulatory asset accounts created pursuant to the compliance and pension cost accounting order and the non-nuclear outage accounting order. Consequently, Alabama Power will not defer any expenditures in 2015, 2016, and 2017 related to critical electric infrastructure and domestic nuclear facilities under these orders.

Georgia Power

Rate Plans

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "PSC Matters – Georgia Power – Rate Plans" of Southern Company in Item 7 and Note 3 to the financial statements of Southern Company under "Retail Regulatory Matters – Georgia Power – Rate Plans" in Item 8 of the Form 10-K for additional information on Georgia Power's 2013 ARP.

In accordance with the terms of the 2013 ARP, on October 3, 2014, Georgia Power filed the following tariff adjustments with the Georgia PSC to become effective January 1, 2015 pending its approval:

- ¶ Increase the traditional base tariffs by approximately \$107 million to cover additional capacity costs;
- ¶ Increase the environmental compliance cost recovery tariff by approximately \$32 million;
- ¶ Increase the demand-side management tariffs by approximately \$3 million; and
- ¶ Increase the municipal franchise fee tariff by approximately \$3 million, consistent with the adjustments above.

See Note 3 to the financial statements of Southern Company under "Retail Regulatory Matters – Georgia Power – Nuclear Construction" in Item 8 of the Form 10-K for additional information on Georgia Power's NCCR tariff. On October 31, 2014, Georgia Power filed to increase the NCCR tariff by approximately \$27 million effective January

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1, 2015 pending Georgia PSC approval. See Note (B) to the Condensed Financial Statements under "Retail Regulatory Matters – Georgia Power – Nuclear Construction" herein for additional information.

The ultimate outcome of these matters cannot be determined at this time.

Renewables Development

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "PSC Matters – Georgia Power – Renewables Development" of Southern Company in Item 7 and Note 3 to the financial statements of Southern Company under "Retail Regulatory Matters – Georgia Power – Renewables Development" in Item 8 of the Form 10-K for additional information.

On May 20, 2014, the Georgia PSC approved Georgia Power's application for the certification of two PPAs executed in April 2013 for the purchase of energy from two wind farms in Oklahoma with capacity totaling 250 MWs that will begin in 2016 and end in 2035.

As a result of biomass PPA amendments executed by Georgia Power during 2014, total estimated purchased power contractual obligations decreased \$392 million from December 31, 2013. Estimated purchased power contractual obligations have been updated for Southern Company to \$669 million for 2015 and 2016, \$757 million for 2017 and 2018, and \$3.9 billion after 2018. Estimated purchased power contractual obligations did not change for 2014. The counterparties of the aforementioned PPAs have posted collateral as required. See MANAGEMENT'S DISCUSSION AND ANALYSIS – FINANCIAL CONDITION AND LIQUIDITY – "Capital Requirements and Contractual Obligations – Contractual Obligations" of Southern Company in Item 7 of the Form 10-K for additional information.

On October 8, 2014, Georgia Power executed PPAs to purchase energy from 515 MWs of solar capacity as part of the Georgia Power Advanced Solar Initiative program. These PPAs are expected to commence in 2015 and 2016, have terms ranging from 20 to 30 years, and are subject to Georgia PSC approval.

On October 23, 2014, the Georgia PSC approved Georgia Power's request to build, own, and operate three 30-MW solar generation facilities at three U.S. Army bases by the end of 2016. In addition, Georgia Power has entered into a memorandum of understanding with the U.S. Navy to pursue a similar solar project pending Georgia PSC review.

The ultimate outcome of these matters cannot be determined at this time.

Integrated Resource Plan

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "PSC Matters – Georgia Power – Integrated Resource Plans" of Southern Company in Item 7 and Note 3 to the financial statements of Southern Company under "Retail Regulatory Matters – Georgia Power – Integrated Resource Plans" in Item 8 of the Form 10-K for additional information.

Georgia Power filed a request with the Georgia PSC on January 10, 2014 to cancel the proposed biomass fuel conversion of Plant Mitchell Unit 3 (155 MWs) because it would not be cost effective for customers. On July 1, 2014, the Georgia PSC approved Georgia Power's request. The January 10, 2014 filing also notified the Georgia PSC of Georgia Power's plan to seek decertification later this year. Georgia Power now expects to request decertification of Plant Mitchell Unit 3 in connection with the triennial Integrated Resource Plan in 2016. Georgia Power plans to continue to operate the unit as needed until the Mercury and Air Toxics Standards rule becomes effective in April 2015.

Storm Damage Recovery

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "PSC Matters – Georgia Power – Storm Damage Recovery" of Southern Company in Item 7 of the Form 10-K for additional information.

Georgia Power defers and recovers certain costs related to damages from major storms as mandated by the Georgia PSC. As of September 30, 2014 and December 31, 2013, the balance in the regulatory asset related to storm damage

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was \$105 million and \$37 million, respectively. The increase was primarily the result of an ice storm in February 2014. As a result of the regulatory treatment, costs related to storms are generally not expected to have a material impact on Southern Company's financial statements.

Income Tax Matters

See Note (B) to the Condensed Financial Statements under "Integrated Coal Gasification Combined Cycle" herein for additional information about the Kemper IGCC. The ultimate outcome of these tax matters cannot be determined at this time.

Bonus Depreciation

In January 2013, the American Taxpayer Relief Act of 2012 (ATRA) was signed into law. The ATRA retroactively extended several tax credits through 2013 and extended 50% bonus depreciation for property placed in service in 2013 (and for certain long-term production-period projects to be placed in service in 2014), which will apply primarily to the combined cycle and associated common facilities portion of the Kemper IGCC that were placed in service on August 9, 2014. The estimated cash flow benefit is approximately \$100 million.

Investment Tax Credits

The IRS allocated \$279 million (Phase II) of Internal Revenue Code Section 48A tax credits to Mississippi Power in connection with the Kemper IGCC. Through September 30, 2014, Southern Company had recorded tax benefits totaling \$276.4 million for the Phase II credits, of which approximately \$140 million have been utilized through that date. These credits will be amortized as a reduction to depreciation and amortization over the life of the Kemper IGCC and are dependent upon meeting the IRS certification requirements, including an in-service date no later than April 19, 2016 and the capture and sequestration (via enhanced oil recovery) of at least 65% of the CO₂ produced by the Kemper IGCC during operations in accordance with the Internal Revenue Code. A portion of the Phase II tax credits will be subject to recapture upon completion of SMEPA's purchase of an undivided interest in the Kemper IGCC.

Section 174 Research and Experimental Deduction

For the 2013 tax year, Southern Company included in its consolidated federal income tax return a deduction for research and experimental (R&E) expenditures related to the Kemper IGCC. Due to the uncertainty related to this tax position, Southern Company recorded an unrecognized tax benefit of approximately \$100 million as of September 30, 2014. See Note (G) to the Condensed Financial Statements under "Unrecognized Tax Benefits" herein for additional information.

Construction Program

The subsidiary companies of Southern Company are engaged in continuous construction programs to accommodate existing and estimated future loads on their respective systems. The Southern Company system intends to continue its strategy of developing and constructing new generating facilities, as well as adding or changing fuel sources for certain existing units, adding environmental control equipment, and expanding the transmission and distribution systems. For the traditional operating companies, major generation construction projects are subject to state PSC approvals in order to be included in retail rates. While Southern Power generally constructs and acquires generation assets covered by long-term PPAs, any uncontracted capacity could negatively affect future earnings.

The two largest construction projects currently underway in the Southern Company system are Plant Vogtle Units 3 and 4 (45.7% ownership interest by Georgia Power in two units, each with approximately 1,100 MWs) and the 582-MW Kemper IGCC (in which Mississippi Power is ultimately expected to hold an 85% ownership interest). See FINANCIAL CONDITION AND LIQUIDITY – "Capital Requirements and Contractual Obligations" herein for the cost estimate of the Southern Company system's construction program, which includes the revised construction cost estimate to complete the Kemper IGCC. Also see Note 3 to the financial statements of Southern Company under "Retail Regulatory Matters – Georgia Power – Nuclear Construction" and "Integrated Coal Gasification Combined

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Cycle" in Item 8 of the Form 10-K and Note (B) to the Condensed Financial Statements under "Retail Regulatory Matters – Georgia Power – Nuclear Construction" and "Integrated Coal Gasification Combined Cycle" herein for additional information. For additional information about costs relating to Southern Power's acquisitions that involve construction of solar facilities, see Note (I) to the Condensed Financial Statements herein.

From 2013 through September 30, 2014, Southern Company has recorded pre-tax charges totaling \$1.98 billion (\$1.22 billion after tax) for revisions of estimated costs expected to be incurred on Mississippi Power's construction of the Kemper IGCC above the \$2.88 billion cost cap established by the Mississippi PSC, net of the DOE Grants and excluding the Cost Cap Exceptions. In subsequent periods, any further changes in the estimated costs to complete construction of the Kemper IGCC subject to the \$2.88 billion cost cap, net of the DOE Grants and excluding the Cost Cap Exceptions, will be reflected in Southern Company's statements of income and these changes could be material.

Other Matters

Southern Company and its subsidiaries are involved in various other matters being litigated and regulatory matters that could affect future earnings. In addition, Southern Company and its subsidiaries are subject to certain claims and legal actions arising in the ordinary course of business. The business activities of Southern Company's subsidiaries 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 air quality and water standards, has increased generally throughout the U.S. In particular, personal injury, property damage, and other claims for damages alleged to have been caused by CO₂ and other emissions, coal combustion residuals, and alleged exposure to hazardous materials, and/or requests for injunctive relief in connection with such matters, have become more frequent.

The ultimate outcome of such pending or potential litigation against Southern Company and its subsidiaries cannot be predicted at this time; however, for current proceedings not specifically reported in Note (B) to the Condensed Financial Statements herein or in Note 3 to the financial statements of Southern Company in Item 8 of the Form 10-K, management does not anticipate that the ultimate liabilities, if any, arising from such current proceedings would have a material effect on Southern Company's financial statements. See the Notes to the Condensed Financial Statements herein for a discussion of various other contingencies, regulatory matters, and other matters being litigated which may affect future earnings potential.

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "Other Matters" of Southern Company in Item 7 of the Form 10-K for additional information regarding the NRC's performance of additional operational and safety reviews of nuclear facilities in the U.S. following the major earthquake and tsunami that struck Japan in 2011.

Additionally, there are certain risks associated with the licensing, construction, and operation of nuclear generating units, including potential impacts that could result from a major incident at a nuclear facility anywhere in the world. The ultimate outcome of these events cannot be determined at this time.

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "Other Matters" of Southern Company in Item 7 of the Form 10-K for additional information regarding the court order for the DOE to set the spent fuel depository fees at zero. On March 18, 2014, the U.S. Court of Appeals for the District of Columbia Circuit denied the DOE's request for rehearing of the November 2013 panel decision ordering that the DOE propose the nuclear waste fund fee be changed to zero. The DOE formally set the fee to zero effective May 16, 2014. On June 17, 2014, the Georgia PSC approved Georgia Power's request to credit customers the portion of fuel cost related to the nuclear waste fund fee. The nuclear waste fund rider became effective July 1, 2014. See "PSC Matters – Alabama Power – Nuclear Waste Fund Accounting Order" herein for information regarding an accounting order issued by the Alabama PSC which provides for continued recovery from customers of amounts associated with the permanent disposal of nuclear waste from the operation of Plant Farley. The ultimate outcome of this matter cannot be determined at this time.

