

SOUTHERN CO
Form 10-Q
November 05, 2015
Table of Contents

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, 2015
 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

Table of Contents

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

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

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

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

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

Registrant	Description of Common Stock	Shares Outstanding at September 30, 2015
The Southern Company	Par Value \$5 Per Share	908,938,919
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	5,642,717
Mississippi Power Company	Without Par Value	1,121,000
Southern Power Company	Par Value \$0.01 Per Share	1,000

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

INDEX TO QUARTERLY REPORT ON FORM 10-Q

September 30, 2015

	Page Number
<u>DEFINITIONS</u>	<u>5</u>
<u>CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION</u>	<u>7</u>
 PART I—FINANCIAL INFORMATION	
Item 1. Financial Statements (Unaudited)	
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	
<u>The Southern Company and Subsidiary Companies</u>	
<u>Condensed Consolidated Statements of Income</u>	<u>10</u>
<u>Condensed Consolidated Statements of Comprehensive Income</u>	<u>11</u>
<u>Condensed Consolidated Statements of Cash Flows</u>	<u>12</u>
<u>Condensed Consolidated Balance Sheets</u>	<u>13</u>
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>15</u>
<u>Alabama Power Company</u>	
<u>Condensed Statements of Income</u>	<u>45</u>
<u>Condensed Statements of Comprehensive Income</u>	<u>45</u>
<u>Condensed Statements of Cash Flows</u>	<u>46</u>
<u>Condensed Balance Sheets</u>	<u>47</u>
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>49</u>
<u>Georgia Power Company</u>	
<u>Condensed Statements of Income</u>	<u>65</u>
<u>Condensed Statements of Comprehensive Income</u>	<u>65</u>
<u>Condensed Statements of Cash Flows</u>	<u>66</u>
<u>Condensed Balance Sheets</u>	<u>67</u>
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>69</u>
<u>Gulf Power Company</u>	
<u>Condensed Statements of Income</u>	<u>89</u>
<u>Condensed Statements of Comprehensive Income</u>	<u>89</u>
<u>Condensed Statements of Cash Flows</u>	<u>90</u>
<u>Condensed Balance Sheets</u>	<u>91</u>
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>93</u>
<u>Mississippi Power Company</u>	
<u>Condensed Statements of Operations</u>	<u>109</u>
<u>Condensed Statements of Comprehensive Income (Loss)</u>	<u>109</u>
<u>Condensed Statements of Cash Flows</u>	<u>110</u>
<u>Condensed Balance Sheets</u>	<u>111</u>
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>113</u>
<u>Southern Power Company and Subsidiary Companies</u>	
<u>Condensed Consolidated Statements of Income</u>	<u>143</u>
<u>Condensed Consolidated Statements of Comprehensive Income</u>	<u>143</u>
<u>Condensed Consolidated Statements of Cash Flows</u>	<u>144</u>
<u>Condensed Consolidated Balance Sheets</u>	<u>145</u>
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>147</u>
<u>Notes to the Condensed Financial Statements</u>	<u>159</u>
Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	<u>43</u>

Item 4. Controls and Procedures

43

3

INDEX TO QUARTERLY REPORT ON FORM 10-Q
September 30, 2015

	Page Number
<u>PART II—OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	<u>212</u>
Item 1A. <u>Risk Factors</u>	<u>212</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>215</u>
Item 3. Defaults Upon Senior Securities	Inapplicable
Item 4. Mine Safety Disclosures	Inapplicable
Item 5. Other Information	Inapplicable
Item 6. <u>Exhibits</u>	<u>216</u>
<u>Signatures</u>	<u>219</u>

Table of Contents

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
AGL Resources	AGL Resources Inc., a Georgia corporation
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
Bridge Agreement	Senior unsecured Bridge Credit Agreement, dated as of September 30, 2015, among Southern Company, the lenders identified therein, and Citibank, N.A.
CCR	Coal combustion residuals
Clean Air Act	Clean Air Act Amendments of 1990
Contractor	Westinghouse and CB&I Stone & Webster, Inc. (formerly known as Stone & Webster, Inc.), a subsidiary of The Shaw Group Inc., which was acquired by Chicago Bridge & Iron Company N.V.
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
Eligible Project Costs	Certain costs of construction relating to Plant Vogtle Units 3 and 4 that are eligible for financing under the Title XVII Loan Guarantee Program
EPA	U.S. Environmental Protection Agency
FERC	Federal Energy Regulatory Commission
FFB	Federal Financing Bank
Fitch	Fitch Ratings, Inc.
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, 2014
GAAP	Generally accepted accounting principles
Georgia Power	Georgia Power Company
Gulf Power	Gulf Power Company
IGCC	Integrated coal gasification combined cycle
IIC	Intercompany interchange contract
Internal Revenue Code	Internal Revenue Code of 1986, as amended
IRS	Internal Revenue Service
ITC	Investment tax credit
Kemper IGCC	IGCC facility under construction in Kemper County, Mississippi
KWH	Kilowatt-hour
LIBOR	London Interbank Offered Rate
MATS rule	Mercury and Air Toxics Standards rule

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Merger	The merger of Merger Sub with and into AGL Resources on the terms and subject to the conditions set forth in the Merger Agreement, with AGL Resources continuing as the surviving corporation and a wholly-owned direct subsidiary of Southern Company
Merger Agreement	Agreement and Plan of Merger, dated as of August 23, 2015, among Southern Company, AGL Resources, and Merger Sub

5

Table of Contents

DEFINITIONS

(continued)

Term	Meaning
Merger Sub	AMS Corp., a Georgia corporation and a wholly-owned direct subsidiary of Southern Company
Mirror CWIP	A regulatory liability account for use in mitigating future rate impacts for Mississippi Power customers
Mississippi Power	Mississippi Power Company
mmBtu	Million British thermal units
Moody's	Moody's Investors Service, Inc.
MW	Megawatt
NCCR	Georgia Power's Nuclear Construction Cost Recovery
NRC	U.S. Nuclear Regulatory Commission
OCI	Other comprehensive income
PEP	Mississippi Power's Performance Evaluation Plan
Plant Vogtle Units 3 and 4	Two new nuclear generating units under construction at Plant Vogtle
power pool	The operating arrangement whereby the integrated generating resources of the traditional operating companies and Southern Power Company 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 Compliance	Alabama Power's Rate Certificated New Plant Compliance
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 Company
ROE	Return on equity
S&P	Standard and Poor's Ratings Services, a division of The McGraw Hill Companies, Inc.
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, Southern Electric Generating Company, Southern Nuclear, Southern Company Services, Inc. (the Southern Company system service company), Southern Communications Services, Inc., and other subsidiaries
Southern Nuclear	Southern Nuclear Operating Company, Inc.
Southern Power	Southern Power Company and its subsidiaries
traditional operating companies	Alabama Power, Georgia Power, Gulf Power, and Mississippi Power
Tranquillity	RE Tranquillity Holdings, LLC
Tranquillity Credit Agreement	Secured Credit Agreement, dated as of July 31, 2015, by and among RE Tranquillity LLC, an indirect subsidiary of Southern Power Company, the several lenders and issuing banks party thereto, and Norddeutsche Landesbank Girozentrale, New York Branch, as Administrative Agent
Vogtle Owners	Georgia Power, Oglethorpe Power Corporation, the Municipal Electric Authority of Georgia, and the City of Dalton, Georgia, an incorporated municipality in the State of

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Georgia acting by and through its Board of Water, Light, and Sinking Fund
Commissioners

Westinghouse

Westinghouse Electric Company LLC

Table of Contents

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This Quarterly Report on Form 10-Q contains forward-looking statements. Forward-looking statements include, among other things, statements concerning retail rates, the potential financing of the Merger, the expected timing of the completion of the Merger, the proposed settlement agreement between the Vogtle Owners and the Contractor, 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 contributions, financing activities, completion dates of acquisitions, construction projects, and changing fuel sources, filings with state and federal regulatory authorities, estimated sales and purchases under power sale and purchase agreements, and estimated construction and other plans and 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, CCR, 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 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 and efficiency 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;
- the 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, adverse weather conditions, shortages and inconsistent quality of equipment, materials, and labor, contractor or supplier delay, non-performance under construction or other agreements, operational readiness, including specialized operator training and required site safety programs, unforeseen engineering or design problems, start-up activities (including major equipment failure and system integration), and/or operational performance (including additional costs to satisfy any operational parameters ultimately adopted by any PSC);
- the ability to construct facilities in accordance with the requirements of permits and licenses, to satisfy any environmental performance standards 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;

the ability to complete the proposed settlement among the Vogtle Owners and the Contractor, including the satisfaction of conditions to such settlement;

Table of Contents

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

(continued)

actions related to cost recovery for the Kemper IGCC, including the ultimate impact of the 2015 decision of the Mississippi Supreme Court, the Mississippi PSC's August 2015 interim rate order, and related legal or regulatory proceedings, Mississippi PSC review of the prudence of Kemper IGCC costs and approval of permanent rate recovery plans, actions relating to proposed securitization, the ability to utilize bonus depreciation, which currently requires that assets be placed in service in 2015, satisfaction of requirements to utilize ITCs and grants, and the ultimate impact of the termination of the proposed sale of an interest in the Kemper IGCC to SMEPA;

the ability to successfully operate the electric utilities' generating, transmission, and distribution facilities and the successful performance of necessary corporate functions;

- 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 expected timing, likelihood, and benefits of completion of the Merger, including the failure to receive, on a timely basis or otherwise, the required approvals by AGL Resources' shareholders and government or regulatory agencies (including the terms of such approvals), the possibility that long-term financing for the Merger may not be put in place prior to the closing, the risk that a condition to closing of the Merger or funding of the Bridge Agreement may not be satisfied, the possibility that the anticipated benefits from the Merger cannot be fully realized or may take longer to realize than expected, the possibility that costs related to the integration of Southern Company and AGL Resources will be greater than expected, the credit ratings of the combined company or its subsidiaries may be different from what the parties expect, the ability to retain and hire key personnel and maintain relationships with customers, suppliers, or other business partners, the diversion of management time on Merger-related issues, and the impact of legislative, regulatory, and competitive changes;

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 cyber intrusion or terrorist incidents and the threat of terrorist incidents;

- interest rate fluctuations and financial market conditions and the results of financing efforts;

changes in Southern Company's and any of its subsidiaries' credit ratings, including impacts on interest rates, access to capital markets, and collateral requirements;

the impacts of any 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 and other storms, 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.

Table of Contents

THE SOUTHERN COMPANY
AND SUBSIDIARY COMPANIES

9

Table of Contents

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2015	2014	2015	2014
	(in millions)		(in millions)	
Operating Revenues:				
Retail revenues	\$4,701	\$4,558	\$11,958	\$12,186
Wholesale revenues	520	600	1,435	1,719
Other electric revenues	169	169	494	503
Other revenues	11	12	34	42
Total operating revenues	5,401	5,339	13,921	14,450
Operating Expenses:				
Fuel	1,520	1,656	3,932	4,765
Purchased power	193	194	507	514
Other operations and maintenance	1,097	1,021	3,320	3,026
Depreciation and amortization	528	514	1,515	1,515
Taxes other than income taxes	264	258	761	751
Estimated loss on Kemper IGCC	150	418	182	798
Total operating expenses	3,752	4,061	10,217	11,369
Operating Income	1,649	1,278	3,704	3,081
Other Income and (Expense):				
Allowance for equity funds used during construction	60	63	163	182
Interest expense, net of amounts capitalized	(218)	(207)	(612)	(623)
Other income (expense), net	(21)	(7)	(41)	(20)
Total other income and (expense)	(179)	(151)	(490)	(461)
Earnings Before Income Taxes	1,470	1,127	3,214	2,620
Income taxes	500	392	1,076	889
Consolidated Net Income	970	735	2,138	1,731
Dividends on Preferred and Preference Stock of Subsidiaries	11	17	42	51
Consolidated Net Income After Dividends on Preferred and Preference Stock of Subsidiaries	\$959	\$718	\$2,096	\$1,680
Common Stock Data:				
Earnings per share (EPS) —				
Basic EPS	\$1.05	\$0.80	\$2.30	\$1.88
Diluted EPS	\$1.05	\$0.80	\$2.30	\$1.87
Average number of shares of common stock outstanding (in millions)				
Basic	910	898	910	894
Diluted	912	902	913	898
Cash dividends paid per share of common stock	\$0.5425	\$0.5250	\$1.6100	\$1.5575
The accompanying notes as they relate to Southern Company are an integral part of these consolidated financial statements.				

Table of Contents

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,	
	2015	2014	2015	2014
	(in millions)		(in millions)	
Consolidated Net Income	\$970	\$735	\$2,138	\$1,731
Other comprehensive income (loss):				
Qualifying hedges:				
Changes in fair value, net of tax of \$(11), \$-, \$(10) and \$-, respectively	(18	) —	(16	) —
Reclassification adjustment for amounts included in net income, net of tax of \$1, \$1, \$3 and \$2, respectively	1	1	4	4
Pension and other post retirement benefit plans:				
Reclassification adjustment for amounts included in net income, net of tax of \$1, \$1, \$3 and \$2, respectively	2	1	5	2
Total other comprehensive income (loss)	(15	) 2	(7	) 6
Dividends on preferred and preference stock of subsidiaries	(11	) (17	) (42	) (51
Comprehensive Income	\$944	\$720	\$2,089	\$1,686

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

Table of Contents

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

	For the Nine Months Ended September 30, 2015 2014 (in millions)	
Operating Activities:		
Consolidated net income	\$2,138	\$1,731
Adjustments to reconcile consolidated net income to net cash provided from operating activities —		
Depreciation and amortization, total	1,787	1,798
Deferred income taxes	821	330
Investment tax credits	319	(70)
Allowance for equity funds used during construction	(163)	(182)
Stock based compensation expense	77	51
Estimated loss on Kemper IGCC	182	798
Income taxes receivable, non-current	(444)	—
Other, net	7	(116)
Changes in certain current assets and liabilities —		
-Receivables	(118)	(640)
-Fossil fuel stock	239	522
-Materials and supplies	(22)	(45)
-Other current assets	(18)	(29)
-Accounts payable	(266)	(92)
-Accrued taxes	408	403
-Accrued compensation	(129)	96
-Mirror CWIP	99	112
-Other current liabilities	171	20
Net cash provided from operating activities	5,088	4,687
Investing Activities:		
Plant acquisitions	(1,128)	(218)
Property additions	(3,490)	(3,686)
Investment in restricted cash	—	(11)
Nuclear decommissioning trust fund purchases	(1,164)	(635)
Nuclear decommissioning trust fund sales	1,159	633
Cost of removal, net of salvage	(118)	(106)
Change in construction payables, net	20	11
Prepaid long-term service agreement	(166)	(145)
Other investing activities	7	—
Net cash used for investing activities	(4,880)	(4,157)
Financing Activities:		
Increase (decrease) in notes payable, net	662	(1,117)
Proceeds —		
Long-term debt issuances	3,992	2,715
Interest-bearing refundable deposit	—	75
Common stock issuances	136	484
Short-term borrowings	280	—
Redemptions and repurchases —		

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Long-term debt	(2,562	) (437	)
Interest-bearing refundable deposits	(275	) —	
Preferred and preference stock	(412	) —	
Common stock	(115	) (5	)
Short-term borrowings	(255	) —	
Payment of common stock dividends	(1,465	) (1,391	)
Payment of dividends on preferred and preference stock of subsidiaries	(48	) (51	)
Other financing activities	253	(48	)
Net cash provided from financing activities	191	225	
Net Change in Cash and Cash Equivalents	399	755	
Cash and Cash Equivalents at Beginning of Period	710	659	
Cash and Cash Equivalents at End of Period	\$1,109	\$1,414	
Supplemental Cash Flow Information:			
Cash paid (received) during the period for —			
Interest (net of \$88 and \$80 capitalized for 2015 and 2014, respectively)	\$590	\$560	
Income taxes, net	(13	) 263	
Noncash transactions — Accrued property additions at end of period	483	415	
The accompanying notes as they relate to Southern Company are an integral part of these consolidated financial statements.			

Table of Contents

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

Assets	At September 30, 2015 (in millions)	At December 31, 2014
Current Assets:		
Cash and cash equivalents	\$ 1,109	\$ 710
Receivables —		
Customer accounts receivable	1,432	1,090
Unbilled revenues	488	432
Under recovered regulatory clause revenues	126	136
Other accounts and notes receivable	248	307
Accumulated provision for uncollectible accounts	(19)	(18)
Fossil fuel stock, at average cost	691	930
Materials and supplies, at average cost	1,046	1,039
Vacation pay	177	177
Prepaid expenses	248	665
Deferred income taxes, current	258	506
Other regulatory assets, current	421	346
Other current assets	45	50
Total current assets	6,270	6,370
Property, Plant, and Equipment:		
In service	71,929	70,013
Less accumulated depreciation	24,190	24,059
Plant in service, net of depreciation	47,739	45,954
Other utility plant, net	73	211
Nuclear fuel, at amortized cost	869	911
Construction work in progress	9,562	7,792
Total property, plant, and equipment	58,243	54,868
Other Property and Investments:		
Nuclear decommissioning trusts, at fair value	1,473	1,546
Leveraged leases	752	743
Miscellaneous property and investments	489	203
Total other property and investments	2,714	2,492
Deferred Charges and Other Assets:		
Deferred charges related to income taxes	1,553	1,510
Unamortized debt issuance expense	203	202
Unamortized loss on reacquired debt	232	243
Other regulatory assets, deferred	4,733	4,334
Income taxes receivable, non-current	444	—
Other deferred charges and assets	823	904
Total deferred charges and other assets	7,988	7,193
Total Assets	\$ 75,215	\$ 70,923

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

Table of Contents

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

Liabilities and Stockholders' Equity	At September 30, 2015 (in millions)	At December 31, 2014
Current Liabilities:		
Securities due within one year	\$3,313	\$3,333
Interest-bearing refundable deposits	—	275
Notes payable	1,490	803
Accounts payable	1,419	1,593
Customer deposits	400	390
Accrued taxes —		
Accrued income taxes	404	151
Other accrued taxes	566	487
Accrued interest	223	295
Accrued vacation pay	223	223
Accrued compensation	462	576
Mirror CWIP	369	271
Other current liabilities	820	570
Total current liabilities	9,689	8,967
Long-term Debt	22,326	20,841
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	11,990	11,568
Deferred credits related to income taxes	183	192
Accumulated deferred investment tax credits	1,004	1,208
Employee benefit obligations	2,408	2,432
Asset retirement obligations	2,952	2,168
Unrecognized tax benefits	369	4
Other cost of removal obligations	1,210	1,215
Other regulatory liabilities, deferred	399	398
Other deferred credits and liabilities	603	590
Total deferred credits and other liabilities	21,118	19,775
Total Liabilities	53,133	49,583
Redeemable Preferred Stock of Subsidiaries	118	375
Redeemable Noncontrolling Interest	41	39
Stockholders' Equity:		
Common Stockholders' Equity:		
Common stock, par value \$5 per share —		
Authorized — 1.5 billion shares		
Issued — September 30, 2015: 912 million shares		
— December 31, 2014: 909 million shares		
Treasury — September 30, 2015: 3.3 million shares		
— December 31, 2014: 0.7 million shares		
Par value	4,558	4,539
Paid-in capital	6,150	5,955
Treasury, at cost	(141)	(26)
Retained earnings	10,233	9,609

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Accumulated other comprehensive loss	(136	) (128	)
Total Common Stockholders' Equity	20,664	19,949	
Preferred and Preference Stock of Subsidiaries	609	756	
Noncontrolling Interest	650	221	
Total Stockholders' Equity	21,923	20,926	
Total Liabilities and Stockholders' Equity	\$75,215	\$70,923	

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

Table of Contents

SOUTHERN COMPANY AND SUBSIDIARY COMPANIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

THIRD QUARTER 2015 vs. THIRD QUARTER 2014
AND
YEAR-TO-DATE 2015 vs. YEAR-TO-DATE 2014

OVERVIEW

Southern Company is a holding company that owns all of the common stock of the traditional operating companies and Southern Power Company and owns 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.

Proposed Merger with AGL Resources

On August 23, 2015, Southern Company, AGL Resources, and Merger Sub entered into the Merger Agreement. Under the terms of the Merger Agreement, subject to the satisfaction or waiver (if permissible under applicable law) of specified conditions, Merger Sub will be merged with and into AGL Resources. AGL Resources will survive the Merger and become a wholly-owned direct subsidiary of Southern Company. Upon the consummation of the Merger, each share of common stock of AGL Resources issued and outstanding immediately prior to the effective time of the Merger (Effective Time), other than shares owned by AGL Resources as treasury stock, shares owned by a subsidiary of AGL Resources, and shares owned by shareholders who have properly exercised and perfected dissenters' rights, will be converted into the right to receive \$66 in cash, without interest and less any applicable withholding taxes (Merger Consideration). Other equity-based securities of AGL Resources will be cancelled for cash consideration or converted into new awards from Southern Company as described in the Merger Agreement.

Southern Company intends to initially fund the cash consideration for the Merger using approximately \$7.0 billion of debt and \$1.0 billion of equity. Southern Company expects to issue approximately \$2.0 billion of additional equity through 2019 to offset a portion of the debt issued to fund the cash consideration for the Merger. In addition, Southern Company entered into the \$8.1 billion Bridge Agreement on September 30, 2015 to provide financing for the Merger in the event long-term financing is not available.

Consummation of the Merger is subject to the satisfaction or waiver of certain closing conditions, including, among others, (i) approval of the Merger Agreement by AGL Resources' shareholders, which is scheduled for vote on November 19, 2015, (ii) the expiration or termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, (iii) the approval of the California Public Utilities Commission, Georgia PSC, Illinois Commerce Commission, Maryland PSC, New Jersey Board of Public Utilities, and Virginia State Corporation Commission, and other approvals required under applicable state laws, and the approval of the Federal Communications Commission (FCC) for the transfer of control over the FCC licenses of certain subsidiaries of AGL Resources and any other approval which Southern Company and AGL Resources agree are required, (iv) the absence of a judgment, order, decision, injunction, ruling, or other finding or agency requirement of a governmental entity prohibiting the consummation of the Merger, and (v) other customary closing conditions, including (a) subject to certain materiality qualifiers, the accuracy of each party's representations and warranties and (b) each party's performance in all material respects of its obligations under the Merger Agreement. Southern Company expects to complete the required state regulatory filings in the fourth quarter 2015.

Subject to certain limitations, either party may terminate the Merger Agreement if the Merger is not consummated by August 23, 2016, which date may be extended by either party to February 23, 2017 if, on August 23, 2016, all

Table of ContentsSOUTHERN COMPANY AND SUBSIDIARY COMPANIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

conditions to closing other than those relating to (i) regulatory approvals and (ii) the absence of legal restraints preventing consummation of the Merger (to the extent relating to regulatory approvals) have been satisfied. Upon termination of the Merger Agreement under certain specified circumstances, AGL Resources will be required to pay Southern Company a termination fee of \$201 million or reimburse Southern Company's expenses up to \$5 million (which reimbursement shall reduce on a dollar-for-dollar basis any termination fee subsequently payable by AGL Resources). Southern Company currently expects to complete the transaction in the second half of 2016. Prior to the Merger, Southern Company and AGL Resources will continue to operate as separate companies. Accordingly, except for specific references to the pending Merger, the descriptions of strategy and outlook and the risks and challenges Southern Company faces, and the discussion and analysis of results of operations and financial condition set forth herein relate solely to Southern Company. See Note (I) to the Condensed Financial Statements and RISK FACTORS in Item 1A herein for additional information regarding the Merger and the various risks related thereto.

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

Construction Program

Construction continues on Plant Vogtle Units 3 and 4 (45.7% ownership interest by Georgia Power in the two units, each with approximately 1,100 MWs) and Mississippi Power's 582-MW Kemper IGCC. 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. For information about Southern Power's acquisitions and construction of renewable energy facilities, see Note (I) to the Condensed Financial Statements herein.

Key Performance Indicators

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.