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ACCOUNTING POLICIES

Application of Critical Accounting Policies and Estimates

Southern Company prepares its consolidated financial statements in accordance with GAAP. Significant accounting policies are described in Note 1 to the financial statements of Southern Company in Item 8 of the Form 10-K. In the application of these policies, certain estimates are made that may have a material impact on Southern Company's results of operations and related disclosures. Different assumptions and measurements could produce estimates that are significantly different from those recorded in the financial statements. See MANAGEMENT'S DISCUSSION AND ANALYSIS – ACCOUNTING POLICIES – "Application of Critical Accounting Policies and Estimates" of Southern Company in Item 7 of the Form 10-K for a complete discussion of Southern Company's critical accounting policies and estimates related to Electric Utility Regulation, Contingent Obligations, and Pension and Other Postretirement Benefits.

Kemper IGCC Estimated Construction Costs, Project Completion Date, and Rate Recovery

During 2014, Mississippi Power further extended the scheduled in-service date for the Kemper IGCC to the first half of 2016 and revised its cost estimate to complete construction and start-up of the Kemper IGCC to an amount that exceeds the \$2.88 billion cost cap, net of the DOE Grants and excluding the Cost Cap Exceptions. Mississippi Power does not intend to seek any rate recovery or any joint owner contributions for any related costs that exceed the \$2.88 billion cost cap, net of the DOE Grants and excluding the Cost Cap Exceptions.

As a result of the revisions to the cost estimate, Southern Company recorded total pre-tax charges to income for the estimated probable losses on the Kemper IGCC of \$418.0 million (\$258.1 million after tax) in the third quarter 2014, \$380.0 million (\$234.7 million after tax) in the first quarter 2014, \$40.0 million (\$24.7 million after tax) in the fourth quarter 2013, \$150.0 million (\$92.6 million after tax) in the third quarter 2013, \$450.0 million (\$277.9 million after tax) in the second quarter 2013, and \$540.0 million (\$333.5 million after tax) in the first quarter 2013. In the aggregate, Southern Company has incurred charges of \$1.98 billion (\$1.22 billion after tax) as a result of changes in the cost estimate for the Kemper IGCC through September 30, 2014.

Mississippi Power has experienced, and may continue to experience, material changes in the cost estimate for the Kemper IGCC. In subsequent periods, any further changes in the estimated costs to complete construction and start-up of the Kemper IGCC subject to the \$2.88 billion cost cap, net of the DOE Grants and excluding the Cost Cap Exceptions, will be reflected in Southern Company's statements of income and these changes could be material. Any further cost increases and/or extensions of the in-service date with respect to the Kemper IGCC may result from factors including, but not limited to, labor costs and productivity, adverse weather conditions, shortages and inconsistent quality of equipment, materials, and labor, contractor or supplier delay, non-performance under construction or other agreements, operational performance, operational readiness, including specialized operator training, unforeseen engineering or design problems, start-up activities for this first-of-a-kind technology (including major equipment failure and system integration), and/or operations.

Mississippi Power's revised cost estimate includes costs through March 31, 2016. Any further extension of the in-service date is currently estimated to result in additional base costs of approximately \$20 million to \$30 million per month, which includes maintaining necessary levels of start-up labor, materials, and fuel, as well as operational resources required to execute start-up and commissioning activities.

Given the significant judgment involved in estimating the future costs to complete construction, the project completion date, the ultimate rate recovery for the Kemper IGCC, and the potential impact on Southern Company's results of operations, Southern Company considers these items to be critical accounting estimates. See Note 3 to the financial statements of Southern Company under "Integrated Coal Gasification Combined Cycle" in Item 8 of the Form 10-K and Note (B) to the Condensed Financial Statements under "Integrated Coal Gasification Combined Cycle" herein for additional information.

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Recently Issued Accounting Standards

On May 28, 2014, the Financial Accounting Standards Board issued ASC 606, Revenue from Contracts with Customers. ASC 606 revises the accounting for revenue recognition and is effective for fiscal years beginning after December 15, 2016. Southern Company is currently evaluating the requirements of ASC 606. The ultimate impact of the new standard has not yet been determined.

FINANCIAL CONDITION AND LIQUIDITY

Overview

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FINANCIAL CONDITION AND LIQUIDITY – "Overview" of Southern Company in Item 7 of the Form 10-K for additional information. Although earnings for the nine months ended September 30, 2014 were negatively affected by revisions to the cost estimate for the Kemper IGCC, Southern Company's financial condition remained stable at September 30, 2014. Through September 30, 2014, Southern Company has incurred non-recoverable cash expenditures of \$1.18 billion and is expected to incur approximately \$0.8 billion in additional non-recoverable cash expenditures through completion of the Kemper IGCC. Southern Company intends to continue to monitor its access to short-term and long-term capital markets as well as its bank credit arrangements to meet future capital and liquidity needs. See "Capital Requirements and Contractual Obligations," "Sources of Capital," and "Financing Activities" herein for additional information.

Net cash provided from operating activities totaled \$4.7 billion for the first nine months of 2014, an increase of \$276 million from the corresponding period in 2013. The increase in net cash provided from operating activities was primarily due to an increase in revenue due to rate increases and the effects of weather and a reduction in fossil fuel stock resulting from an increase in KWH generation, partially offset by a decrease in receivables due to under recovered fuel costs. Net cash used for investing activities totaled \$4.2 billion for the first nine months of 2014 primarily due to property additions to utility plant. Net cash provided from financing activities totaled \$225 million for the first nine months of 2014. This was primarily due to issuances of long-term debt and common stock, partially offset by common stock dividend payments and a reduction in short-term debt. Fluctuations in cash flow from financing activities vary from period to period based on capital needs and the maturity or redemption of securities. Significant balance sheet changes for the first nine months of 2014 include an increase of \$2.0 billion in total property, plant, and equipment for construction of generation, transmission, and distribution facilities and an increase of \$755 million in cash and cash equivalents. Other significant changes include a \$1.2 billion increase in short-term and long-term debt to fund the Southern Company subsidiaries' continuous construction programs and general corporate purposes and an \$849 million increase in total stockholders' equity.

At the end of the third quarter 2014, the market price of Southern Company's common stock was \$43.65 per share (based on the closing price as reported on the New York Stock Exchange) and the book value was \$22.07 per share, representing a market-to-book ratio of 198%, compared to \$41.11, \$21.43, and 192%, respectively, at the end of 2013. Southern Company's common stock dividend for the third quarter 2014 was \$0.5250 per share compared to \$0.5075 per share in the third quarter 2013.

Capital Requirements and Contractual Obligations

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FINANCIAL CONDITION AND LIQUIDITY – "Capital Requirements and Contractual Obligations" of Southern Company in Item 7 of the Form 10-K for a description of Southern Company's capital requirements for the construction programs of the Southern Company system, including estimated capital expenditures for new generating facilities and to comply with existing environmental statutes and regulations, scheduled maturities of long-term debt, as well as related interest, derivative obligations, preferred and preference stock dividends, leases, purchase commitments, trust funding requirements, and unrecognized tax benefits. Approximately \$2.4 billion will be required through September 30, 2015 to fund maturities of long-term debt. See FUTURE EARNINGS POTENTIAL – "PSC Matters – Georgia Power –

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Renewables Development" herein for additional information regarding estimated purchased power contractual obligations.

The Southern Company system's construction program is currently estimated to be \$7.2 billion for 2014, \$5.8 billion for 2015, and \$4.4 billion for 2016, which includes expenditures related to construction and start-up of the Kemper IGCC of \$1.3 billion for 2014, \$551 million for 2015, and \$75 million for 2016 and expenditures related to Southern Power's acquisition of a solar facility of \$508 million for 2014. The amounts related to the construction and start-up of the Kemper IGCC exclude SMEPA's proposed acquisition of a 15% ownership share of the Kemper IGCC for approximately \$569 million (including construction costs for all prior periods relating to its proposed ownership interest). The Southern Company system's amounts include capital expenditures related to contractual purchase commitments for nuclear fuel and capital expenditures covered under long-term service agreements.

Southern Company anticipates that the Southern Company system's capital expenditure requirements will continue to decline through the middle of the decade, before rising again to meet additional requirements for environmental compliance and new generation.

The construction programs are subject to periodic review and revision, and actual construction costs may vary from these estimates because of numerous factors. These factors include: changes in business conditions; changes in load projections; changes in environmental statutes and regulations; the outcome of any legal challenges to the environmental rules; changes in generating plants, including unit retirements and replacements and adding or changing fuel sources at existing units, to meet regulatory requirements; changes in FERC rules and regulations; PSC approvals; changes in the expected environmental compliance program; changes in legislation; the cost and efficiency of construction labor, equipment, and materials; project scope and design changes; storm impacts; and the cost of capital. In addition, there can be no assurance that costs related to capital expenditures will be fully recovered. Additionally, planned expenditures for plant acquisitions may vary due to market opportunities and Southern Power's ability to execute its growth strategy. See Note 3 to the financial statements of Southern Company under "Retail Regulatory Matters – Georgia Power – Nuclear Construction" and "Integrated Coal Gasification Combined Cycle" in Item 8 of the Form 10-K and Note (B) to the Condensed Financial Statements under "Retail Regulatory Matters – Georgia Power – Nuclear Construction" and "Integrated Coal Gasification Combined Cycle" herein for information regarding additional factors that may impact construction expenditures.

Sources of Capital

Southern Company intends to meet its future capital needs through internal cash flow, short-term debt, and external security issuances. Equity capital can be provided from any combination of Southern Company's stock plans, private placements, or public offerings. The amount and timing of any additional equity capital to be raised in 2014, as well as in subsequent years, will be contingent on Southern Company's investment opportunities and the Southern Company system's capital requirements.

Except as described herein, the traditional operating companies and Southern Power plan to obtain the funds required for construction and other purposes from operating cash flows, security issuances, term loans, short-term borrowings, and equity contributions or loans from Southern Company. However, the amount, type, and timing of any future financings, if needed, will depend upon prevailing market conditions, regulatory approval, and other factors. See MANAGEMENT'S DISCUSSION AND ANALYSIS – FINANCIAL CONDITION AND LIQUIDITY – "Sources of Capital" of Southern Company in Item 7 of the Form 10-K for additional information.

On February 20, 2014, Georgia Power and the DOE entered into a loan guarantee agreement (Loan Guarantee Agreement), pursuant to which the DOE agreed to guarantee borrowings to be made by Georgia Power under a multi-advance credit facility (FFB Credit Facility) among Georgia Power, the DOE, and the FFB. Georgia Power is obligated to reimburse the DOE for any payments the DOE is required to make to the FFB under the guarantee.