RESULTS OF OPERATIONS**Net Income**

Third Quarter 2015 vs. Third Quarter 2014		Year-to-Date 2015 vs. Year-to-Date 2014	
(change in millions)	(% change)	(change in millions)	(% change)
\$241	33.6	\$416	24.8

Southern Company's third quarter 2015 net income after dividends on preferred and preference stock of subsidiaries was \$959 million (\$1.05 per share) compared to \$718 million (\$0.80 per share) for the third quarter 2014. The increase was primarily related to lower pre-tax charges of \$150 million (\$93 million after tax) in the third quarter 2015 compared to a pre-tax charge of \$418 million (\$258 million after tax) in the third quarter 2014 for revisions of the estimated costs expected to be incurred on Mississippi Power's construction of the Kemper IGCC and an increase in retail base rates. The increases were partially offset by increases in non-fuel operations and maintenance expenses. Southern Company's year-to-date 2015 net income after dividends on preferred and preference stock of subsidiaries was \$2.1 billion (\$2.30 per share) compared to \$1.7 billion (\$1.88 per share) for the corresponding period in 2014. The increase was primarily the result of lower pre-tax charges of \$182 million (\$112 million after tax) recorded in 2015 compared to pre-tax charges of \$798 million (\$493 million after tax) recorded in the corresponding period in 2014 for revisions of estimated costs expected to be incurred on Mississippi Power's construction of the Kemper

Table of ContentsSOUTHERN COMPANY AND SUBSIDIARY COMPANIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

IGCC, as well as an increase in retail base rates. The increases were partially offset by increases in non-fuel operations and maintenance expenses.

Retail Revenues

Third Quarter 2015 vs. Third Quarter 2014		Year-to-Date 2015 vs. Year-to-Date 2014	
(change in millions)	(% change)	(change in millions)	(% change)
\$143	3.1	\$(228)	(1.9)

In the third quarter 2015, retail revenues were \$4.7 billion compared to \$4.6 billion for the corresponding period in 2014. For year-to-date 2015, retail revenues were \$12.0 billion compared to \$12.2 billion for the corresponding period in 2014.

Details of the changes in retail revenues were as follows:

	Third Quarter 2015		Year-to-Date 2015	
	(in millions)	(% change)	(in millions)	(% change)
Retail – prior year	\$4,558		\$12,186	
Estimated change resulting from –				
Rates and pricing	130	2.9	237	1.9
Sales growth	11	0.2	52	0.4
Weather	50	1.1	59	0.5
Fuel and other cost recovery	(48)	(1.1)	(576)	(4.7)
Retail – current year	\$4,701	3.1 %	\$11,958	(1.9) %

Revenues associated with changes in rates and pricing increased in the third quarter and year-to-date 2015 when compared to the corresponding periods in 2014 primarily due to increased revenues at Alabama Power associated with an increase in rates under rate stabilization and equalization (Rate RSE) and at Georgia Power related to base tariff increases approved under 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, all effective January 1, 2015, as well as higher contributions from variable demand-driven pricing from commercial and industrial customers. The year-to-date 2015 increase was partially offset by the correction of an error affecting billings since 2013 to a small number of large commercial and industrial customers under a rate plan allowing for variable demand-driven pricing at Georgia Power. See Note 3 to the financial statements of Southern Company under "Retail Regulatory Matters – Alabama Power – Rate RSE" and "Retail Regulatory Matters – Georgia Power – Rate Plans" in Item 8 of the Form 10-K and Note (A) to the Condensed Financial Statements herein for additional information.

Revenues attributable to changes in sales increased in the third quarter 2015 when compared to the corresponding period in 2014. Weather-adjusted commercial KWH sales increased 1.0% in the third quarter 2015 primarily due to customer growth and increased customer usage. Weather-adjusted residential KWH sales increased 0.1% in the third quarter 2015 due to customer growth, partially offset by decreased customer usage. Industrial KWH sales decreased 0.6% in the third quarter 2015 primarily due to decreased sales in the chemicals, paper, primary metals, and non-manufacturing sectors, partially offset by increased sales in the transportation, stone, clay, and glass, lumber, and pipeline sectors. A strong dollar, low oil prices, and weak global growth conditions have constrained growth in the industrial sector.

Revenues attributable to changes in sales increased for year-to-date 2015 when compared to the corresponding period in 2014. Weather-adjusted commercial KWH sales increased 0.8% for year-to-date 2015 primarily due to customer growth and increased customer usage. Weather-adjusted residential KWH sales increased 0.5% for year-to-date 2015 as a result of customer growth, partially offset by decreased customer usage. Industrial KWH sales increased 0.5% for year-to-date 2015 primarily due to increased sales in the transportation, stone, clay, and glass,

Table of ContentsSOUTHERN COMPANY AND SUBSIDIARY COMPANIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

pipeline, lumber, and petroleum sectors, partially offset by decreased sales in the primary metals, chemicals, and paper sectors.

In the first quarter 2015, Mississippi Power updated the methodology to estimate the unbilled revenue allocation among customer classes. This change did not have a significant impact on net income. The KWH sales variances discussed above reflect an adjustment to the estimated allocation of Mississippi Power's unbilled third quarter and year-to-date 2014 KWH sales among customer classes that is consistent with the actual allocation in 2015. Without this adjustment, third quarter 2015 weather-adjusted residential sales increased 0.1%, weather-adjusted commercial sales increased 1.2%, and industrial KWH sales decreased 0.6% as compared to the corresponding period in 2014. Also, without this adjustment, year-to-date 2015 weather-adjusted residential sales increased 0.4%, weather-adjusted commercial sales increased 0.7%, and industrial KWH sales increased 0.4% as compared to the corresponding period in 2014.

Fuel and other cost recovery revenues decreased \$48 million and \$576 million in the third quarter and year-to-date 2015, respectively, when compared to the corresponding periods in 2014 primarily due to a decrease in fuel prices. 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 and other compliance costs, storm damage, new plants, and PPAs.

Wholesale Revenues

Third Quarter 2015 vs. Third Quarter 2014		Year-to-Date 2015 vs. Year-to-Date 2014	
(change in millions)	(% change)	(change in millions)	(% change)
\$(80)	(13.3)	\$(284)	(16.5)

Wholesale revenues consist of PPAs primarily with investor-owned utilities and electric cooperatives and short-term opportunity sales. Wholesale revenues from PPAs (other than solar 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. Wholesale revenues at Mississippi Power include FERC-regulated municipal and rural association sales as well as market-based sales. 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 2015, wholesale revenues were \$520 million compared to \$600 million for the corresponding period in 2014 related to a \$52 million decrease in energy revenues and a \$28 million decrease in capacity revenues. For year-to-date 2015, wholesale revenues were \$1.4 billion compared to \$1.7 billion for the corresponding period in 2014 related to a \$214 million decrease in energy revenues and a \$70 million decrease in capacity revenues. The decreases in energy revenues were primarily related to lower fuel costs, partially offset by increases in energy revenues from new solar PPAs at Southern Power. The decreases in capacity revenues were primarily due to the expiration of wholesale contracts in December 2014 at Georgia Power, unit retirements at Georgia Power, and PPA expirations at Southern Power.

Table of ContentsSOUTHERN COMPANY AND SUBSIDIARY COMPANIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Fuel and Purchased Power Expenses

	Third Quarter 2015 vs. Third Quarter 2014 (change in millions)(% change)	Year-to-Date 2015 vs. Year-to-Date 2014 (change in millions) (% change)
Fuel	\$(136)) (8.2)	\$(833)) (17.5)
Purchased power	(1)) (0.5)	(7)) (1.4)
Total fuel and purchased power expenses	\$(137))	\$(840))

In the third quarter 2015, total fuel and purchased power expenses were \$1.7 billion compared to \$1.9 billion for the corresponding period in 2014. The decrease was primarily the result of a \$139 million decrease in the average cost of fuel and purchased power primarily due to lower natural gas prices and a \$26 million decrease in the volume of KWHs generated, partially offset by a \$28 million increase in the volume of KWHs purchased.

For year-to-date 2015, total fuel and purchased power expenses were \$4.4 billion compared to \$5.3 billion for the corresponding period in 2014. The decrease was primarily the result of a \$918 million decrease in the average cost of fuel and purchased power primarily due to lower coal and natural gas prices and a \$22 million decrease in the volume of KWHs generated, partially offset by a \$100 million increase in the volume of KWHs purchased.

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 – "Retail Regulatory 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.

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

	Third Quarter 2015	Third Quarter 2014	Year-to-Date 2015	Year-to-Date 2014
Total generation (billions of KWHs)	53	54	146	147
Total purchased power (billions of KWHs)	4	3	10	9
Sources of generation (percent) —				
Coal	40	44	37	45
Nuclear	15	15	16	16
Gas	43	40	44	36
Hydro	1	1	2	3
Renewables	1	—	1	—
Cost of fuel, generated (cents per net KWH) —				
Coal	3.86	3.63	3.65	3.87
Nuclear	0.84	0.84	0.78	0.87
Gas	2.71	3.42	2.72	3.77
Average cost of fuel, generated (cents per net KWH)	2.90	3.13	2.78	3.34
Average cost of purchased power (cents per net KWH)(*)	5.95	6.77	6.13	7.60

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

Table of ContentsSOUTHERN COMPANY AND SUBSIDIARY COMPANIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**Fuel**

In the third quarter 2015, fuel expense was \$1.5 billion compared to \$1.7 billion for the corresponding period in 2014. The decrease was primarily due to a 20.8% decrease in the average cost of natural gas per KWH generated and a 9.4% decrease in the volume of KWHs generated by coal, partially offset by a 7.8% increase in the volume of KWHs generated by natural gas and a 6.3% increase in the average cost of coal per KWH generated.

For year-to-date 2015, fuel expense was \$3.9 billion compared to \$4.8 billion for the corresponding period in 2014. The decrease was primarily due to a 27.9% decrease in the average cost of natural gas per KWH generated, a 17.0% decrease in the volume of KWHs generated by coal, and a 5.7% decrease in the average cost of coal per KWH generated, partially offset by a 22.5% increase in the volume of KWHs generated by natural gas.

Purchased Power

In the third quarter 2015, purchased power expense was \$193 million compared to \$194 million for the corresponding period in 2014. The decrease was primarily due to a 12.1% decrease in the average cost per KWH purchased primarily as a result of lower natural gas prices, partially offset by an 11.3% increase in the volume of KWHs purchased.

For year-to-date 2015, purchased power expense was \$507 million compared to \$514 million for the corresponding period in 2014. The decrease was primarily due to a 19.3% decrease in the average cost per KWH purchased primarily as a result of lower natural gas prices, partially offset by a 15.2% increase in the volume of KWHs purchased.

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.

Other Operations and Maintenance Expenses

Third Quarter 2015 vs. Third Quarter 2014		Year-to-Date 2015 vs. Year-to-Date 2014	
(change in millions)	(% change)	(change in millions)	(% change)
\$76	7.4	\$294	9.7

In the third quarter 2015, other operations and maintenance expenses were \$1.1 billion compared to \$1.0 billion for the corresponding period in 2014. The increase was primarily due to a \$31 million increase in employee compensation and benefits including pension costs, a \$26 million increase in generation expenses primarily related to non-outage operations and maintenance, \$11 million related to AGL Resources acquisition costs, and a \$5 million increase in customer accounts, service, and sales costs primarily related to customer incentive and demand side management programs, partially offset by a \$19 million decrease in transmission and distribution costs primarily related to overhead line maintenance and an \$11 million decrease in scheduled outage and maintenance costs at generation facilities. In addition, in the third quarter 2014, Alabama Power deferred approximately \$16 million of certain non-nuclear outage expenditures under an accounting order.

For year-to-date 2015, other operations and maintenance expenses were \$3.3 billion compared to \$3.0 billion for the corresponding period in 2014. The increase was primarily due to an \$88 million increase in employee compensation and benefits including pension costs, a \$69 million increase in generation expenses primarily related to non-outage operations and maintenance, a \$26 million increase in customer accounts, service, and sales costs primarily related to customer incentive and demand side management programs, a \$19 million increase in scheduled outage and maintenance costs at generation facilities, and \$11 million related to AGL Resources acquisition costs, partially offset by a \$16 million decrease in transmission and distribution costs primarily related to overhead line maintenance. In addition, in the first nine months of 2014, Alabama Power deferred approximately \$57 million of certain non-nuclear outage expenditures under an accounting order.

Table of ContentsSOUTHERN COMPANY AND SUBSIDIARY COMPANIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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 2015 vs. Third Quarter 2014		Year-to-Date 2015 vs. Year-to-Date 2014	
(change in millions)	(% change)	(change in millions)	(% change)
\$14	2.7	\$—	—

In the third quarter 2015, depreciation and amortization was \$528 million compared to \$514 million for the corresponding period in 2014. The increase was primarily due to a \$27 million increase related to additional plant in service at the traditional operating companies and Southern Power and a \$9 million increase in amortization of regulatory assets associated with the Kemper IGCC at Mississippi Power primarily as a result of interim rates that became effective with the first billing cycle in September (on August 19). These increases were partially offset by a \$23 million decrease as a result of a reduction in depreciation rates at Alabama Power effective January 1, 2015. For year-to-date 2015, depreciation and amortization was flat compared to the corresponding period in 2014 primarily due to a \$74 million increase related to additional plant in service at the traditional operating companies and Southern Power and a \$10 million increase in amortization of regulatory assets associated with the Kemper IGCC at Mississippi Power primarily as a result of interim rates that became effective with the first billing cycle in September (on August 19). These increases were offset by a \$72 million decrease as a result of a reduction in depreciation rates at Alabama Power effective January 1, 2015 and a \$15 million reduction in depreciation at Gulf Power, as approved by the Florida PSC. See Note 3 to the financial statements of Southern Company under "Retail Regulatory Matters – Gulf Power – Retail Base Rate Case" in Item 8 of the Form 10-K and Note (B) to the Condensed Financial Statements under "Retail Regulatory Matters – Gulf Power – Retail Base Rate Case" herein for additional information.

Also see Note (B) to the Condensed Financial Statements under "Integrated Coal Gasification Combined Cycle" herein for additional information.

Estimated Loss on Kemper IGCC

Third Quarter 2015 vs. Third Quarter 2014		Year-to-Date 2015 vs. Year-to-Date 2014	
(change in millions)	(% change)	(change in millions)	(% change)
\$(268)	(64.1)	\$(616)	(77.2)

In the third quarter 2015 and 2014, estimated probable losses on the Kemper IGCC of \$150 million and \$418 million, respectively, were recorded at Southern Company. For year-to-date 2015 and 2014, estimated probable losses on the Kemper IGCC of \$182 million and \$798 million, 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 – Integrated Coal Gasification Combined Cycle" and Note (B) to the Condensed Financial Statements under "Integrated Coal Gasification Combined Cycle" herein for additional information.

Table of ContentsSOUTHERN COMPANY AND SUBSIDIARY COMPANIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Allowance for Equity Funds Used During Construction

Third Quarter 2015 vs. Third Quarter 2014		Year-to-Date 2015 vs. Year-to-Date 2014	
(change in millions)	(% change)	(change in millions)	(% change)
\$(3)	(4.8)	\$(19)	(10.4)

For year-to-date 2015, AFUDC equity was \$163 million compared to \$182 million for the corresponding period in 2014. The decrease was primarily due to Mississippi Power placing the combined cycle and the associated common facilities portion of the Kemper IGCC in service in August 2014, partially offset by environmental and transmission projects under construction by the traditional operating companies. See Note (B) to the Condensed Financial Statements under "Integrated Coal Gasification Combined Cycle" herein for additional information regarding the Kemper IGCC.

Interest Expense, Net of Amounts Capitalized

Third Quarter 2015 vs. Third Quarter 2014		Year-to-Date 2015 vs. Year-to-Date 2014	
(change in millions)	(% change)	(change in millions)	(% change)
\$11	5.3	\$(11)	(1.8)

In the third quarter 2015, interest expense, net of amounts capitalized was \$218 million compared to \$207 million in the corresponding period in 2014. The increase was primarily due to an increase in outstanding long-term debt. For year-to-date 2015, interest expense, net of amounts capitalized was \$612 million compared to \$623 million in the corresponding period in 2014. The decrease was primarily due to a \$50 million decrease related to the termination of the asset purchase agreement (APA) between Mississippi Power and SMEPA which also required the return of SMEPA's deposits at a lower rate of interest than accrued, partially offset by an increase in outstanding long-term debt. See Note (E) to the Condensed Financial Statements herein for additional information. Also see Note (B) "Integrated Coal Gasification Combined Cycle – Termination of Proposed Sale of Undivided Interest to SMEPA" herein for additional information.

Other Income (Expense), Net

Third Quarter 2015 vs. Third Quarter 2014		Year-to-Date 2015 vs. Year-to-Date 2014	
(change in millions)	(% change)	(change in millions)	(% change)
\$(14)	N/M	\$(21)	N/M

N/M – Not meaningful

In the third quarter 2015, other income (expense), net was \$(21) million compared to \$(7) million for the corresponding period in 2014. The change was primarily due to a decrease in sales of non-utility property in 2015 at Alabama Power.

For year-to-date 2015, other income (expense), net was \$(41) million compared to \$(20) million for the corresponding period in 2014. The change was primarily due to an increase in donations and a decrease in sales of non-utility property in 2015 at Alabama Power.

Income Taxes

Third Quarter 2015 vs. Third Quarter 2014		Year-to-Date 2015 vs. Year-to-Date 2014	
(change in millions)	(% change)	(change in millions)	(% change)
\$108	27.6	\$187	21.0

In the third quarter 2015, income taxes were \$500 million compared to \$392 million for the corresponding period in 2014. The increase primarily reflects a reduction in tax benefits related to the estimated probable losses on Mississippi Power's construction of the Kemper IGCC recorded in 2014 and higher pre-tax earnings.

Table of Contents

SOUTHERN COMPANY AND SUBSIDIARY COMPANIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For year-to-date 2015, income taxes were \$1.1 billion compared to \$889 million for the corresponding period in 2014. The increase primarily reflects a reduction in tax benefits related to the estimated probable losses on Mississippi Power's construction of the Kemper IGCC recorded in 2014 and beneficial changes that impacted 2014 state income taxes, partially offset by state income tax benefits realized in 2015 and increased federal income tax benefits related to ITCs on Southern Power solar projects in 2015.

See Note (G) to the Condensed Financial Statements herein for additional information.

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 completion and subsequent operation of the Kemper IGCC and Plant Vogtle Units 3 and 4 as well as other ongoing construction projects. Other major factors include the profitability of the competitive wholesale business and successfully expanding investments in renewable and other energy projects. Future earnings for the electricity business in the near term will depend, in part, upon maintaining and growing sales which are 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 use of alternative energy sources 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 regulatory matters, creditworthiness of customers, total generating capacity available and related costs, future acquisitions and construction of generating facilities, including the impact of ITCs, and the successful remarketing of capacity as current contracts expire. Demand for electricity for the traditional operating companies and Southern Power is partially driven by economic growth. The pace of economic growth and electricity demand may be affected by changes in regional and global economic conditions, which 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 or through market-based contracts. 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.

New Source Review Actions

See Note 3 to the financial statements of Southern Company under "Environmental Matters – New Source Review Actions" in Item 8 of the Form 10-K and Note (B) to the Condensed Financial Statements herein for additional information.

On August 24, 2015, the U.S. District Court for the Northern District of Alabama entered an order approving the joint stipulation among Alabama Power, the EPA, and the U.S. Department of Justice modifying the 2006 consent decree to resolve all remaining claims for relief alleged in the case. Under the modified consent decree, Alabama Power will, without admitting liability, operate certain units subject to emission rates and an annual emissions cap; use only natural gas at certain other units, including a unit co-owned by Mississippi Power; retire certain units at

Table of Contents

SOUTHERN COMPANY AND SUBSIDIARY COMPANIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Plants Gorgas and Barry; pay a \$100,000 civil penalty; and invest \$1.5 million in electric transportation infrastructure projects over three years.

Environmental Statutes and Regulations

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "Environmental Matters – Environmental Statutes and Regulations," – "Retail Regulatory Matters – Alabama Power – Environmental Accounting Order," and – "Retail Regulatory Matters – Georgia Power – Integrated Resource Plans" of Southern Company in Item 7 and Note 3 to the financial statements of Southern Company under "Other Matters – Sierra Club Settlement Agreement" in Item 8 of the Form 10-K for additional information on planned unit retirements and fuel conversions at Alabama Power, Georgia Power, and Mississippi Power.

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 EPA's proposed regulations governing emissions during startup, shutdown, or malfunction (SSM), the final MATS rule, the Cross State Air Pollution Rule (CSAPR), and the eight-hour National Ambient Air Quality Standard (NAAQS) for ozone.

On June 12, 2015, the EPA published a final rule requiring affected states (including Alabama, Florida, Georgia, Mississippi, North Carolina, and Texas) to revise or remove state implementation plan (SIP) provisions regarding excess emissions that occur during periods of SSM by no later than November 22, 2016. The ultimate impact of the final rule will depend on the outcome of any legal challenges and the development and approval of SIPs by the affected states and cannot be determined at this time.

On June 29, 2015, the U.S. Supreme Court issued a decision finding that the EPA had failed to properly consider costs in its decision to regulate hazardous air pollutant emissions from electric generating units under the MATS rule and remanded the case to the U.S. Court of Appeals for the District of Columbia Circuit for further proceedings. The MATS rule remains in effect while the U.S. Court of Appeals for the District of Columbia Circuit and the EPA respond to the decision. The ultimate impact of this decision cannot be determined at this time.

On July 28, 2015, the U.S. Court of Appeals for the District of Columbia Circuit issued an opinion invalidating certain emissions budgets under the CSAPR Phase II emissions trading program for a number of states, including Alabama, Florida, Georgia, North Carolina, and Texas. The court's decision leaves the emissions trading program in place and remands the rule to the EPA for further action consistent with the court's decision. The court rejected all other pending challenges to the rule. The ultimate impact of this decision will depend on additional rulemaking and cannot be determined at this time.

On October 26, 2015, the EPA published a more stringent eight-hour NAAQS for ozone. This new standard could potentially require additional emission controls, improvements in control efficiency, and operational fuel changes and could affect the siting of new generating facilities. The ultimate impact of this matter will depend on any legal challenges and implementation of the final rule and cannot be determined at this time.

Water Quality

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 and the U.S. Army Corps of Engineers' rule revising the definition of waters of the U.S. under the Clean Water Act (CWA) and the EPA's revisions to effluent guidelines.

On June 29, 2015, the EPA and the U.S. Army Corps of Engineers jointly published a final rule revising the regulatory definition of waters of the U.S. for all CWA programs. The final rule significantly expands the scope of federal jurisdiction under the CWA and could have significant impacts on economic development projects which could affect customer demand growth. In addition, this rule could significantly increase permitting and regulatory requirements and costs associated with the siting of new facilities and the installation, expansion, and maintenance

Table of Contents

SOUTHERN COMPANY AND SUBSIDIARY COMPANIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

of transmission and distribution lines. The rule became effective August 28, 2015, but on October 9, 2015, the U.S. Court of Appeals for the Sixth Circuit issued an order staying implementation of the final rule. The ultimate impact of the final rule will depend on the outcome of this and other pending legal challenges and the EPA's and the U.S. Army Corps of Engineers' field-level implementation of the rule and cannot be determined at this time.

On November 3, 2015, the EPA published final revisions to technology-based limits for certain wastestreams from steam electric power plants. These revisions impose stringent steam effluent guidelines and technology requirements for wastewater discharges at affected units. Compliance with these revisions could result in significant additional capital expenditures and could affect future unit retirement and replacement decisions. The ultimate impact of these revisions will depend on any legal challenges and implementation of the final revisions and cannot be determined at this time.

Coal Combustion Residuals

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "Environmental Matters – Coal Combustion Residuals" of Southern Company in Item 7 of the Form 10-K for additional information regarding the EPA's regulation of CCR.

On April 17, 2015, the EPA published the Disposal of Coal Combustion Residuals from Electric Utilities final rule (CCR Rule) in the Federal Register, which became effective on October 19, 2015. Based on initial cost estimates for closure in place and groundwater monitoring of ash ponds pursuant to the CCR Rule, during the second quarter 2015, Southern Company recorded incremental asset retirement obligations (ARO) of approximately \$700 million related to the CCR Rule. As further analysis is performed, including evaluation of the expected method of compliance, refinement of assumptions underlying the cost estimates, such as the quantities of CCR at each site, and the determination of timing, including the potential for closing ash ponds prior to the end of their currently anticipated useful life, the traditional operating companies expect to continue to periodically update these estimates. The ultimate impact of the CCR Rule cannot be determined at this time and will depend on the traditional operating companies' ongoing review of the CCR Rule, the results of initial and ongoing minimum criteria assessments, and the outcome of legal challenges. See Note (A) to the Condensed Financial Statements herein for additional information regarding Southern Company's AROs as of September 30, 2015.

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 proposed regulation of CO₂ from fossil-fuel-fired electric generating units.

On October 23, 2015, two final actions by the EPA that would limit CO₂ emissions from fossil fuel-fired electric generating units were published in the Federal Register. One of the final actions contains specific emission standards governing CO₂ emissions from new, modified, and reconstructed units. The other final action establishes guidelines for states to develop plans to meet EPA-mandated CO₂ emission rates for existing units. The EPA's final guidelines require state plans to meet interim CO₂ performance rates between 2022 and 2029 and final rates in 2030 and thereafter. At the same time, a proposed federal plan and proposed model rule were published that states can adopt or that would be put in place if, in response to the final guidelines, a state either does not submit a state plan or its plan is not approved by the EPA.