Georgia Power's reimbursement obligations to the DOE are full recourse and also are secured by a first priority lien on (i) Georgia Power's 45.7% ownership interest in Plant Vogtle Units 3 and 4 (primarily the units under construction, the related real property, and any nuclear fuel loaded in the reactor core) and (ii) Georgia Power's rights and

obligations under the principal contracts relating to Plant Vogtle Units 3 and 4. Under the FFB Credit

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Facility, Georgia Power may make term loan borrowings through the FFB. Proceeds of borrowings made under the FFB Credit Facility will be used to reimburse Georgia Power for a portion of certain costs of construction relating to Plant Vogtle Units 3 and 4 that are eligible for financing under the Loan Guarantee Agreement (Eligible Project Costs). Aggregate borrowings under the FFB Credit Facility may not exceed the lesser of (i) 70% of Eligible Project Costs or (ii) approximately \$3.46 billion. See Note 6 to the financial statements of Southern Company in Item 8 of the Form 10-K for additional information regarding the Loan Guarantee Agreement and Note (B) to the Condensed Financial Statements under "Retail Regulatory Matters – Georgia Power – Nuclear Construction" herein for additional information regarding Plant Vogtle Units 3 and 4.

Eligible Project Costs incurred through September 30, 2014 would allow for borrowings of up to \$2.0 billion under the FFB Credit Facility. Through September 30, 2014, Georgia Power has borrowed \$1.0 billion under the FFB Credit Facility, leaving \$1.0 billion of available borrowing ability.

Mississippi Power has received \$245 million of DOE Grants that were used for the construction of the Kemper IGCC. An additional \$25 million of DOE Grants is expected to be received for commercial operation of the Kemper IGCC. In addition, see Note (B) to the Condensed Financial Statements under "Integrated Coal Gasification Combined Cycle" herein for information regarding legislation related to the securitization of certain costs of the Kemper IGCC. Southern Company's current liabilities frequently exceed current assets due to long-term debt that is due within one year, as well as cash needs, which can fluctuate significantly due to the seasonality of the business of the Southern Company system. To meet short-term cash needs and contingencies, Southern Company has substantial cash flow from operating activities and access to capital markets, including commercial paper programs which are backed by bank credit facilities.

At September 30, 2014, Southern Company and its subsidiaries had approximately \$1.4 billion of cash and cash equivalents. Committed credit arrangements with banks at September 30, 2014 were as follows:

Company	Expires						Total	Unused	Executable Term Loans		Due Within One Year	
	2014	2015	2016	2017	2018				One Year	Two Years	Term Out	No Term Out
	(in millions)						(in millions)		(in millions)		(in millions)	
Southern Company	\$—	\$—	\$—	\$—	\$1,000	\$1,000	\$1,000	\$—	\$—	\$—	\$—	
Alabama Power	70	158	50	—	1,030	1,308	1,308	58	—	58	170	
Georgia Power	—	—	150	—	1,600	1,750	1,736	—	—	—	—	
Gulf Power	20	60	165	30	—	275	275	50	—	50	30	
Mississippi Power	15	120	165	—	—	300	300	25	40	65	70	
Southern Power	—	—	—	—	500	500	499	—	—	—	—	
Other	—	70	—	—	—	70	70	20	—	20	50	
Total	\$105	\$408	\$530	\$30	\$4,130	\$5,203	\$5,188	\$153	\$40	\$193	\$320	

See Note 6 to the financial statements of Southern Company under "Bank Credit Arrangements" in Item 8 of the Form 10-K and Note (E) to the Condensed Financial Statements under "Bank Credit Arrangements" herein for additional information.

A portion of the unused credit with banks is allocated to provide liquidity support to the traditional operating companies' variable rate pollution control revenue bonds and commercial paper programs. The amount of variable rate pollution control revenue bonds outstanding requiring liquidity support as of September 30, 2014 was approximately \$1.8 billion. In addition, at September 30, 2014, the traditional operating companies had \$423 million of fixed rate

pollution control revenue bonds that were required to be remarketed within the next 12 months. Southern Company and its subsidiaries expect to renew their bank credit arrangements as needed, prior to expiration.

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Most of these bank credit arrangements contain covenants that limit debt levels and contain cross default provisions to other indebtedness (including guarantee obligations) that are restricted only to the indebtedness of the individual company. Such cross default provisions to other indebtedness would trigger an event of default if the applicable borrower defaulted on indebtedness or guarantee obligations over a specified threshold. Southern Company, the traditional operating companies, and Southern Power are currently in compliance with all such covenants. None of the arrangements contain material adverse change clauses at the time of borrowings.

Southern Company, the traditional operating companies, and Southern Power make short-term borrowings primarily through commercial paper programs that have the liquidity support of the committed bank credit arrangements described above. Southern Company, the traditional operating companies, and Southern Power may also borrow through various other arrangements with banks. Commercial paper and short-term bank loans are included in notes payable in the balance sheets.

Details of short-term borrowings were as follows:

	Short-term Debt at September 30, 2014		Short-term Debt During the Period ^(a)		
	Amount Outstanding (in millions)	Weighted Average Interest Rate	Average Outstanding (in millions)	Weighted Average Interest Rate	Maximum Amount Outstanding (in millions)
Commercial paper	\$361	0.3%	\$848	0.2%	\$1,528
Short-term bank debt	—	—	150	0.8%	250
Total	\$361	0.3%	\$998	0.3%	

(a) Average and maximum amounts are based upon daily balances during the three-month period ended September 30, 2014.

Management believes the need for working capital can be adequately met by utilizing commercial paper programs, lines of credit, bank notes, and cash.

Credit Rating Risk

Southern Company and its subsidiaries do 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 contracts that could require collateral, but not accelerated payment, in the event of a credit rating change of certain subsidiaries to BBB and Baa2, or BBB- and/or Baa3 or below. These contracts are for physical electricity purchases and sales, fuel purchases, fuel transportation and storage, energy price risk management, and construction of new generation at Georgia Power's Plant Vogtle Units 3 and 4.

The maximum potential collateral requirements under these contracts at September 30, 2014 were as follows:

Credit Ratings	Maximum Potential Collateral Requirements (in millions)
At BBB and Baa2	\$9
At BBB- and/or Baa3	454
Below BBB- and/or Baa3	2,289

Generally, collateral may be provided by a Southern Company guaranty, letter of credit, or cash. Additionally, any credit rating downgrade could impact the ability of Southern Company and its subsidiaries to access capital markets, particularly the short-term debt market and the variable rate pollution control revenue bond market.

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Financing Activities

During the first nine months of 2014, Southern Company issued approximately 7.8 million shares of common stock for approximately \$295.5 million through the employee and director stock plans, of which 150,000 shares related to Southern Company's performance share plan.

Since August 2013, Southern Company has used shares held in treasury, to the extent available, to satisfy the requirements under the Southern Investment Plan and the employee savings plan and during the first nine months of 2014, issued approximately 5.0 million treasury shares for approximately \$215.5 million. Beginning in June 2014, Southern Company used newly issued shares, as necessary, to satisfy the requirements.

The following table outlines the long-term debt financing activities for Southern Company and its subsidiaries for the first nine months of 2014:

Company	Senior Note Issuances	Senior Note Maturities	Revenue Bond Issuances and Remarketings of Purchased Bonds ^(a)	Revenue Bond Redemptions	Other Long-Term Debt Issuances	Other Long-Term Debt Redemptions ^(b)
	(in millions)					
Southern Company	\$750	\$350	\$—	\$—	\$—	\$—
Alabama Power	400	—	—	—	—	—
Georgia Power	—	—	40	37	1,000	4
Gulf Power	200	—	42	29	—	—
Mississippi Power	—	—	—	—	493	222
Southern Power	—	—	—	—	10	1
Other	—	—	—	—	—	15
Elimination ^(c)	—	—	—	—	(220)	(220)
Total	\$1,350	\$350	\$82	\$66	\$1,283	\$22

Includes remarketing by Gulf Power of \$13 million aggregate principal amount of revenue bonds previously (a) purchased and held by Gulf Power since December 2013 and remarketing by Georgia Power of \$40 million aggregate principal amount of revenue bonds previously purchased and held by Georgia Power since 2010.

(b) Includes reductions in capital lease obligations resulting from cash payments under capital leases.

(c) Intercompany loan from Southern Company to Mississippi Power eliminated in Southern Company's Condensed Consolidated Financial Statements. This loan was repaid on September 29, 2014.

In August 2014, Southern Company issued \$400 million aggregate principal amount of Series 2014A 1.30% Senior Notes due August 15, 2017 and \$350 million aggregate principal amount of Series 2014B 2.15% Senior Notes due September 1, 2019. The proceeds were used to pay a portion of Southern Company's outstanding short-term indebtedness and for other general corporate purposes.

Southern Company's subsidiaries used the proceeds of the debt issuances shown in the table above for their respective redemptions and maturities shown in the table above, to repay short-term indebtedness, and for general corporate purposes, including their respective continuous construction programs.

In addition to the amounts reflected in the table above, in June 2014, Southern Company entered into a 90-day floating rate bank loan bearing interest based on one-month LIBOR. This short-term loan was for \$250 million aggregate principal amount and the proceeds were used for working capital and other general corporate purposes, including the investment by Southern Company in its subsidiaries. This bank loan was repaid in August 2014.

In addition to the amounts reflected in the table above, in January 2014 and subsequent to September 30, 2014, Mississippi Power received an additional \$75 million and \$50 million, respectively, of interest-bearing refundable

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deposits from SMEPA to be applied to the sale price for the pending sale of an undivided interest in the Kemper IGCC. See Note 3 to the financial statements of Southern Company in Item 8 of the Form 10-K under "Integrated Coal Gasification Combined Cycle – Proposed Sale of Undivided Interest to SMEPA" for additional information. Georgia Power's "Other Long-Term Debt Issuances" reflected in the table above include initial borrowings under the FFB Credit Facility in an aggregate principal amount of \$1.0 billion in February 2014. The interest rate applicable to \$500 million of the initial advance under the FFB Credit Facility is 3.860% for an interest period that extends to 2044 and the interest rate applicable to the remaining \$500 million is 3.488% for an interest period that extends to 2029 and is expected to be reset from time to time thereafter through 2044. The final maturity date for all advances under the FFB Credit Facility is February 20, 2044. The proceeds of the initial borrowings under the FFB Credit Facility were used to reimburse Georgia Power for Eligible Project Costs relating to the construction of Plant Vogtle Units 3 and 4. In connection with its entry into the agreements with the DOE and the FFB, Georgia Power incurred issuance costs of approximately \$66 million, which will be amortized over the life of the borrowings under the FFB Credit Facility. Under the Loan Guarantee Agreement, Georgia Power is subject to customary events of default, as well as cross-defaults to other indebtedness and events of default relating to any failure to make payments under the engineering, procurement, and construction contract, as amended, relating to Plant Vogtle Units 3 and 4 or certain other agreements providing intellectual property rights for Plant Vogtle Units 3 and 4. The Loan Guarantee Agreement also includes events of default specific to the DOE loan guarantee program, including the failure of Georgia Power or Southern Nuclear to comply with requirements of law or DOE loan guarantee program requirements. See Note 6 to the financial statements of Southern Company in Item 8 of the Form 10-K under "DOE Loan Guarantee Borrowings" for additional information.