These guidelines and standards could result in operational restrictions and material compliance costs, including capital expenditures, which could affect future unit retirement and replacement decisions. Southern Company's results of operations, cash flows, and financial condition could be significantly impacted if such costs are not recovered through regulated rates or through market-based contracts. However, the ultimate financial and operational impact of the final rules on the Southern Company system cannot be determined at this time and will depend on numerous factors including the Southern Company system's ongoing review of the final rules; the outcome of any legal challenges, including legal challenges filed by the traditional operating companies; individual state implementation of the EPA's final guidelines, including the potential that state plans impose different

Table of Contents

SOUTHERN COMPANY AND SUBSIDIARY COMPANIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

standards; additional rulemaking activities in response to legal challenges and related 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.

FERC Matters

The traditional operating companies and Southern Power have authority from the FERC to sell electricity at market-based rates. Since 2008, that authority, for certain balancing authority areas, has been conditioned on compliance with the requirements of an energy auction, which the FERC found to be tailored mitigation that addresses potential market power concerns. In accordance with FERC regulations governing such authority, the traditional operating companies and Southern Power filed a triennial market power analysis on June 30, 2014, which included continued reliance on the energy auction as tailored mitigation. On April 27, 2015, the FERC issued an order finding that the traditional operating companies' and Southern Power's existing tailored mitigation may not effectively mitigate the potential to exert market power in certain areas served by the traditional operating companies and in some adjacent areas. To retain market-based rate authority, the FERC directed the traditional operating companies and Southern Power to show why market-based rate authority should not be revoked in these areas or to provide a mitigation plan to further address market power concerns. The traditional operating companies and Southern Power filed a request for rehearing on May 27, 2015 and on June 26, 2015 filed their response with the FERC. The ultimate outcome of this matter cannot be determined at this time.

Retail Regulatory 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. On September 18, 2015, Georgia Power filed a rate request with the Georgia PSC to lower total annual billings by approximately \$268 million effective January 1, 2016. The Georgia PSC is scheduled to vote on this matter on December 15, 2015. The ultimate outcome of this matter cannot be determined at this time.

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

Alabama Power

Alabama Power's revenues from regulated retail operations are collected through various rate mechanisms subject to the oversight of the Alabama PSC. Alabama Power currently recovers its costs from the regulated retail business primarily through its Rate RSE, Rate CNP, rate energy cost recovery, and natural disaster reserve rate. In addition, the Alabama PSC issues accounting orders to address current events impacting Alabama Power. See Note 3 to the financial statements of Southern Company under "Retail Regulatory Matters – Alabama Power" in Item 8 of the Form 10-K for additional information regarding Alabama Power's rate mechanisms and accounting orders. The recovery balance of each regulatory clause for Alabama Power is reported in Note (B) to the Condensed Financial Statements herein.

Rate CNP

See Note 3 to the financial statements of Southern Company under "Retail Regulatory Matters – Alabama Power – Rate CNP" and " – Non-Environmental Federal Mandated Costs Accounting Order" in Item 8 of the Form 10-K for additional information regarding Alabama Power's development of a revised cost recovery mechanism and the normal purchases and normal sales (NPNS) exception for wind PPAs.

Table of Contents

SOUTHERN COMPANY AND SUBSIDIARY COMPANIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

On March 3, 2015, the Alabama PSC approved a modification to Rate CNP Environmental to include compliance costs for both environmental and non-environmental mandates. The recoverable non-environmental compliance costs result from laws, regulations, and other mandates directed at the utility industry involving the security, reliability, safety, sustainability, or similar considerations impacting Alabama Power's facilities or operations. This modification to Rate CNP Environmental was effective March 20, 2015 with the revised rate now defined as Rate CNP Compliance. Alabama Power incurred \$50 million of non-environmental compliance costs during the first nine months of 2015 and will be limited to recovery of \$50 million for the year. Customer rates will not be impacted before January 2016; therefore, the modification will increase the under recovered position for Rate CNP Compliance during 2015.

On August 14, 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-13, allowing the NPNS exception for physical forward transactions in nodal energy markets, consistent with the manner in which Alabama Power currently accounts for its two wind PPAs. The new accounting guidance will have no impact on Southern Company's financial statements.

Environmental Accounting Order

In April 2015, as part of its environmental compliance strategy, Alabama Power retired Plant Gorgas Units 6 and 7. These units represented 200 MWs of Alabama Power's approximately 12,200 MWs of generating capacity. Additionally, in April 2015, Alabama Power ceased 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. No later than April 2016, Alabama Power expects to cease using coal at Plant Greene County Units 1 and 2 (300 MWs) and begin operating those units solely on natural gas. On August 24, 2015, the U.S. District Court for the Northern District of Alabama entered an order approving the joint stipulation in the New Source Review (NSR) action. In accordance with the joint stipulation, Alabama Power retired Plant Barry Unit 3 (225 MWs) and it is no longer available for generation. See Note (B) to the Condensed Financial Statements herein for additional information regarding the NSR actions.

In accordance with an accounting order from the Alabama PSC, Alabama Power transferred 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, and recovered through Rate CNP. As a result, these decisions will not have a significant impact on Southern Company's financial statements. See Note 3 to the financial statements of Southern Company under "Retail Regulatory Matters – Alabama Power – Rate CNP" in Item 8 of the Form 10-K and Note (B) to the Condensed Financial Statements under "Retail Regulatory Matters – Alabama Power – Rate CNP" herein for additional information.

Renewable Energy

On September 1, 2015, the Alabama PSC approved Alabama Power's petition for a Renewable Generation Certificate. This will allow Alabama Power to build its own renewable projects each less than 80 MWs or purchase power from other renewable-generated sources up to 500 MWs.

Georgia Power

Georgia Power's revenues from regulated retail operations are collected through various rate mechanisms subject to the oversight of the Georgia PSC. Georgia Power currently recovers its costs from the regulated retail business through the 2013 ARP, which includes traditional base tariff rates, Demand-Side Management (DSM) tariffs, Environmental Compliance Cost Recovery (ECCR) tariffs, and Municipal Franchise Fee (MFF) tariffs. In addition, financing costs related to the construction of Plant Vogtle Units 3 and 4 are being collected through the NCCR tariff and fuel costs are collected through separate fuel cost recovery tariffs. See "Construction Program – Nuclear Construction" and "Retail Regulatory Matters – Retail Fuel Cost Recovery" herein for additional information regarding Georgia Power's recent NCCR tariff filing and fuel rate request, respectively. See Note 3 to the financial statements of Southern Company under "Retail Regulatory Matters – Georgia Power" in Item 8 of the Form 10-K for additional information.

Table of Contents

SOUTHERN COMPANY AND SUBSIDIARY COMPANIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Renewables Development

As part of the Georgia Power Advanced Solar Initiative program, Georgia Power executed ten PPAs that were approved by the Georgia PSC in 2014 and provide for the purchase of energy from 515 MWs of solar capacity. These PPAs are expected to commence in December 2015 and 2016 and have terms ranging from 20 to 30 years. As a result of certain acquisitions by Southern Power, Georgia Power expects that 249 MWs of the 515 MWs of contracted capacity will be purchased from solar facilities owned or under development by Southern Power.

On June 15, 2015, Georgia Power executed a PPA to purchase a total of 58 MWs of biomass capacity and energy from a 79-MW facility in Georgia that will begin in 2017 and end in 2047. This PPA was approved by the Georgia PSC on April 15, 2015. Georgia Power also entered into an energy-only PPA for the remaining 21 MWs from the same facility.

On July 21, 2015, the Georgia PSC approved Georgia Power's request to build, own, and operate an up to 46-MW solar generation facility at a U.S. Marine Corps base in Albany, Georgia by the end of 2016.

Rate Plans

In accordance with the terms of the 2013 ARP, on October 2, 2015, Georgia Power filed the following tariff adjustments with the Georgia PSC to become effective January 1, 2016 pending its approval:

- increase in traditional base tariffs by approximately \$49 million;
- increase in the environmental compliance cost recovery tariff by approximately \$75 million;
- increase in the demand-side management tariffs by approximately \$7 million; and
- increase in the municipal franchise fee tariff by approximately \$13 million.

The ultimate outcome of this matter cannot be determined at this time.

Integrated Resource Plan

To comply with the April 16, 2015 effective date of the MATS rule, Plant Branch Units 1, 3, and 4 (1,266 MWs), Plant Yates Units 1 through 5 (579 MWs), and Plant McManus Units 1 and 2 (122 MWs) were retired on April 15, 2015. In addition, operations were discontinued at Plant Mitchell Unit 3 (155 MWs) and its decertification will be requested in connection with the triennial Integrated Resource Plan in 2016. The switch to natural gas as the primary fuel is complete at Plant Yates Units 7 and 6 and the units were returned to service on May 4, 2015 and June 27, 2015, respectively. On October 13, 2015, Plant Kraft Units 1 through 4 (316 MWs) were retired.

Gulf Power

Renewables

On April 16, 2015, the Florida PSC approved three energy purchase agreements totaling 120 MWs of utility-scale solar generation located at three military installations in northwest Florida. On May 5, 2015, the Florida PSC approved an energy purchase agreement for up to 178 MWs of wind generation in central Oklahoma. Purchases under these agreements will be for energy only and will be recovered through Gulf Power's fuel cost recovery mechanism.

Mississippi Power

2015 Rate Case

On May 15, 2015 and July 10, 2015, Mississippi Power filed alternative rate proposals related to recovery of Kemper IGCC-related costs with the Mississippi PSC. On August 13, 2015, the Mississippi PSC approved the implementation of interim rates designed to collect approximately \$159 million annually. See Note (B) to the Condensed Financial Statements under "Integrated Coal Gasification Combined Cycle – Rate Recovery of Kemper IGCC Costs – 2015 Rate Case" herein for additional information.

Table of Contents

SOUTHERN COMPANY AND SUBSIDIARY COMPANIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Renewables

In April and May 2015, Mississippi Power entered into separate PPAs for three solar facilities for a combined total of approximately 105 MWs. Mississippi Power would purchase all of the energy produced by the solar facilities for the 25-year term of the contracts. If approved by the Mississippi PSC, the projects are expected to be in service by the end of 2016 and the resulting energy purchases will be recovered through Mississippi Power's fuel cost recovery mechanism. The ultimate outcome of this matter cannot be determined at this time.

Construction Program

Overview

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 approval 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 the two units, each with approximately 1,100 MWs) and Mississippi Power's 582-MW Kemper IGCC. 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 additional information. For additional information about costs relating to Southern Power's acquisitions that involve construction of renewable energy facilities, see Note (I) to the Condensed Financial Statements herein.

Also see FINANCIAL CONDITION AND LIQUIDITY – "Capital Requirements and Contractual Obligations" for additional information regarding Southern Company's capital requirements for its subsidiaries' construction programs.

Integrated Coal Gasification Combined Cycle

From 2013 through September 30, 2015, Southern Company recorded pre-tax charges totaling \$2.23 billion (\$1.4 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. On February 12, 2015, the Mississippi Supreme Court reversed the Mississippi PSC's March 2013 order that authorized Mississippi Power's collection of \$156 million annually to be recorded as Mirror CWIP and directed the Mississippi PSC to enter an order requiring Mississippi Power to refund the Mirror CWIP amounts collected. The Mississippi PSC ordered that the Mirror CWIP rate be terminated effective July 20, 2015. Refunds of \$342 million collected by Mississippi Power through July 2015 billings plus associated carrying costs will begin in November 2015.

On May 20, 2015, SMEPA notified Mississippi Power of its termination of the APA. Mississippi Power previously received a total of \$275 million of deposits from SMEPA that were required to be returned to SMEPA with interest in connection with the termination of the APA. On June 3, 2015, Southern Company, pursuant to its guarantee obligation, returned approximately \$301 million to SMEPA. Subsequently, Mississippi Power issued an 18-month promissory note in the aggregate principal amount of approximately \$301 million to Southern Company.

Table of Contents

SOUTHERN COMPANY AND SUBSIDIARY COMPANIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The return of approximately \$301 million to SMEPA in June 2015 in connection with the termination of the APA, the required refund of the approximately \$369 million of Mirror CWIP rate collections, including associated carrying costs through September 30, 2015, the termination of the Mirror CWIP rates, and the likely repayment to the IRS of approximately \$235 million of unrecognized tax benefits associated with the ITCs that were allocated to the Kemper IGCC under Section 48A (Phase II) of the Internal Revenue Code if the in-service date of the Kemper IGCC extends beyond April 19, 2016 have adversely impacted Mississippi Power's financial condition.

As a result of the Mississippi Supreme Court's decision and these financial impacts, on July 10, 2015, Mississippi Power submitted a filing with the Mississippi PSC that included a request for interim rates, until such time as the Mississippi PSC renders a final decision on permanent rates, designed to recover Mississippi Power's costs associated with the Kemper IGCC assets that are commercially operational and currently providing service to customers (the transmission facilities, combined cycle, natural gas pipeline, and water pipeline) and other related costs (In-Service Asset Proposal). These interim rates are designed to collect approximately \$159 million annually. On August 13, 2015, the Mississippi PSC approved the implementation of the interim rates that became effective with the first billing cycle in September (on August 19), subject to refund and certain other conditions. In addition, the Mississippi PSC reserved the right to modify or terminate the interim rates based upon a material change in circumstances. The Mississippi PSC is scheduled to issue a final order on or before December 8, 2015 related to permanent rates for the In-Service Asset Proposal. The ultimate outcome of these matters cannot be determined at this time.

Nuclear Construction

On April 15, 2015, the Georgia PSC issued a procedural order in connection with the twelfth Vogtle Construction Monitoring (VCM) report, which included a requested amendment (Requested Amendment) to the Plant Vogtle Units 3 and 4 certificate to reflect the Contractor's revised forecast for completion of Plant Vogtle Units 3 and 4 (second quarter of 2019 and second quarter of 2020, respectively) as well as to include the estimated owner's costs associated with the proposed 18-month Contractor delay and to increase the estimated total in-service capital cost of Plant Vogtle Units 3 and 4 to \$5.0 billion. Pursuant to this order, the Georgia PSC deemed the Requested Amendment unnecessary and withdrawn until the completion of construction of Plant Vogtle Unit 3. The Georgia PSC recognized that the certified cost does not constitute a cost recovery cap. In accordance with the Georgia Integrated Resource Planning Act, any costs incurred by Georgia Power in excess of the certified amount will be included in rate base, provided Georgia Power shows the costs to be reasonable and prudent. Financing costs up to the certified amount will be collected through the NCCR tariff until the units are placed in service, while financing costs on any construction-related costs in excess of the \$4.4 billion certified amount are expected to be recovered through AFUDC. On August 28, 2015, Georgia Power filed its thirteenth VCM report with the Georgia PSC covering the period from January 1 through June 30, 2015, which requested approval for an additional \$148 million of construction capital costs incurred during that period and reflected estimated financing costs during the construction period to total approximately \$2.4 billion.

On October 30, 2015, Georgia Power filed to increase the NCCR tariff by approximately \$19 million, effective January 1, 2016, pending Georgia PSC approval.

On October 27, 2015, Westinghouse and Chicago Bridge & Iron Company, N.V. (CB&I) announced an agreement under which Westinghouse or one of its affiliates will acquire CB&I Stone & Webster, Inc. (S&W) (formerly known as Stone & Webster, Inc.) from CB&I, subject to satisfaction of certain conditions to closing. In addition, on October 27, 2015, Westinghouse and the Vogtle Owners entered into a term sheet (Term Sheet) setting forth the terms of a settlement agreement to resolve disputes between the Vogtle Owners and the Contractor under the engineering, procurement, and construction agreement between the Vogtle Owners and the Contractor (Vogtle 3 and 4 Agreement), including the litigation pending in the U.S. District Court for the Southern District of Georgia between the Contractor and the Vogtle Owners (Vogtle Construction Litigation).

Table of Contents

SOUTHERN COMPANY AND SUBSIDIARY COMPANIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

In accordance with the Term Sheet, the Vogtle Owners and the Contractor will enter into mutual releases of all open claims which have been asserted, including any potential extension of such open claims, as well as future claims based on events occurring prior to the effective date of the release that potentially could have been asserted under the original terms of the Vogtle 3 and 4 Agreement, including the Vogtle Construction Litigation, which will be dismissed with prejudice. In addition, among other items, the Term Sheet provides that the guaranteed substantial completion dates under the Vogtle 3 and 4 Agreement will be revised to match the current estimated in-service dates of June 30, 2019 for Unit 3 and June 30, 2020 for Unit 4 and Georgia Power, based on its ownership interest, will pay to the Contractor and capitalize to the project cost approximately \$350 million, of which approximately \$120 million has been paid previously under the dispute resolution procedures of the Vogtle 3 and 4 Agreement. The settlement of the pending disputes between the Vogtle Owners and the Contractor, including the Vogtle Construction Litigation, is subject to consummation of Westinghouse's proposed acquisition of S&W. If this proposed acquisition is not completed, the Vogtle Construction Litigation will continue and the Contractor may from time to time continue to assert that it is entitled to additional payments with respect to its allegations, any of which could be substantial. Additionally, there are certain risks associated with the construction program in general and certain risks associated with the licensing, construction, and operation of nuclear generating units in particular, 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.

Income Tax Matters

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "Income Tax Matters" of Southern Company in Item 7 of the Form 10-K for additional information.

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. These tax credits 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. Through September 30, 2015, Southern Company had recorded tax benefits totaling \$276 million for the Phase II credits, of which approximately \$235 million had been utilized. While the in-service date for the remainder of the Kemper IGCC is currently expected to occur in the first half of 2016, Mississippi Power now anticipates the in-service date to occur subsequent to April 19, 2016, but has not made a final determination to that effect. Due to this uncertainty, Southern Company has reflected these tax credits as unrecognized tax benefits and reclassified the Phase II credits to a current liability on its September 30, 2015 balance sheet, with no impact to net income. Repayment to the IRS would occur with the quarterly estimated tax payment following a final determination that the in-service date would occur subsequent to April 19, 2016. Any cash funding requirements necessary for Mississippi Power to make this repayment are expected to be provided by Southern Company. See Notes (B) and (G) to the Condensed Financial Statements under "Integrated Coal Gasification Combined Cycle" and "Unrecognized Tax Benefits – Investment Tax Credits," respectively, herein for additional information. The ultimate outcome of this tax matter cannot be determined at this time.

Section 174 Research and Experimental Deduction

Southern Company reflected deductions for research and experimental (R&E) expenditures related to the Kemper IGCC in its federal income tax calculations for 2013, 2014, and 2015. In May 2015, Southern Company amended its 2008 through 2013 federal income tax returns to include deductions for Kemper IGCC-related R&E expenditures. Due to the uncertainty related to this tax position, Southern Company had unrecognized tax benefits associated with these R&E deductions totaling approximately \$414 million as of September 30, 2015. See Note 5 to the financial statements of Southern Company under "Unrecognized Tax Benefits" in Item 8 of the Form 10-K and Notes (B) and (G) to the Condensed Financial Statements under "Integrated Coal Gasification Combined Cycle"

Table of Contents

SOUTHERN COMPANY AND SUBSIDIARY COMPANIES MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

and "Unrecognized Tax Benefits – Section 174 Research and Experimental Deduction," respectively, herein for additional information. The ultimate outcome of this tax matter cannot be determined at this time.

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 occurred throughout the U.S. This litigation has included claims for damages alleged to have been caused by CO₂ and other emissions, CCR, and alleged exposure to hazardous materials, and/or requests for injunctive relief in connection with such matters.

The ultimate outcome of such pending or potential litigation against 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 Note (B) 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.

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 2015, Mississippi Power further 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 for any costs related to the construction of the Kemper IGCC 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 \$150 million (\$93 million after tax) in the third quarter 2015, \$23 million (\$14 million after tax) in the second quarter 2015, \$9 million (\$6 million after tax) in the first quarter 2015, \$70 million (\$43 million after tax) in the fourth quarter 2014, \$418 million (\$258 million after tax) in the third quarter 2014, \$380 million (\$235 million after tax) in the first quarter 2014, \$40 million (\$25 million after tax) in the fourth quarter 2013, \$150 million (\$93 million after tax) in the third quarter 2013, \$450 million (\$278 million after tax) in the second quarter 2013, and \$540 million (\$333 million after tax) in the first quarter 2013. In the aggregate, Southern Company has incurred charges of \$2.23 billion (\$1.4 billion after tax) as a result of changes in the cost estimate above the cost cap for the Kemper IGCC through September 30, 2015.

Table of Contents

SOUTHERN COMPANY AND SUBSIDIARY COMPANIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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 readiness, including specialized operator training and required site safety programs, unforeseen engineering or design problems, start-up activities for this first-of-a-kind technology (including major equipment failure and system integration), and/or operational performance (including, but not limited to, additional costs to satisfy any operational parameters ultimately adopted by the Mississippi PSC).

Mississippi Power's revised cost estimate includes costs through June 30, 2016. Any extension of the in-service date beyond June 2016 is currently estimated to result in additional base costs of approximately \$25 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. However, additional costs may be required for remediation of any further equipment and/or design issues identified. Any extension of the in-service date with respect to the Kemper IGCC beyond June 30, 2016 would also increase costs for the Cost Cap Exceptions, which are not subject to the \$2.88 billion cost cap established by the Mississippi PSC. These costs include AFUDC, which is currently estimated to total approximately \$12 million per month, as well as carrying costs and operating expenses on Kemper IGCC assets placed in service and consulting fees and legal fees, a portion of which are being deferred as regulatory assets and are estimated to total approximately \$6 million per month.

Given the significant judgment involved in estimating the future costs to complete construction and start-up, 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.

Asset Retirement Obligations

AROs are computed as the fair value of the ultimate costs for an asset's future retirement and are recorded in the period in which the liability is incurred. The costs are capitalized as part of the related long-lived asset and depreciated over the asset's useful life. In the absence of quoted market prices, AROs are estimated using present value techniques in which estimates of future cash outlays associated with the asset retirements are discounted using a credit-adjusted risk-free rate. Estimates of the timing and amounts of future cash outlays are based on projections of when and how the assets will be retired and the cost of future removal activities.

The liability for AROs primarily relates to the decommissioning of the nuclear facilities - Alabama Power's Plant Farley and Georgia Power's ownership interests in Plant Hatch and Plant Vogtle Units 1 and 2 - and facilities that are subject to the CCR Rule, primarily ash ponds. In addition, the Southern Company system has retirement obligations related to various landfill sites, asbestos removal, mine reclamation, and disposal of polychlorinated biphenyls in certain transformers. The Southern Company system also has identified retirement obligations related to certain transmission and distribution facilities, certain wireless communication towers, property associated with the Southern Company system's rail lines and natural gas pipelines, and certain structures authorized by the U.S. Army Corps of Engineers. However, liabilities for the removal of these assets have not been recorded because the settlement timing for the retirement obligations related to these assets is indeterminable and, therefore, the fair value of the retirement obligations cannot be reasonably estimated. A liability for these AROs will be recognized when sufficient information becomes available to support a reasonable estimation of the ARO.

As a result of the final CCR Rule discussed above, Alabama Power, Gulf Power, and Mississippi Power recorded new AROs for facilities that are subject to the CCR Rule. Georgia Power had previously recorded AROs as a result of state requirements in Georgia which closely align with the requirements of the CCR Rule. The cost estimates are

Table of Contents

SOUTHERN COMPANY AND SUBSIDIARY COMPANIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

based on information using various assumptions related to closure and post-closure costs, timing of future cash outlays, inflation and discount rates, and the potential methods for complying with the CCR Rule requirements for closure in place. As further analysis is performed, including evaluation of the expected method of compliance, refinement of assumptions underlying the cost estimates, such as the quantities of CCR at each site, and the determination of timing, including the potential for closing ash ponds prior to the end of their currently anticipated useful life, the traditional operating companies expect to continue to periodically update these estimates. Given the significant judgment involved in estimating AROs, Southern Company considers the liabilities for AROs to be critical accounting estimates.

See Note 1 to the financial statements of Southern Company under "Asset Retirement Obligations and Other Costs of Removal" and "Nuclear Decommissioning" in Item 8 of the Form 10-K and Note (A) to the Condensed Financial Statements under "Asset Retirement Obligations" herein for additional information.

Recently Issued Accounting Standards

The FASB's ASC 606, Revenue from Contracts with Customers, revises the accounting for revenue recognition effective for fiscal years beginning after December 15, 2017. Southern Company continues to evaluate the requirements of ASC 606. The ultimate impact of the new standard has not yet been determined.