In February 2014, Georgia Power repaid three four-month floating rate bank loans in an aggregate principal amount of \$400 million.

Subsequent to September 30, 2014, Gulf Power's \$75 million aggregate principal amount of Series K 4.90% Senior Notes was paid at maturity.

Subsequent to September 30, 2014, Alabama Power entered into forward-starting interest rate swaps to hedge exposure to interest rate changes related to an anticipated debt issuance. The notional amount of the swaps totaled \$100 million.

Subsequent to September 30, 2014, Georgia Power entered into interest rate swaps to hedge exposure to interest rate changes related to existing debt. The notional amount of the swaps totaled \$900 million.

In addition to any financings that may be necessary to meet capital requirements and contractual obligations, Southern Company and its subsidiaries plan to continue, when economically feasible, a program to retire higher-cost securities and replace these obligations with lower-cost capital if market conditions permit.

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PART I

Item 3. Quantitative And Qualitative Disclosures About Market Risk.

During the nine months ended September 30, 2014, there were no material changes to each registrant's disclosures about market risk. For an in-depth discussion of each registrant's market risks, see MANAGEMENT'S DISCUSSION AND ANALYSIS – FINANCIAL CONDITION AND LIQUIDITY – "Market Price Risk" of each registrant in Item 7 of the Form 10-K and Note 1 to the financial statements of each registrant under "Financial Instruments," Note 11 to the financial statements of Southern Company, Alabama Power, and Georgia Power, Note 10 to the financial statements of Gulf Power and Mississippi Power, and Note 9 to the financial statements of Southern Power in Item 8 of the Form 10-K. Also, see Note (H) to the Condensed Financial Statements herein for information relating to derivative instruments.

Item 4. Controls and Procedures.

(a) Evaluation of disclosure controls and procedures.

As of the end of the period covered by this quarterly report, Southern Company, Alabama Power, Georgia Power, Gulf Power, Mississippi Power, and Southern Power Company conducted separate evaluations under the supervision and with the participation of each company's management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of the disclosure controls and procedures (as defined in Sections 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934). Based upon these evaluations, the Chief Executive Officer and the Chief Financial Officer, in each case, concluded that the disclosure controls and procedures are effective.

(b) Changes in internal controls.

There have been no changes in Southern Company's, Alabama Power's, Georgia Power's, Gulf Power's, Mississippi Power's, or Southern Power Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934) during the third quarter 2014 that have materially affected or are reasonably likely to materially affect Southern Company's, Alabama Power's, Georgia Power's, Gulf Power's, Mississippi Power's, or Southern Power Company's internal control over financial reporting.

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ALABAMA POWER COMPANY

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CONDENSED STATEMENTS OF INCOME (UNAUDITED)

	For the Three Months Ended September 30, 2014		For the Nine Months Ended September 30, 2014	
	2013	2013	2013	2013
	(in millions)		(in millions)	
Operating Revenues:				
Retail revenues	\$1,512	\$1,438	\$4,058	\$3,800
Wholesale revenues, non-affiliates	72	66	222	186
Wholesale revenues, affiliates	31	47	168	163
Other revenues	54	53	166	155
Total operating revenues	1,669	1,604	4,614	4,304
Operating Expenses:				
Fuel	442	467	1,288	1,240
Purchased power, non-affiliates	57	36	153	84
Purchased power, affiliates	54	30	140	102
Other operations and maintenance	334	316	989	965
Depreciation and amortization	174	170	521	487
Taxes other than income taxes	88	85	265	262
Total operating expenses	1,149	1,104	3,356	3,140
Operating Income	520	500	1,258	1,164
Other Income and (Expense):				
Allowance for equity funds used during construction	15	7	36	23
Interest expense, net of amounts capitalized	(63	) (65	) (188	) (196
Other income (expense), net	3	—	(5	) 1
Total other income and (expense)	(45	) (58	) (157	) (172
Earnings Before Income Taxes	475	442	1,101	992
Income taxes	183	174	429	390
Net Income	292	268	672	602
Dividends on Preferred and Preference Stock	10	10	30	30
Net Income After Dividends on Preferred and Preference Stock	\$282	\$258	\$642	\$572

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	For the Three Months Ended September 30, 2014		For the Nine Months Ended September 30, 2014	
	2013	2013	2013	2013
	(in millions)		(in millions)	
Net Income	\$292	\$268	\$672	\$602
Other comprehensive income (loss):				
Qualifying hedges:				
Reclassification adjustment for amounts included in net income, net of tax of \$1, \$1, \$1 and \$1, respectively	—	—	1	1
Total other comprehensive income (loss)	—	—	1	1
Comprehensive Income	\$292	\$268	\$673	\$603

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

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CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)

	For the Nine Months Ended September 30,	
	2014	2013
	(in millions)	
Operating Activities:		
Net income	\$672	\$602
Adjustments to reconcile net income to net cash provided from operating activities —		
Depreciation and amortization, total	631	616
Deferred income taxes	68	200
Allowance for equity funds used during construction	(36)	(23)
Regulatory deferrals	(62)	(14)
Other, net	29	15
Changes in certain current assets and liabilities —		
-Receivables	(139)	(98)
-Fossil fuel stock	106	173
-Materials and supplies	(8)	16
-Other current assets	(32)	(18)
-Accounts payable	(64)	(109)
-Accrued taxes	210	105
-Accrued compensation	18	(36)
-Retail fuel cost over recovery	2	42
-Other current liabilities	3	(2)
Net cash provided from operating activities	1,398	1,469
Investing Activities:		
Property additions	(966)	(779)
Nuclear decommissioning trust fund purchases	(178)	(162)
Nuclear decommissioning trust fund sales	178	162
Cost of removal, net of salvage	(50)	(29)
Change in construction payables	39	12
Other investing activities	(26)	35
Net cash used for investing activities	(1,003)	(761)
Financing Activities:		
Proceeds —		
Senior note issuances	400	—
Capital contributions from parent company	20	18
Payment of preferred and preference stock dividends	(30)	(30)
Payment of common stock dividends	(412)	(397)
Other financing activities	(6)	—
Net cash used for financing activities	(28)	(409)
Net Change in Cash and Cash Equivalents	367	299
Cash and Cash Equivalents at Beginning of Period	295	137
Cash and Cash Equivalents at End of Period	\$662	\$436
Supplemental Cash Flow Information:		
Cash paid during the period for —		
Interest (net of \$13 and \$8 capitalized for 2014 and 2013, respectively)	\$174	\$182

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Income taxes, net	227	154
Noncash transactions — accrued property additions at end of period	57	43

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

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CONDENSED BALANCE SHEETS (UNAUDITED)

Assets	At September 30, 2014 (in millions)	At December 31, 2013
Current Assets:		
Cash and cash equivalents	\$662	\$295
Receivables —		
Customer accounts receivable	442	341
Unbilled revenues	133	142
Under recovered regulatory clause revenues	34	—
Other accounts and notes receivable	38	30
Affiliated companies	36	54
Accumulated provision for uncollectible accounts	(9	) (8
Fossil fuel stock, at average cost	223	329
Materials and supplies, at average cost	397	375
Vacation pay	63	63
Prepaid expenses	83	57
Other regulatory assets, current	8	7
Other current assets	9	6
Total current assets	2,119	1,691
Property, Plant, and Equipment:		
In service	22,688	22,092
Less accumulated provision for depreciation	8,430	8,114
Plant in service, net of depreciation	14,258	13,978
Nuclear fuel, at amortized cost	324	332
Construction work in progress	995	748
Total property, plant, and equipment	15,577	15,058
Other Property and Investments:		
Equity investments in unconsolidated subsidiaries	67	54
Nuclear decommissioning trusts, at fair value	738	714
Miscellaneous property and investments	83	80
Total other property and investments	888	848
Deferred Charges and Other Assets:		
Deferred charges related to income taxes	528	519
Prepaid pension costs	290	276
Deferred under recovered regulatory clause revenues	46	25
Other regulatory assets, deferred	703	692
Other deferred charges and assets	142	142
Total deferred charges and other assets	1,709	1,654
Total Assets	\$20,293	\$19,251

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

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CONDENSED BALANCE SHEETS (UNAUDITED)

Liabilities and Stockholder's Equity	At September 30, 2014 (in millions)	At December 31, 2013
Current Liabilities:		
Securities due within one year	\$54	\$—
Accounts payable —		
Affiliated	245	198
Other	273	339
Customer deposits	86	85
Accrued taxes —		
Accrued income taxes	146	11
Other accrued taxes	114	33
Accrued interest	62	61
Accrued vacation pay	53	53
Accrued compensation	98	74
Other regulatory liabilities, current	49	37
Other current liabilities	44	41
Total current liabilities	1,224	932
Long-term Debt	6,577	6,233
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	3,670	3,603
Deferred credits related to income taxes	72	75
Accumulated deferred investment tax credits	127	133
Employee benefit obligations	203	195
Asset retirement obligations	813	730
Other cost of removal obligations	864	828
Other regulatory liabilities, deferred	242	259
Deferred over recovered regulatory clause revenues	—	15
Other deferred credits and liabilities	54	61
Total deferred credits and other liabilities	6,045	5,899
Total Liabilities	13,846	13,064
Redeemable Preferred Stock	342	342
Preference Stock	343	343
Common Stockholder's Equity:		
Common stock, par value \$40 per share —		
Authorized — 40,000,000 shares		
Outstanding — 30,537,500 shares	1,222	1,222
Paid-in capital	2,292	2,262
Retained earnings	2,273	2,044
Accumulated other comprehensive loss	(25	) (26
Total common stockholder's equity	5,762	5,502
Total Liabilities and Stockholder's Equity	\$20,293	\$19,251

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONSTHIRD QUARTER 2014 vs. THIRD QUARTER 2013
AND
YEAR-TO-DATE 2014 vs. YEAR-TO-DATE 2013

OVERVIEW

Alabama Power operates as a vertically integrated utility providing electricity to retail and wholesale customers within its traditional service territory located within the State of Alabama in addition to wholesale customers in the Southeast.

Many factors affect the opportunities, challenges, and risks of Alabama Power's business of selling electricity. These factors include the ability to maintain a constructive regulatory environment, to maintain and grow energy sales given economic conditions, and to effectively manage and secure timely recovery of costs. These costs include those related to projected long-term demand growth, increasingly stringent environmental standards, reliability, fuel, capital expenditures, and restoration following major storms. Appropriately balancing required costs and capital expenditures with customer prices will continue to challenge Alabama Power for the foreseeable future.

Alabama Power continues to focus on several key performance indicators. These indicators include customer satisfaction, plant availability, system reliability, and net income after dividends on preferred and preference stock. For additional information on these indicators, see MANAGEMENT'S DISCUSSION AND ANALYSIS – OVERVIEW – "Key Performance Indicators" of Alabama Power in Item 7 of the Form 10-K.