On April 7, 2015, the FASB issued ASU No. 2015-03, Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs. The ASU requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability and is effective for fiscal years beginning after December 15, 2015. Early adoption is permitted and Southern Company intends to adopt the ASU in the fourth quarter 2015. The ASU is required to be applied retrospectively to all periods presented beginning in the year of adoption. Southern Company currently reflects unamortized debt issuance costs in unamortized debt issuance expense on its balance sheet. Upon adoption, the reclassification will not have a material impact on the results of operations, financial position, or cash flows of Southern Company.

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. Southern Company's financial condition remained stable at September 30, 2015. Through September 30, 2015, Southern Company has incurred non-recoverable cash expenditures of \$1.8 billion and is expected to incur approximately \$0.4 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 bank credit agreements 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 \$5.1 billion for the first nine months of 2015, an increase of \$0.4 billion from the corresponding period in 2014. The increase in net cash provided from operating activities was primarily due to an increase in fuel cost recovery, partially offset by timing of accounts payable. Net cash used for investing activities totaled \$4.9 billion for the first nine months of 2015 primarily due to gross property additions for installation of equipment to comply with environmental standards, construction of generation, transmission, and distribution facilities, and acquisitions of solar facilities. Net cash provided from financing activities totaled \$0.2 billion for the first nine months of 2015 primarily due to issuances of long-term debt, partially offset by common stock dividend payments and redemptions of long-term debt and preferred and preference stock. Fluctuations in cash flow from financing activities vary from period to period based on capital needs and the maturity or redemption of securities.

Table of Contents

SOUTHERN COMPANY AND SUBSIDIARY COMPANIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Significant balance sheet changes for the first nine months of 2015 include an increase of \$3.4 billion in total property, plant, and equipment to comply with environmental standards and construction of generation, transmission, and distribution facilities; a \$0.4 billion increase in income taxes receivable, non-current and a \$0.4 billion increase in accumulated deferred income taxes for deductions primarily related to R&E expenditures for the Kemper IGCC; an increase of \$0.4 billion in accounts receivable primarily related to increases in customer billings; a \$1.5 billion increase in short-term and long-term debt to fund the subsidiaries' continuous construction programs and for other general corporate purposes; and a \$0.8 billion increase in AROs primarily related to the CCR Rule. See Notes (A), (B), and (G) to the Condensed Financial Statements herein for additional information regarding AROs, the Kemper IGCC, and R&E expenditures, respectively.

At the end of the third quarter 2015, the market price of Southern Company's common stock was \$44.70 per share (based on the closing price as reported on the New York Stock Exchange) and the book value was \$22.73 per share, representing a market-to-book ratio of 197%, compared to \$49.11, \$21.98, and 223%, respectively, at the end of 2014. Southern Company's common stock dividend for the third quarter 2015 was \$0.5425 per share compared to \$0.5250 per share in the third quarter 2014.

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 \$3.3 billion will be required through September 30, 2016 to fund maturities of long-term debt. See "Sources of Capital" herein for additional information. Subsequent to September 30, 2015, Alabama Power repaid at maturity \$400 million aggregate principal amount of its Series 2012B 0.550% Senior Notes due October 15, 2015. The Southern Company system's construction program is currently estimated to be \$7.7 billion for 2015, \$5.6 billion for 2016, and \$4.3 billion for 2017, which includes expenditures related to construction and start-up of the Kemper IGCC of \$834 million for 2015 and \$281 million for 2016 and approximately \$2.2 billion for acquisitions and/or construction of new Southern Power generating facilities in 2015.

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 materially due to market opportunities and Southern Power's ability to execute its growth strategy. See Note 1 to the financial statements of Southern Company under "Acquisitions" in Item 8 of the Form 10-K and Note (I) to the Condensed Financial Statements under "Southern Power" herein for additional information regarding Southern Power's plant acquisitions. 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.

In addition to the Merger Consideration to be paid by Southern Company at the Effective Time, in connection with the Merger, Southern Company will also assume AGL Resources' outstanding indebtedness (approximately \$4

Table of Contents

SOUTHERN COMPANY AND SUBSIDIARY COMPANIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

billion on June 30, 2015). See OVERVIEW herein for additional information regarding the Merger, including the Merger Consideration.

Sources of Capital

Southern Company intends to meet its future capital needs through operating cash flows, short-term debt, term loans, 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 additional equity capital and debt to be raised in 2015, 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, external 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.

In addition, Georgia Power may make borrowings through a loan guarantee agreement (Loan Guarantee Agreement) between Georgia Power and the DOE, the proceeds of which may be used to reimburse Georgia Power for Eligible Project Costs incurred in connection with its construction of Plant Vogtle Units 3 and 4. Under the Loan Guarantee Agreement, the DOE agreed to guarantee borrowings of up to \$3.46 billion (not to exceed 70% of Eligible Project Costs) to be made by Georgia Power under a multi-advance credit facility (FFB Credit Facility) among Georgia Power, the DOE, and the FFB. Eligible Project Costs incurred through September 30, 2015 would allow for borrowings of up to \$2.2 billion under the FFB Credit Facility, of which Georgia Power has borrowed \$1.8 billion. See Note 6 to the financial statements of Southern Company under "DOE Loan Guarantee Borrowings" 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.

Mississippi Power received \$245 million of DOE Grants in prior years 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.

As of September 30, 2015, Southern Company's current liabilities exceeded current assets by \$3.4 billion, primarily due to long-term debt that is due within one year, including approximately \$0.5 billion at Southern Company, \$0.6 billion at Alabama Power, \$1.4 billion at Georgia Power, \$0.4 billion at Mississippi Power, and \$0.4 billion at Southern Power. In addition, Mississippi Power has \$0.5 billion in short-term bank loans scheduled to mature on April 1, 2016. To meet short-term cash needs and contingencies, Southern Company has substantial cash flow from operating activities and access to capital markets and financial institutions. Southern Company, the traditional operating companies, and Southern Power intend to utilize operating cash flows, as well as commercial paper, lines of credit, bank notes, and securities issuances, as market conditions permit, as well as, under certain circumstances for the traditional operating companies and Southern Power, equity contributions and/or loans from Southern Company to meet their short-term capital needs. In addition, for the remainder of 2015, Georgia Power expects to utilize borrowings through the FFB Credit Facility as an additional source of long-term borrowed funds.

The financial condition of Mississippi Power and its ability to obtain funds needed for normal business operations and completion of the construction and start-up of the Kemper IGCC were adversely affected by the return of approximately \$301 million of interest bearing refundable deposits to SMEPA in June 2015 in connection with the termination of the APA, the required refund of Mirror CWIP rate collections beginning in early November 2015 of approximately \$369 million, including associated carrying costs, the termination of the Mirror CWIP rate, and the

likely repayment of unrecognized tax benefits associated with the Phase II tax credits of \$235 million. On August

Table of ContentsSOUTHERN COMPANY AND SUBSIDIARY COMPANIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

13, 2015, the Mississippi PSC approved the implementation of interim rates, subject to refund and certain other conditions, and is scheduled to issue a final order on or before December 8, 2015 related to permanent rates for the In-Service Asset Proposal. Mississippi Power plans to obtain the funds required for construction and other purposes from operating cash flows and lines of credit (to the extent available) as well as loans and, under certain circumstances, equity contributions from Southern Company. See Note (B) to the Condensed Financial Statements under "Integrated Coal Gasification Combined Cycle" herein for additional information.

At September 30, 2015, Southern Company and its subsidiaries had approximately \$1.1 billion of cash and cash equivalents. Committed credit arrangements with banks at September 30, 2015 were as follows:

	Expires							Executable Term Loans		Due Within One Year	
Company	2015	2016	2017	2018	2020	Total	Unused	One Year	Two Years	Term Out	No Term Out
	(in millions)					(in millions)		(in millions)		(in millions)	
Southern Company ^(a)	\$—	\$—	\$—	\$1,000	\$1,250	\$2,250	\$2,250	\$—	\$—	\$—	\$—
Alabama Power	—	40	—	500	800	1,340	1,339	—	—	—	40
Georgia Power	—	—	—	—	1,750	1,750	1,732	—	—	—	—
Gulf Power	20	225	30	—	—	275	275	50	—	50	195
Mississippi Power ^(b)	15	220	—	—	—	235	210	30	30	60	175
Southern Power ^(c)	—	—	—	—	600	600	567	—	—	—	—
Other	—	70	—	—	—	70	70	—	—	—	70
Total	\$35	\$555	\$30	\$1,500	\$4,400	\$6,520	\$6,443	\$80	\$30	\$110	\$480

(a) Excludes the \$8.1 billion Bridge Agreement entered into in September 2015 that will be funded only to the extent necessary to provide financing for the Merger as discussed herein.

(b) Subsequent to September 30, 2015, a \$15 million bank credit arrangement expired pursuant to its terms.

(c) Excludes the Tranquillity Credit Agreement assumed with the acquisition of Tranquillity on August 28, 2015, which is non-recourse to Southern Power Company, the proceeds of which are being used to finance project costs related to Tranquillity's solar facility currently under construction in California. See Note (I) to the Condensed Financial Statements herein for additional information regarding Tranquillity.

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.

As reflected in the table above, in August 2015, Southern Company, Alabama Power, Georgia Power, and Southern Power Company each amended and restated their multi-year credit arrangements, which, among other things, extended the maturity dates from 2018 to 2020. Southern Company and Southern Power Company increased their borrowing ability under these arrangements to \$1.25 billion from \$1.0 billion and to \$600 million from \$500 million, respectively. Georgia Power increased its borrowing ability by \$150 million under its facility maturing in 2020 and terminated its aggregate \$150 million facilities maturing in 2016. In September 2015, Southern Company entered into an additional multi-year credit arrangement for \$1.0 billion with a maturity date of 2018. Also in September 2015, Alabama Power entered into a new \$500 million three-year credit arrangement which replaced a majority of Alabama Power's bi-lateral credit arrangements.

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, 2015 was approximately

\$1.8 billion. In addition, at September 30, 2015, the traditional operating companies had approximately \$354 million of fixed rate pollution control revenue bonds outstanding that were required to be reoffered within the next 12 months, of which \$120 million were remarketed subsequent to September 30, 2015.

Most of these bank credit arrangements contain covenants that limit debt levels and contain cross acceleration or cross default provisions to other indebtedness (including guarantee obligations) that are restricted only to the

Table of ContentsSOUTHERN COMPANY AND SUBSIDIARY COMPANIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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. Such cross acceleration provisions to other indebtedness would trigger an event of default if the applicable borrower defaulted on indebtedness, the payment of which was then accelerated. Southern Company, the traditional operating companies, and Southern Power are currently in compliance with all such covenants. None of the bank credit arrangements contain material adverse change clauses at the time of borrowings.

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

Southern Company intends to initially fund the cash consideration for the Merger using approximately \$7.0 billion of debt and \$1.0 billion of equity. Southern Company expects to issue approximately \$2.0 billion of additional equity through 2019 to offset a portion of the debt issued to fund the cash consideration for the Merger. In addition, Southern Company entered into the \$8.1 billion Bridge Agreement on September 30, 2015 to provide financing for the Merger in the event long-term financing is not available.

The Bridge Agreement provides for total loan commitments in an aggregate amount of \$8.1 billion to fund the payment of the cash consideration payable under the Merger Agreement and other cash payments required in connection with the consummation of the Merger, the Bridge Agreement and the borrowings thereunder, the other financing transactions related to the Merger, and the payment of fees and expenses incurred in connection with the foregoing. If funded, the loan under the Bridge Agreement will mature and be payable in full on the date that is 364 days after the funding of the commitments under the Bridge Agreement (Closing Date).

In connection with the Bridge Agreement, Southern Company will pay a ticking fee for the benefit of the lenders thereto, accruing from November 21, 2015, in an amount equal to 0.125% per annum of the aggregate commitments under the Bridge Agreement, which fee will accrue through the earlier of (i) the date of termination of the commitments and (ii) the Closing Date. If the loan is funded, Southern Company will pay (i) interest at a fluctuating rate per annum equal to, at its election, the base rate or euro-dollar rate plus, in each case, an applicable margin, calculated as provided in the Bridge Agreement and (ii) on each of the dates set forth below, a duration fee equal to the applicable percentage set forth below of the aggregate principal amount of the loan outstanding on such date:

Date	Duration Fee
90 days after the Closing Date	0.50%
180 days after the Closing Date	0.75%
270 days after the Closing Date	1.00%

Additionally, under the terms of the Bridge Agreement, Southern Company is required to pay certain customary fees to the lenders as set forth in related letters. As of September 30, 2015, Southern Company had no outstanding loans under the Bridge Agreement.