RESULTS OF OPERATIONS

Net Income

Third Quarter 2014 vs. Third Quarter 2013		Year-to-Date 2014 vs. Year-to-Date 2013	
(change in millions)	(% change)	(change in millions)	(% change)
\$24	9.3	\$70	12.2

Alabama Power's net income after dividends on preferred and preference stock for the third quarter 2014 was \$282 million compared to \$258 million for the corresponding period in 2013. The increase in net income was related to an increase in revenue primarily due to warmer weather in the third quarter 2014 as compared to the corresponding period in 2013 and an increase in AFUDC equity, partially offset by increases in operating expenses.

Alabama Power's net income after dividends on preferred and preference stock for year-to-date 2014 was \$642 million compared to \$572 million for the corresponding period in 2013. The increase in net income was related to an increase in revenue primarily due to colder weather in the first quarter 2014 and warmer weather in the second and third quarters of 2014 as compared to the corresponding periods in 2013 and an increase in AFUDC equity, partially offset by increases in operating expenses.

Retail Revenues

Third Quarter 2014 vs. Third Quarter 2013		Year-to-Date 2014 vs. Year-to-Date 2013	
(change in millions)	(% change)	(change in millions)	(% change)
\$74	5.1	\$258	6.8

In the third quarter 2014, retail revenues were \$1.51 billion compared to \$1.44 billion for the corresponding period in 2013. For year-to-date 2014, retail revenues were \$4.06 billion compared to \$3.80 billion for the corresponding period in 2013.

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Details of the changes in retail revenues were as follows:

	Third Quarter 2014		Year-to-Date 2014	
	(in millions)	(% change)	(in millions)	(% change)
Retail – prior year	\$1,438		\$3,800	
Estimated change resulting from –				
Rates and pricing	8	0.5	45	1.2
Sales growth	6	0.4	2	0.1
Weather	32	2.2	91	2.4
Fuel and other cost recovery	28	2.0	120	3.1
Retail – current year	\$1,512	5.1	\$4,058	6.8

Revenues associated with changes in rates and pricing increased in the third quarter and year-to-date 2014 when compared to the corresponding periods in 2013 due to increased revenues associated with Rate CNP Environmental primarily resulting from the inclusion of pre-2005 environmental assets. See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "PSC Matters – Rate CNP" of Alabama Power in Item 7 of the Form 10-K for additional information regarding the revision to Rate CNP Environmental.

Revenues attributable to changes in sales increased in the third quarter and year-to-date 2014 when compared to the corresponding periods in 2013. Industrial KWH energy sales increased 6.5% in the third quarter and 4.3% for year-to-date 2014 as a result of an increase in demand resulting from changes in production levels primarily in the primary metals, chemicals, forest products, automotive and plastics, and stone, clay, and glass sectors.

Weather-adjusted residential KWH energy sales decreased 1.7% in the third quarter and 1.1% for year-to-date 2014 as a result of decreased customer usage. Weather-adjusted commercial KWH energy sales decreased 2.1% in the third quarter and 1.2% for year-to-date 2014 as a result of decreased customer usage. Household income, one of the primary drivers of residential customer usage, has been flat in 2014.

Revenues resulting from changes in weather increased in the third quarter 2014 due to warmer weather experienced in Alabama Power's service territory compared to the corresponding period in 2013. For the third quarter 2014, the resulting increases were 3.8% and 1.9% for residential and commercial sales revenue, respectively.

Revenues resulting from changes in weather increased year-to-date 2014 primarily due to colder weather experienced in Alabama Power's service territory in the first quarter 2014 and warmer weather in the second and third quarters 2014 when compared to the corresponding periods in 2013. For year-to-date 2014, the resulting increases were 4.1% and 2.2% for residential and commercial sales revenue, respectively.

Fuel and other cost recovery revenues increased in the third quarter and year-to-date 2014 when compared to the corresponding periods in 2013 primarily due to an increase in fuel costs associated with an increase in KWH generation and the average cost of natural gas. Electric rates include provisions to recognize the full recovery of fuel costs, purchased power costs, PPAs certificated by the Alabama PSC, and costs associated with the Natural Disaster Reserve. Under these provisions, fuel and other cost recovery revenues generally equal fuel and other cost recovery expenses and do not affect net income.

Wholesale Revenues – Non-Affiliates

Third Quarter 2014 vs. Third Quarter 2013		Year-to-Date 2014 vs. Year-to-Date 2013	
(change in millions)	(% change)	(change in millions)	(% change)
\$6	9.1	\$36	19.4

Wholesale revenues from sales to non-affiliates will vary depending on the market prices of available wholesale energy compared to the cost of Alabama Power's and the Southern Company system's generation, demand for energy within the Southern Company system's service territory, and the availability of the Southern Company

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system's generation. Increases and decreases in energy revenues that are driven by fuel prices are accompanied by an increase or decrease in fuel costs and do not have a significant impact on net income.

In the third quarter 2014, wholesale revenues from sales to non-affiliates were \$72 million compared to \$66 million for the corresponding period in 2013. The increase was primarily due to an 11.2% increase in KWH sales primarily due to the availability of Alabama Power's lower cost generation partially offset by a 2.3% decrease in the price of energy primarily due to the lower cost of coal.

For year-to-date 2014, wholesale revenues from sales to non-affiliates were \$222 million compared to \$186 million for the corresponding period in 2013. The increase was primarily due to a 16.4% increase in KWH sales primarily due to the availability of Alabama Power's lower cost generation and an increase of 2.2% in the price of energy primarily due to higher natural gas prices during the winter months of 2014.

Wholesale Revenues – Affiliates

Third Quarter 2014 vs. Third Quarter 2013		Year-to-Date 2014 vs. Year-to-Date 2013	
(change in millions)	(% change)	(change in millions)	(% change)
\$(16)	(34.0)	\$5	3.1

Wholesale revenues from sales to affiliated companies will vary depending on demand and the availability and cost of generating resources at each company. These affiliate sales are made in accordance with the IIC, as approved by the FERC. These transactions do not have a significant impact on earnings since this energy is generally sold at marginal cost and energy purchases are generally offset by energy revenues through Alabama Power's energy cost recovery clauses.

In the third quarter 2014, wholesale revenues from sales to affiliates were \$31 million compared to \$47 million for the corresponding period in 2013. The decrease was primarily due to a 38.8% decrease in KWH sales primarily due to decreased availability of hydro generation due to less rainfall in the third quarter 2014 as compared to the corresponding period in 2013 as well as the addition of new generation in the Southern Company system. This decrease was partially offset by a 4.1% increase in the price of energy primarily due to higher natural gas prices.

Other Revenues

Third Quarter 2014 vs. Third Quarter 2013		Year-to-Date 2014 vs. Year-to-Date 2013	
(change in millions)	(% change)	(change in millions)	(% change)
\$1	1.9	\$11	7.1

For year-to-date 2014, other revenues were \$166 million compared to \$155 million for the corresponding period in 2013. The increase was primarily due to increases in co-generation steam revenues, open access transmission tariff revenues, and transmission service agreement revenues.

Fuel and Purchased Power Expenses

	Third Quarter 2014		Year-to-Date 2014	
	vs.		vs.	
	Third Quarter 2013		Year-to-Date 2013	
	(change in millions)	(% change)	(change in millions)	(% change)
Fuel	\$(25)	(5.4)	\$48	3.9
Purchased power – non-affiliates	21	58.3	69	82.1
Purchased power – affiliates	24	80.0	38	37.3
Total fuel and purchased power expenses	\$20		\$155	

In the third quarter 2014, total fuel and purchased power expenses were \$553 million compared to \$533 million for the corresponding period in 2013. The increase was primarily due to a \$42 million increase in the volume of KWHs

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purchased, a \$6 million increase related to the volume of KWHs generated, and a \$3 million increase in the average cost of purchased power, partially offset by a \$31 million decrease in the average cost of fuel.

For year-to-date 2014, total fuel and purchased power expenses were \$1.58 billion compared to \$1.43 billion for the corresponding period in 2013. The increase was primarily due to a \$65 million increase related to the volume of KWHs purchased, a \$48 million increase in the volume of KWHs generated, and a \$42 million increase in the average cost of purchased power.

Fuel and purchased power energy transactions do not have a significant impact on earnings, since energy expenses are generally offset by energy revenues through Alabama Power's energy cost recovery clauses. Alabama Power, along with the Alabama PSC, continuously monitors the under/over recovered balance to determine whether adjustments to billings rates are required. See FUTURE EARNINGS POTENTIAL – "PSC Matters – Retail Energy Cost Recovery" of Alabama Power in Item 7 of the Form 10-K for additional information.

Details of Alabama Power's generation and purchased power were as follows:

	Third Quarter 2014	Third Quarter 2013	Year-to-Date 2014	Year-to-Date 2013
Total generation (billions of KWHs)	17	18	50	49
Total purchased power (billions of KWHs)	2	1	5	3
Sources of generation (percent) —				
Coal	59	57	55	53
Nuclear	23	21	23	22
Gas	16	16	16	16
Hydro	2	6	6	9
Cost of fuel, generated (cents per net KWH) —				
Coal	3.04	3.41	3.24	3.37
Nuclear	0.81	0.84	0.84	0.83
Gas	3.54	3.27	3.83	3.38
Average cost of fuel, generated (cents per net KWH) ^(a)	2.61	2.80	2.75	2.76
Average cost of purchased power (cents per net KWH) ^(b)	6.56	6.44	6.32	5.44

(a) KWHs generated by hydro are excluded from the average cost of fuel, generated.

(b) Average cost of purchased power includes fuel purchased by Alabama Power for tolling agreements where power is generated by the provider.

Fuel

In the third quarter 2014, fuel expense was \$442 million compared to \$467 million for the corresponding period in 2013. The decrease was primarily due to a 10.8% decrease in the average cost of coal generation. This was partially offset by a 66.7% decrease in the volume of KWHs generated by hydro facilities as a result of less rainfall and an 8.3% increase in the average cost of natural gas per KWH generated, which excludes fuel associated with tolling agreements.

For year-to-date 2014, fuel expense was \$1.29 billion compared to \$1.24 billion for the corresponding period in 2013. The increase was primarily due to a 32.9% decrease in the volume of KWHs generated by hydro facilities as a result of less rainfall, a 13.3% increase in the average cost of natural gas per KWH generated, which excludes fuel associated with tolling agreements, a 6.9% increase in KWHs generated by nuclear fuel due to an outage in the second quarter 2013, and a 5.3% increase in the volume of KWHs generated by coal.

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Purchased Power – Non-Affiliates

In the third quarter 2014, purchased power expense from non-affiliates was \$57 million compared to \$36 million for the corresponding period in 2013. The increase was related to a 48.3% increase in the average cost per KWH purchased and a 3.4% increase in the amount of energy purchased due to the addition of a new PPA in 2014. For year-to-date 2014, purchased power expense from non-affiliates was \$153 million compared to \$84 million for the corresponding period in 2013. The increase was related to a 65.9% increase in the average cost per KWH purchased primarily due to demand during peak periods and the addition of a new PPA in 2014 and a 7.2% increase in the volume of KWHs purchased to meet the demand created by colder weather in the first quarter 2014 compared to the corresponding period in 2013.

Energy purchases from non-affiliates will vary depending on the market prices of wholesale energy as compared to the cost of the Southern Company system's generation, demand for energy within the Southern Company system's service territory, and the availability of the Southern Company system's generation.

Purchased Power – Affiliates

In the third quarter 2014, purchased power expense from affiliates was \$54 million compared to \$30 million for the corresponding period in 2013. The increase was related to a 130.0% increase in the amount of energy purchased primarily due to the decreased availability of hydro generation due to less rainfall during the third quarter 2014 compared to the corresponding period in 2013 as well as the addition of new capacity in the Southern Company system during the third quarter 2014. This increase was partially offset by a 23.6% decrease in the average cost per KWH purchased due to availability of lower cost Southern Company system generation at the time of purchase. For year-to-date 2014, purchased power expense from affiliates was \$140 million compared to \$102 million for the corresponding period in 2013. The increase was related to a 63.1% increase in the volume of KWHs purchased to meet the demand created by colder weather in the first quarter 2014 compared to the corresponding period in 2013 partially offset by a 16.5% decrease in the average cost per KWH purchased due to the availability of lower cost Southern Company system generation at the time of purchase.

Energy purchases from affiliates will vary depending on demand for energy and the availability and cost of generating resources at each company within the Southern Company system. These purchases are made in accordance with the IIC or other contractual agreements, as approved by the FERC.

Other Operations and Maintenance Expenses

Third Quarter 2014 vs. Third Quarter 2013		Year-to-Date 2014 vs. Year-to-Date 2013	
(change in millions)	(% change)	(change in millions)	(% change)
\$18	5.7	\$24	2.5

In the third quarter 2014, other operations and maintenance expenses were \$334 million compared to \$316 million for the corresponding period in 2013. For year-to-date 2014, other operations and maintenance expenses were \$989 million compared to \$965 million for the corresponding period in 2013. The increases were primarily due to increases in labor and contract labor costs. These increases were partially offset by the implementation of an accounting order in 2014 allowing deferral of non-nuclear outage costs. Alabama Power deferred approximately \$16 million and \$57 million of non-nuclear outage expenditures in the third quarter and year-to-date 2014, respectively. See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "PSC Matters – Non-Nuclear Outage Accounting Order" of Alabama Power in Item 7 of the Form 10-K for additional information.

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Depreciation and Amortization

Third Quarter 2014 vs. Third Quarter 2013		Year-to-Date 2014 vs. Year-to-Date 2013	
(change in millions)	(% change)	(change in millions)	(% change)
\$4	2.4	\$34	7.0

For year-to-date 2014, depreciation and amortization was \$521 million compared to \$487 million for the corresponding period in 2013. The increase was primarily due to an increase in depreciation rates related to environmental assets and the deferral in 2013 of certain costs under an accounting order. Depreciation related to environmental assets is offset by revenues associated with Rate CNP Environmental. See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "PSC Matters – Rate CNP" of Alabama Power in Item 7 of the Form 10-K for additional information regarding Alabama Power's revision to Rate CNP Environmental. See also MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "PSC Matters – Compliance and Pension Cost Accounting Order" of Alabama Power in Item 7 of the Form 10-K for additional information regarding Alabama Power's deferral of costs under this accounting order.

Allowance for Equity Funds Used During Construction

Third Quarter 2014 vs. Third Quarter 2013		Year-to-Date 2014 vs. Year-to-Date 2013	
(change in millions)	(% change)	(change in millions)	(% change)
\$8	114.3	\$13	56.5

In the third quarter 2014, AFUDC equity was \$15 million compared to \$7 million for the corresponding period in 2013. For year-to-date 2014, AFUDC equity was \$36 million compared to \$23 million for the corresponding period in 2013. The increases were primarily due to additional capital expenditures for steam environmental and steam generation. Also contributing to the third quarter increase was an increase in capital expenditures for nuclear fuel.

Income Taxes

Third Quarter 2014 vs. Third Quarter 2013		Year-to-Date 2014 vs. Year-to-Date 2013	
(change in millions)	(% change)	(change in millions)	(% change)
\$9	5.2	\$39	10.0

In the third quarter 2014, income taxes were \$183 million compared to \$174 million for the corresponding period in 2013. For year-to-date 2014, income taxes were \$429 million compared to \$390 million for the corresponding period in 2013. The increases were primarily due to higher pre-tax earnings.

FUTURE EARNINGS POTENTIAL

The results of operations discussed above are not necessarily indicative of Alabama Power's future earnings potential. The level of Alabama Power's future earnings depends on numerous factors that affect the opportunities, challenges, and risks of Alabama Power's primary business of selling electricity. These factors include Alabama Power's ability to maintain a constructive regulatory environment that continues to allow for the timely recovery of prudently-incurred costs during a time of increasing costs. Future earnings in the near term will depend, in part, upon maintaining and growing sales which is subject to a number of factors. These factors include weather, competition, new energy contracts with other utilities, energy conservation practiced by customers, the price of electricity, the price elasticity of demand, and the rate of economic growth or decline in Alabama Power's service territory. Changes in regional and global economic conditions may impact sales for Alabama Power as the pace of the economic recovery remains uncertain. The timing and extent of the economic recovery will impact growth and may impact future earnings. For additional information relating to these issues, see RISK FACTORS in Item 1A and MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL of Alabama Power in Item 7 of the Form 10-K.

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Environmental Matters

Compliance costs related to federal and state environmental statutes and regulations could affect earnings if such costs cannot continue to be fully recovered in rates on a timely basis. Environmental compliance spending over the next several years may differ materially from the amounts estimated. The timing, specific requirements, and estimated costs could change as environmental statutes and regulations are adopted or modified. Further, higher costs that are recovered through regulated rates could contribute to reduced demand for electricity, which could negatively affect results of operations, cash flows, and financial condition. See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "Environmental Matters" of Alabama Power in Item 7 and Note 3 to the financial statements of Alabama Power under "Environmental Matters" in Item 8 of the Form 10-K for additional information.

Environmental Statutes and Regulations

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "Environmental Matters – Environmental Statutes and Regulations" and – "PSC Matters – Environmental Accounting Order" of Alabama Power in Item 7 of the Form 10-K and "PSC Matters – Environmental Accounting Order" herein for additional information regarding Alabama Power's plan for compliance with environmental statutes and regulations.

Air Quality

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "Environmental Matters – Environmental Statutes and Regulations – Air Quality" of Alabama Power in Item 7 of the Form 10-K for additional information regarding the Cross State Air Pollution Rule (CSAPR) and the EPA's proposed rules regarding the regulation of excess emissions during periods of startup, shutdown, or malfunction (SSM).

On April 29, 2014, the U.S. Supreme Court overturned the U.S. Court of Appeals for the District of Columbia Circuit's August 2012 decision to vacate CSAPR and remanded the case back to the U.S. Court of Appeals for the District of Columbia Circuit for further proceedings. On October 23, 2014, the U.S. Court of Appeals for the District of Columbia Circuit granted the EPA's motion to lift the stay on CSAPR implementation and approved a revised schedule under which the first phase of the rule will go into effect beginning January 1, 2015. The Southern Company system has developed and continually updates a comprehensive environmental compliance strategy to assess compliance obligations associated with current and proposed environmental requirements, including CSAPR. The ultimate financial and unit operational impact of the rule cannot be determined at this time and is dependent on the outcome of further legal proceedings, the manner in which the EPA and the states implement the final rule, and the development of related emissions allowance markets.

On September 17, 2014, the EPA published a supplemental proposal for the SSM rule. The EPA previously entered into a revised settlement agreement requiring the EPA to finalize the proposed rules by May 22, 2015. The proposed rule would require states subject to the rule, including Alabama, to revise their SSM provisions within 18 months after issuance of the final rule. The ultimate impact of the proposed SSM rule will depend on the specific provisions of the final rule, the development and implementation of rules at the state level, and the outcome of any legal challenges and cannot be determined at this time.

The ultimate outcome of these matters cannot be determined at this time.

Water Quality

On April 21, 2014, the EPA and the U.S. Army Corps of Engineers jointly published a proposed rule to revise the regulatory definition of waters of the U.S. for all Clean Water Act (CWA) programs, significantly expanding the scope of federal jurisdiction under the CWA. If finalized as proposed, this rule could significantly increase permitting and regulatory requirements and costs associated with the siting of new facilities and the installation, expansion, and maintenance of transmission and distribution lines. In addition, the rule as proposed could have significant impacts on economic development projects which could affect customer demand growth. The ultimate

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impact of the proposed rule will depend on the specific requirements of the final rule and the outcome of any legal challenges and cannot be determined at this time.

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "Environmental Matters – Environmental Statutes and Regulations – Water Quality" of Alabama Power in Item 7 of the Form 10-K for additional information regarding the EPA's rulemaking for cooling water intake structures.

On August 15, 2014, the EPA published a final rule establishing standards for reducing effects on fish and other aquatic life caused by new and existing cooling water intake structures at existing power plants and manufacturing facilities, which became effective October 14, 2014. The ultimate outcome of this final rule will depend on the results of additional studies and implementation of the rule by state regulators, but could result in additional capital and operational costs associated with changes to existing intake structures and cooling systems and increased costs associated with the construction of new generating units. The ultimate impact of this rule will depend on the outcome of any legal challenges and cannot be determined at this time.

Global Climate Issues

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "Environmental Matters – Global Climate Issues" of Alabama Power in Item 7 of the Form 10-K for additional information regarding the EPA's current and proposed regulation of GHG emissions under the Clean Air Act.

On June 18, 2014, the EPA published the proposed Clean Power Plan, setting forth guidelines for states to develop plans to address CO₂ emissions from existing fossil fuel-fired electric generating units. The EPA's proposed guidelines establish state-specific interim and final CO₂ emission rate goals to be achieved between 2020 and 2029 and in 2030 and thereafter. The EPA also published proposed CO₂ performance standards for modified and reconstructed fossil fuel-fired electric generating units. The proposed guidelines and standards could result in operational restrictions and material compliance costs, including capital expenditures, that could impact unit retirement and replacement decisions. Also, additional compliance costs could affect results of operations, cash flows, and financial condition if such costs are not recovered through regulated rates. Further, any resulting higher costs that are recovered through regulated rates could contribute to reduced demand for electricity, which could negatively impact results of operations, cash flows, and financial condition.

On October 28, 2014, the EPA issued a notice of data availability related to the proposed Clean Power Plan, which was not intended to revise the EPA's proposal but to provide the public with an opportunity to consider and comment on technical issues and data related to the guidelines. The Southern Company system expects to file comments with the EPA at or prior to the EPA's December 1, 2014 extended deadline. These comments may include a preliminary estimated cost of complying with the proposed guidelines utilizing one of the EPA's compliance scenarios. These costs could be significant to the utility industry and the Southern Company system. However, the ultimate financial and operational impact of the Clean Power Plan proposed guidelines on the Southern Company system cannot be determined at this time and will be dependent upon numerous factors. These factors include: the structure, timing, and content of the EPA's final guidelines; individual state implementation of these guidelines, including the potential that state implementation plans impose different standards; additional rulemaking activities in response to legal challenges and court decisions; the impact of future changes in generation and emissions-related technology and costs; the impact of future decisions regarding unit retirement and replacement, including the type and amount of any such replacement capacity; and the time periods over which compliance will be required.

On June 23, 2014, the U.S. Supreme Court struck down a portion of the EPA's program for GHG permitting under the Prevention of Significant Deterioration and Title V operating permit programs, holding that a facility's GHG emissions alone could not trigger a requirement to obtain a permit and that the EPA did not have the authority to tailor the statutory permitting thresholds. The ultimate impact of the U.S. Supreme Court's decision cannot be determined at this time.

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FERC Matters

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "FERC Matters" of Alabama Power in Item 7 of the Form 10-K for additional information on Alabama Power's relicensing applications for the hydroelectric developments on the Coosa River and the Warrior River. On September 26, 2014, the U.S. Court of Appeals for the District of Columbia Circuit dismissed the appeal of the Smith Lake Improvement and Stakeholders' Association from the FERC's orders related to the Warrior River relicensing proceedings for lack of jurisdiction. The ultimate outcome of this matter cannot be determined at this time.

PSC Matters

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "PSC Matters" of Alabama Power in Item 7 of the Form 10-K for additional information regarding Alabama Power's recovery of retail costs through various regulatory clauses and accounting orders. The recovery balance of each regulatory clause for Alabama Power is reported in Note (B) to the Condensed Financial Statements herein.

Environmental Accounting Order

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "Environmental Matters – Environmental Statutes and Regulations" and – "PSC Matters – Environmental Accounting Order" of Alabama Power in Item 7 of the Form 10-K for additional information regarding Alabama Power's plan for compliance with environmental statutes and regulations.

As part of its environmental compliance strategy, Alabama Power plans to retire Plant Gorgas Units 6 and 7. These units represent 200 MWs of Alabama Power's approximately 12,200 MWs of generating capacity. Alabama Power also plans to cease using coal at Plant Barry Units 1 and 2 (250 MWs), but such units will remain available on a limited basis with natural gas as the fuel source. Additionally, Alabama Power expects to cease using coal at Plant Barry Unit 3 (225 MWs) and Plant Greene County Units 1 and 2 (300 MWs) and begin operating those units solely on natural gas. These plans are expected to be effective no later than April 2016.

In accordance with an accounting order from the Alabama PSC, Alabama Power will transfer the unrecovered plant asset balances to a regulatory asset at their respective retirement dates. The regulatory asset will be amortized over the remaining useful lives, as established prior to the decision for retirement. As a result, these decisions will not have a significant impact on Alabama Power's financial statements.

Nuclear Waste Fund Accounting Order

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "Other Matters" of Alabama Power in Item 7 of the Form 10-K and "Other Matters" herein for additional information regarding the court order for the DOE to set the spent fuel depositary fees at zero.

On August 5, 2014, the Alabama PSC issued an order to provide for the continued recovery from customers of amounts associated with the permanent disposal of nuclear waste from the operation of Plant Farley. In accordance with the order, effective May 16, 2014, Alabama Power is authorized to recover from customers an amount equal to the prior fee and to record the amounts in a regulatory liability account (approximately \$14 million annually). Upon the DOE meeting the requirements of the Nuclear Waste Policy Act of 1982 and a new spent fuel depositary fee being put in place, the accumulated balance in the regulatory liability account will be available for purposes of the associated cost responsibility. In the event the balance is later determined to be more than needed, those amounts would be used for the benefit of customers subject to the approval of the Alabama PSC. The ultimate outcome of this matter cannot be determined at this time.

Cost of Removal Accounting Order

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "PSC Matters" of Alabama Power in Item 7 of the Form 10-K regarding the previously approved compliance and pension costs accounting order and non-nuclear outage accounting order.

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On November 3, 2014, the Alabama PSC issued an accounting order authorizing Alabama Power to fully amortize the balances in certain regulatory asset accounts, projected to be \$120 million at December 31, 2014. This amortization expense will be offset by the amortization of up to \$120 million of the regulatory liability for other cost of removal obligations. The regulatory asset account balances to be fully amortized as of December 31, 2014 represent costs deferred under the compliance and pension cost accounting order as well as the non-nuclear outage accounting order, which were approved by the Alabama PSC in November 2012 and August 2013, respectively. This accounting order also requires Alabama Power to terminate, as of December 31, 2014, the regulatory asset accounts created pursuant to the compliance and pension cost accounting order and the non-nuclear outage accounting order. Consequently, Alabama Power will not defer any expenditures in 2015, 2016, and 2017 related to critical electric infrastructure and domestic nuclear facilities under these orders.

Other Matters

Alabama Power is involved in various other matters being litigated and regulatory matters that could affect future earnings. In addition, Alabama Power is subject to certain claims and legal actions arising in the ordinary course of business. Alabama 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 air quality and water standards, has increased generally throughout the U.S. In particular, personal injury, property damage, and other claims for damages alleged to have been caused by CO₂ and other emissions, coal combustion residuals, and alleged exposure to hazardous materials, and/or requests for injunctive relief in connection with such matters, have become more frequent.

The ultimate outcome of such pending or potential litigation against Alabama Power cannot be predicted at this time; however, for current proceedings not specifically reported in Note (B) to the Condensed Financial Statements herein or in Note 3 to the financial statements of Alabama Power in Item 8 of the Form 10-K, management does not anticipate that the ultimate liabilities, if any, arising from such current proceedings would have a material effect on Alabama Power's financial statements. See the Notes to the Condensed Financial Statements herein for a discussion of various other contingencies, regulatory matters, and other matters being litigated which may affect future earnings potential.

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "Other Matters" of Southern Company in Item 7 of the Form 10-K for additional information regarding the NRC's performance of additional operational and safety reviews of nuclear facilities in the U.S. following the major earthquake and tsunami that struck Japan in 2011.

Additionally, there are certain risks associated with the operation of nuclear generating units, including potential impacts that could result from a major incident at a nuclear facility anywhere in the world. The ultimate outcome of these events cannot be determined at this time.

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "Other Matters" of Alabama Power in Item 7 of the Form 10-K for additional information regarding the court order for the DOE to set the spent fuel depository fees at zero. On March 18, 2014, the U.S. Court of Appeals for the District of Columbia Circuit denied the DOE's request for rehearing of the November 2013 panel decision ordering that the DOE propose the nuclear waste fund fee be changed to zero. The DOE formally set the fee to zero effective May 16, 2014. See "PSC Matters – Nuclear Waste Fund Accounting Order" herein for information regarding an accounting order issued by the Alabama PSC which provides for continued recovery from customers of amounts associated with the permanent disposal of nuclear waste from the operation of Plant Farley. The ultimate outcome of this matter cannot be determined at this time.

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ACCOUNTING POLICIES

Application of Critical Accounting Policies and Estimates

Alabama Power prepares its financial statements in accordance with GAAP. Significant accounting policies are described in Note 1 to the financial statements of Alabama Power in Item 8 of the Form 10-K. In the application of these policies, certain estimates are made that may have a material impact on Alabama Power's results of operations and related disclosures. Different assumptions and measurements could produce estimates that are significantly different from those recorded in the financial statements. See MANAGEMENT'S DISCUSSION AND ANALYSIS – ACCOUNTING POLICIES – "Application of Critical Accounting Policies and Estimates" of Alabama Power in Item 7 of the Form 10-K for a complete discussion of Alabama Power's critical accounting policies and estimates related to Electric Utility Regulation, Contingent Obligations, and Pension and Other Postretirement Benefits.

Recently Issued Accounting Standards

On May 28, 2014, the Financial Accounting Standards Board issued ASC 606, Revenue from Contracts with Customers. ASC 606 revises the accounting for revenue recognition and is effective for fiscal years beginning after December 15, 2016. Alabama Power is currently evaluating the requirements of ASC 606. The ultimate impact of the new standard has not yet been determined.

FINANCIAL CONDITION AND LIQUIDITY

Overview

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FINANCIAL CONDITION AND LIQUIDITY – "Overview" of Alabama Power in Item 7 of the Form 10-K for additional information. Alabama Power's financial condition remained stable at September 30, 2014. Alabama Power intends to continue to monitor its access to short-term and long-term capital markets as well as its bank credit arrangements to meet future capital and liquidity needs. See "Capital Requirements and Contractual Obligations," "Sources of Capital," and "Financing Activities" herein for additional information.

Net cash provided from operating activities totaled \$1.4 billion for the first nine months of 2014, a decrease of \$71 million as compared to the first nine months of 2013. The decrease in net cash provided from operating activities was primarily due to an increase in income tax payments and changes in the timing of fossil fuel stock purchases as compared to the first nine months of 2013. Net cash used for investing activities totaled \$1.0 billion for the first nine months of 2014 primarily due to gross property additions related to distribution, environmental, transmission, and steam generation. Net cash used for financing activities totaled \$28 million for the first nine months of 2014 primarily due to the payment of common and preferred stock dividends, partially offset by the issuance of long-term debt. Fluctuations in cash flow from financing activities vary period to period based on capital needs and the maturity or redemption of securities.

Significant balance sheet changes for the first nine months of 2014 include an increase of \$519 million in property, plant, and equipment, primarily due to additions to distribution, environmental, transmission, and steam generation, \$367 million in cash and cash equivalents, \$344 million in long-term debt primarily due to the issuance of additional senior notes, and \$135 million in accrued income taxes.

Capital Requirements and Contractual Obligations

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FINANCIAL CONDITION AND LIQUIDITY – "Capital Requirements and Contractual Obligations" of Alabama Power in Item 7 of the Form 10-K for a description of Alabama Power's capital requirements for its construction program, including estimated capital expenditures to comply with existing environmental statutes and regulations, scheduled maturities of long-term debt, as well as the related interest, derivative obligations, preferred and preference stock dividends, leases, purchase commitments, and trust funding requirements. Approximately \$54 million will be required through September 30, 2015 to fund maturities of long-term debt.

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See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "Environmental Matters – Environmental Statutes and Regulations – General" of Alabama Power in Item 7 of the Form 10-K for additional information on Alabama Power's environmental compliance strategy.

The construction program is subject to periodic review and revision, and actual construction costs may vary from these estimates because of numerous factors. These factors include: changes in business conditions; changes in load projections; changes in environmental statutes and regulations; the outcome of any legal challenges to the environmental rules; changes in generating plants, including unit retirements and replacements and adding or changing fuel sources at existing units, to meet regulatory requirements; changes in the expected environmental compliance program; changes in FERC rules and regulations; Alabama PSC approvals; changes in legislation; the cost and efficiency of construction labor, equipment, and materials; project scope and design changes; storm impacts; and the cost of capital. In addition, there can be no assurance that costs related to capital expenditures will be fully recovered.

Sources of Capital

Alabama Power plans to obtain the funds required for construction and other purposes from sources similar to those used in the past. Alabama Power has primarily utilized funds from operating cash flows, short-term debt, security issuances, and equity contributions from Southern Company. However, the amount, type, and timing of any future financings, if needed, will depend upon prevailing market conditions, regulatory approval, and other factors. See MANAGEMENT'S DISCUSSION AND ANALYSIS – FINANCIAL CONDITION AND LIQUIDITY – "Sources of Capital" of Alabama Power in Item 7 of the Form 10-K for additional information.

Alabama Power's current liabilities sometimes exceed current assets because of Alabama Power's debt due within one year and the periodic use of short-term debt as a funding source primarily to meet scheduled maturities of long-term debt, as well as cash needs, which can fluctuate significantly due to the seasonality of the business.

At September 30, 2014, Alabama Power had approximately \$662 million of cash and cash equivalents. Committed credit arrangements with banks at September 30, 2014 were as follows:

Expires ^(a)						Executable Term Loans		Due Within One Year	
2014	2015	2016	2018	Total	Unused	One Year	Two Years	Term Out	No Term Out
(in millions)						(in millions)		(in millions)	
\$70	\$158	\$50	\$1,030	\$1,308	\$1,308	\$58	\$—	\$58	\$170

(a) No credit arrangements expire in 2017.

See Note 6 to the financial statements of Alabama Power under "Bank Credit Arrangements" in Item 8 of the Form 10-K and Note (E) to the Condensed Financial Statements under "Bank Credit Arrangements" herein for additional information.

Most of these arrangements contain covenants that limit debt levels and contain cross default provisions to other indebtedness (including guarantee obligations) of Alabama Power. Such cross default provisions to other indebtedness would trigger an event of default if Alabama Power defaulted on indebtedness or guarantee obligations over a specified threshold. Alabama Power is currently in compliance with all such covenants. None of the arrangements contain material adverse change clauses at the time of borrowings. Alabama Power expects to renew its credit arrangements, as needed, prior to expiration.

In addition, Alabama Power has substantial cash flow from operating activities and access to capital markets, including a commercial paper program, to meet liquidity needs. A portion of the unused credit with banks is allocated to provide liquidity support to Alabama Power's variable rate pollution control revenue bonds and commercial paper borrowings. As of September 30, 2014, Alabama Power had \$784 million of outstanding variable rate pollution

control revenue bonds requiring liquidity support. In addition, at September 30, 2014, Alabama Power

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

had \$280 million of fixed rate pollution control revenue bonds that will be required to be remarketed within the next 12 months.

Alabama Power may meet short-term cash needs through its commercial paper program. Alabama Power may also meet short-term cash needs through a Southern Company subsidiary organized to issue and sell commercial paper at the request and for the benefit of Alabama Power and the other traditional operating companies. Proceeds from such issuances for the benefit of Alabama Power are loaned directly to Alabama Power. The obligations of each company under these arrangements are several and there is no cross-affiliate credit support.

Details of short-term borrowings were as follows:

	Short-term Debt at September 30, 2014		Short-term Debt During the Period ^(a)		
	Amount Outstanding (in millions)	Weighted Average Interest Rate	Average Outstanding (in millions)	Weighted Average Interest Rate	Maximum Amount Outstanding (in millions)
Commercial Paper	\$—	—%	\$27	0.1%	\$300

^(a) Average and maximum amounts are based upon daily balances during the three-month period ended September 30, 2014.

Management believes the need for working capital can be adequately met by utilizing commercial paper programs, lines of credit, short-term bank notes, and cash.

Credit Rating Risk

Alabama 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 contracts that could require collateral, but not accelerated payment, in the event of a credit rating change to below BBB- and/or Baa3. These contracts are primarily for physical electricity purchases, fuel purchases, fuel transportation and storage, and energy price risk management. At September 30, 2014, the maximum potential collateral requirements under these contracts at a rating below BBB- and/or Baa3 were approximately \$343 million. Included in these amounts are certain agreements that could require collateral in the event that one or more Southern Company system power pool participants has a credit rating change to below investment grade. Generally, collateral may be provided by a Southern Company guaranty, letter of credit, or cash. Additionally, any credit rating downgrade could impact Alabama Power's ability to access capital markets, particularly the short-term debt market and the variable rate pollution control revenue bond market.

Financing Activities

In August 2014, Alabama Power issued \$400 million aggregate principal amount of Series 2014A 4.150% Senior Notes due August 15, 2044. The proceeds were used for general corporate purposes, including Alabama Power's continuous construction program.

Subsequent to September 30, 2014, Alabama Power entered into forward-starting interest rate swaps to hedge exposure to interest rate changes related to an anticipated debt issuance. The notional amount of the swaps totaled \$100 million.

In addition to any financings that may be necessary to meet capital requirements and contractual obligations, Alabama Power plans to continue, when economically feasible, a program to retire higher-cost securities and replace these obligations with lower-cost capital if market conditions permit.

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GEORGIA POWER COMPANY

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GEORGIA POWER COMPANY
CONDENSED STATEMENTS OF INCOME (UNAUDITED)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2014	2013	2014	2013
	(in millions)		(in millions)	
Operating Revenues:				
Retail revenues	\$2,452	\$2,314	\$6,502	\$5,922
Wholesale revenues, non-affiliates	80	77	269	212
Wholesale revenues, affiliates	7	3	38	14
Other revenues	92	90	277	260
Total operating revenues	2,631	2,484	7,086	6,408
Operating Expenses:				
Fuel	684	691	2,055	1,767
Purchased power, non-affiliates	77	64	219	175
Purchased power, affiliates	172	152	522	503
Other operations and maintenance	456	402	1,334	1,230
Depreciation and amortization	211	201	628	605
Taxes other than income taxes	111	102	320	292
Total operating expenses	1,711	1,612	5,078	4,572
Operating Income	920	872	2,008	1,836
Other Income and (Expense):				
Allowance for equity funds used during construction	13	11	29	24
Interest expense, net of amounts capitalized	(88	) (92	) (262	) (279
Other income (expense), net	1	(1	) —	(2
Total other income and (expense)	(74	) (82	) (233	) (257
Earnings Before Income Taxes	846	790	1,775	1,579
Income taxes	317	299	660	600
Net Income	529	491	1,115	979
Dividends on Preferred and Preference Stock	4	4	13	13
Net Income After Dividends on Preferred and Preference Stock	\$525	\$487	\$1,102	\$966

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2014	2013	2014	2013
	(in millions)		(in millions)	
Net Income	\$529	\$491	\$1,115	\$979
Other comprehensive income (loss):				
Qualifying hedges:				
Reclassification adjustment for amounts included in net income, net of tax of \$1, \$-, \$1 and \$1, respectively	—	1	1	2
Total other comprehensive income (loss)	—	1	1	2
Comprehensive Income	\$529	\$492	\$1,116	\$981

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

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GEORGIA POWER COMPANY
CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)

	For the Nine Months Ended September 30,	
	2014	2013
	(in millions)	
Operating Activities:		
Net income	\$1,115	\$979
Adjustments to reconcile net income to net cash provided from operating activities —		
Depreciation and amortization, total	757	734
Deferred income taxes	121	354
Allowance for equity funds used during construction	(29)	(24)
Retail fuel cost over recovery — long-term	(44)	(123)
Deferred expenses	(35)	(34)
Pension, postretirement, and other employee benefits	28	58
Other, net	23	28
Changes in certain current assets and liabilities —		
-Receivables	(377)	(191)
-Fossil fuel stock	337	213
-Prepaid income taxes	19	11
-Other current assets	(24)	38
-Accrued taxes	148	131
-Other current liabilities	29	(46)
Net cash provided from operating activities	2,068	2,128
Investing Activities:		
Property additions	(1,364)	(1,165)
Investment of restricted cash	—	(89)
Distribution of restricted cash	—	89
Nuclear decommissioning trust fund purchases	(457)	(582)
Nuclear decommissioning trust fund sales	455	580
Cost of removal, net of salvage	(39)	(42)
Change in construction payables, net of joint owner portion	16	(28)
Prepaid long-term service agreements	(66)	(14)
Other investing activities	(3)	—
Net cash used for investing activities	(1,458)	(1,251)
Financing Activities:		
Increase (decrease) in notes payable, net	(836)	211
Proceeds —		
Capital contributions from parent company	39	30
Pollution control revenue bonds issuances	40	89
Senior notes issuances	—	850
FFB loan	1,000	—
Redemptions —		
Pollution control revenue bonds	(37)	(89)
Senior notes	—	(1,250)
Payment of preferred and preference stock dividends	(13)	(13)
Payment of common stock dividends	(715)	(680)
FFB loan issuance costs	(49)	(2)

Other financing activities	(6	) (15)
Net cash used for financing activities	(577	) (869)
Net Change in Cash and Cash Equivalents	33	8	
Cash and Cash Equivalents at Beginning of Period	30	45	
Cash and Cash Equivalents at End of Period	\$63	\$53	
Supplemental Cash Flow Information:			
Cash paid during the period for —			
Interest (net of \$13 and \$10 capitalized for 2014 and 2013, respectively)	\$235	\$247	
Income taxes, net	309	109	
Noncash transactions — accrued property additions at end of period	220	230	

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

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GEORGIA POWER COMPANY
CONDENSED BALANCE SHEETS (UNAUDITED)

Assets	At September 30, 2014 (in millions)	At December 31, 2013
Current Assets:		
Cash and cash equivalents	\$63	\$30
Receivables —		
Customer accounts receivable	738	512
Unbilled revenues	241	209
Joint owner accounts receivable	75	67
Other accounts and notes receivable	54	117
Affiliated companies	21	21
Accumulated provision for uncollectible accounts	(8	) (5
Fossil fuel stock, at average cost	405	742
Materials and supplies, at average cost	431	409
Vacation pay	88	88
Prepaid income taxes	57	97
Other regulatory assets, current	62	66
Other current assets	118	54
Total current assets	2,345	2,407
Property, Plant, and Equipment:		
In service	30,818	30,132
Less accumulated provision for depreciation	11,192	10,970
Plant in service, net of depreciation	19,626	19,162
Other utility plant, net	218	240
Nuclear fuel, at amortized cost	516	523
Construction work in progress	3,884	3,500
Total property, plant, and equipment	24,244	23,425
Other Property and Investments:		
Equity investments in unconsolidated subsidiaries	58	46
Nuclear decommissioning trusts, at fair value	772	751
Miscellaneous property and investments	37	44
Total other property and investments	867	841
Deferred Charges and Other Assets:		
Deferred charges related to income taxes	701	718
Prepaid pension costs	133	118
Deferred under recovered regulatory clause revenues	175	—
Other regulatory assets, deferred	1,156	1,152
Other deferred charges and assets	294	246
Total deferred charges and other assets	2,459	2,234
Total Assets	\$29,915	\$28,907

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

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GEORGIA POWER COMPANY
CONDENSED BALANCE SHEETS (UNAUDITED)

	At September 30, 2014	At December 31, 2013
Liabilities and Stockholder's Equity		
Current Liabilities:	(in millions)	