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, excluding the Bridge Agreement. Southern Company, the traditional operating companies, and Southern Power may also borrow through various other arrangements with banks. Commercial paper and short-term bank term loans are included in notes payable in the balance sheets.

Table of ContentsSOUTHERN COMPANY AND SUBSIDIARY COMPANIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Details of short-term borrowings were as follows:

	Short-term Debt at September 30, 2015			Short-term Debt During the Period ^(*)		
	Amount Outstanding	Weighted Average Interest Rate		Average Amount Outstanding	Weighted Average Interest Rate	Maximum Amount Outstanding
	(in millions)			(in millions)		(in millions)
Commercial paper	\$990	0.5	%	\$826	0.4	% \$1,406
Short-term bank debt	500	1.4	%	543	1.1	% 555
Total	\$1,490	0.8	%	\$1,369	0.8	%

^(*) Average and maximum amounts are based upon daily balances during the three-month period ended September 30, 2015.

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

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/or Baa2 or below. These contracts are for physical electricity purchases and sales, fuel purchases, fuel transportation and storage, energy price risk management, transmission, and construction of new generation at Plant Vogtle Units 3 and 4.

The maximum potential collateral requirements under these contracts at September 30, 2015 were as follows:

Credit Ratings	Maximum Potential Collateral Requirements (in millions)
At BBB and/or Baa2	\$12
At BBB- and/or Baa3	504
Below BBB- and/or Baa3	2,348

Generally, collateral may be provided by a Southern Company guaranty, letter of credit, or cash. Additionally, a credit rating downgrade could impact the ability of Southern Company and its subsidiaries to access capital markets, and would be likely to impact the cost at which they do so.

On June 5, 2015, Fitch downgraded the long-term issuer default rating of Mississippi Power to BBB+ from A-. Fitch maintained the negative ratings outlook for Mississippi Power and revised the ratings outlook for Southern Company from stable to negative.

On August 14, 2015, Moody's downgraded the senior unsecured debt rating of Mississippi Power to Baa2 from Baa1. Moody's maintained the negative ratings outlook for Mississippi Power.

On August 17, 2015, S&P downgraded the consolidated long-term issuer rating of Southern Company (including Alabama Power, Georgia Power, and Gulf Power) to A- from A. Also on August 17, 2015, S&P downgraded the issuer rating of Mississippi Power to BBB+ from A. S&P revised its credit rating outlook for Southern Company and the traditional operating companies to stable from negative. Separately, on August 24, 2015, S&P revised its credit rating outlook for Southern Company and the traditional operating companies from stable to negative following the announcement of the Merger.

Table of ContentsSOUTHERN COMPANY AND SUBSIDIARY COMPANIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Also following the announcement of the Merger, on August 24, 2015, Moody's affirmed the rating of Southern Company and revised its credit rating outlook from stable to negative. On the same date, Fitch placed the ratings of Southern Company on ratings watch negative.

Financing Activities

During the first nine months of 2015, Southern Company issued approximately 3.7 million shares of common stock primarily through the employee equity compensation plan and received proceeds of approximately \$136 million. During the first nine months of 2015, all sales under the Southern Investment Plan and the employee savings plan were funded with shares acquired on the open market by independent plan administrators. In October 2015, Southern Company began issuing shares of common stock through the Southern Investment Plan and the employee savings plan.

On March 2, 2015, Southern Company announced a program to repurchase up to 20 million shares of Southern Company common stock to offset all or a portion of the incremental shares issued under its employee and director equity compensation plans, including through stock option exercises, until December 31, 2017. Under this program, approximately 2.6 million shares were repurchased through September 30, 2015 at a total cost of approximately \$115 million. There were no repurchases during the three months ended September 30, 2015 and no further repurchases under the program are anticipated.

The following table outlines the long-term debt financing activities for Southern Company and its subsidiaries for the first nine months of 2015:

Company	Senior Note Issuances	Senior Note Redemptions	Revenue Bond Issuances and Reofferings of Purchased Bonds ^(a)	Revenue Bond Maturities and Repurchases	Other Long-Term Debt Issuances	Other Long-Term Debt Redemptions and Maturities ^(b)
	(in millions)					
Southern Company	\$600	\$400	\$—	\$—	\$400	\$—
Alabama Power	975	250	80	134	—	—
Georgia Power	—	525	274	268	600	20
Gulf Power	—	60	13	13	—	—
Mississippi Power	—	—	—	—	—	352
Southern Power	650	525	—	—	400	3
Other	—	—	—	—	—	13
Total	\$2,225	\$1,760	\$367	\$415	\$1,400	\$388

(a) Includes a reoffering by Alabama Power of \$80 million aggregate principal amount of revenue bonds purchased and held since April 2015; reofferings by Georgia Power of \$104.6 million and \$65 million aggregate principal amount of revenue bonds purchased and held since 2013 and April 2015, respectively; and a reoffering by Gulf Power of \$13 million aggregate principal amount of revenue bonds purchased and held in July 2015. Also includes repurchases and reofferings by Georgia Power of \$94.6 million and \$10 million aggregate principal amount of revenue bonds in August 2015 in connection with optional tenders.

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

In June 2015, Southern Company issued \$600 million aggregate principal amount of Series 2015A 2.750% Senior Notes due June 15, 2020. The proceeds were used to pay a portion of Southern Company's outstanding short-term indebtedness and for other general corporate purposes.

In September 2015, Southern Company entered into a \$400 million aggregate principal amount 18-month floating rate bank loan bearing interest based on one-month LIBOR. The proceeds were used for working capital and other general corporate purposes.

Table of Contents

SOUTHERN COMPANY AND SUBSIDIARY COMPANIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Also in September 2015, Southern Company repaid at maturity \$400 million aggregate principal amount of its Series 2010A 2.375% Senior Notes due September 15, 2015.

Subsequent to September 30, 2015, Southern Company issued \$1.0 billion aggregate principal amount of Series 2015A 6.25% Junior Subordinated Notes due October 15, 2075. The proceeds were used to pay a portion of Southern Company's outstanding short-term indebtedness and for other general corporate purposes.

Except as described herein, Southern Company's subsidiaries used the proceeds of the debt issuances shown in the table above for their redemptions and maturities shown in the table above, to repay short-term indebtedness, and for general corporate purposes, including their continuous construction programs and, for Southern Power, its growth strategy.

A portion of the proceeds of Alabama Power's senior note issuances were used in May 2015 to redeem 6.48 million shares (\$162 million aggregate stated capital) of Alabama Power's 5.20% Class A Preferred Stock at a redemption price of \$25 per share plus accrued and unpaid dividends to the redemption date, 4.0 million shares (\$100 million aggregate stated capital) of Alabama Power's 5.30% Class A Preferred Stock at a redemption price of \$25 per share plus accrued and unpaid dividends to the redemption date, and 6.0 million shares (\$150 million aggregate stated capital) of Alabama Power's 5.625% Series Preference Stock at a redemption price of \$25 per share plus accrued and unpaid dividends to the redemption date.

Georgia Power's "Other Long-Term Debt Issuances" reflected in the table above include borrowings under the FFB Credit Facility in an aggregate principal amount of \$600 million in June 2015. The interest rate applicable to the \$600 million principal amount is 3.283% for an interest period that extends to the final maturity date of February 20, 2044. The proceeds were used to reimburse Georgia Power for Eligible Project Costs relating to the construction of Plant Vogtle Units 3 and 4. Georgia Power settled \$350 million of interest rate swaps related to this borrowing for a payment of approximately \$6 million, which will be amortized to interest expense over 10 years.

In March 2015, Georgia Power entered into a \$250 million aggregate principal amount three-month floating rate bank loan bearing interest based on one-month LIBOR. The loan was repaid at maturity.

In April 2015, Mississippi Power entered into two short-term floating rate bank loans with a maturity date of April 1, 2016, in an aggregate principal amount of \$475 million, bearing interest based on one-month LIBOR. A portion of the proceeds of these loans were used for the repayment of term loans in an aggregate principal amount of \$275 million. Mississippi Power also amended three outstanding floating rate bank loans for an aggregate principal amount of \$425 million which, among other things, extended the maturity dates from various dates in 2015 to April 1, 2016.

In June 2015, Gulf Power entered into a \$40 million aggregate principal amount three-month floating rate bank loan bearing interest based on one-month LIBOR. The loan was repaid at maturity.

In addition to the amounts reflected in the table above, Mississippi Power previously received a total of \$275 million of deposits from SMEPA that were required to be returned to SMEPA with interest in connection with the termination of the APA. On June 3, 2015, Southern Company, pursuant to its guarantee obligation, returned approximately \$301 million to SMEPA. Subsequently, Mississippi Power issued an 18-month floating rate promissory note to Southern Company in an aggregate principal amount of approximately \$301 million bearing interest based on one-month LIBOR. See Note (B) to the Condensed Financial Statements under "Integrated Coal Gasification Combined Cycle – Termination of Proposed Sale of Undivided Interest to SMEPA" herein for additional information. Subsequent to September 30, 2015, Alabama Power repaid at maturity \$400 million aggregate principal amount of its Series 2012B 0.550% Senior Notes due October 15, 2015.

Also subsequent to September 30, 2015, Gulf 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 \$80 million.

Table of Contents

SOUTHERN COMPANY AND SUBSIDIARY COMPANIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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.

Table of Contents

PART I

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

During the nine months ended September 30, 2015, 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 2015 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.

Table of Contents

ALABAMA POWER COMPANY

44

Table of ContentsALABAMA POWER COMPANY
CONDENSED STATEMENTS OF INCOME (UNAUDITED)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2015	2014	2015	2014
	(in millions)		(in millions)	
Operating Revenues:				
Retail revenues	\$1,558	\$1,512	\$4,151	\$4,058
Wholesale revenues, non-affiliates	65	72	188	222
Wholesale revenues, affiliates	20	31	55	168
Other revenues	52	54	157	166
Total operating revenues	1,695	1,669	4,551	4,614
Operating Expenses:				
Fuel	408	442	1,061	1,288
Purchased power, non-affiliates	56	57	142	153
Purchased power, affiliates	51	54	153	140
Other operations and maintenance	371	334	1,140	989
Depreciation and amortization	163	174	481	521
Taxes other than income taxes	91	88	275	265
Total operating expenses	1,140	1,149	3,252	3,356
Operating Income	555	520	1,299	1,258
Other Income and (Expense):				
Allowance for equity funds used during construction	14	15	43	36
Interest expense, net of amounts capitalized	(71)	(63)	(205)	(188)
Other income (expense), net	(7)	3	(24)	(5)
Total other income and (expense)	(64)	(45)	(186)	(157)
Earnings Before Income Taxes	491	475	1,113	1,101
Income taxes	192	183	427	429
Net Income	299	292	686	672
Dividends on Preferred and Preference Stock	4	10	21	30
Net Income After Dividends on Preferred and Preference Stock	\$295	\$282	\$665	\$642

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2015	2014	2015	2014
	(in millions)		(in millions)	
Net Income	\$299	\$292	\$686	\$672
Other comprehensive income (loss):				
Qualifying hedges:				
Changes in fair value, net of tax of \$(4), \$-, \$(4) and \$-, respectively	(6)	—	(6)	—
Reclassification adjustment for amounts included in net income, net of tax of \$-, \$1, \$1 and \$1, respectively	—	—	1	1
Total other comprehensive income (loss)	(6)	—	(5)	1
Comprehensive Income	\$293	\$292	\$681	\$673

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

Table of ContentsALABAMA POWER COMPANY
CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)

	For the Nine Months Ended September 30, 2015 2014 (in millions)		
Operating Activities:			
Net income	\$686		\$672
Adjustments to reconcile net income to net cash provided from operating activities —			
Depreciation and amortization, total	585		631
Deferred income taxes	85		68
Allowance for equity funds used during construction	(43)	) (36	)
Other, net	23	(33	)
Changes in certain current assets and liabilities —			
-Receivables	(160)	) (139	)
-Fossil fuel stock	69		106
-Materials and supplies	18	(8	)
-Other current assets	(28)	) (32	)
-Accounts payable	(106)	) (64	)
-Accrued taxes	371		210
-Accrued compensation	(32)	) 18	
-Retail fuel cost over recovery	81		2
-Other current liabilities	30		3
Net cash provided from operating activities	1,579		1,398
Investing Activities:			
Property additions	(938)	) (966	)
Nuclear decommissioning trust fund purchases	(349)	) (178	)
Nuclear decommissioning trust fund sales	349		178
Cost of removal, net of salvage	(41)	) (50	)
Change in construction payables	(48)	) 39	
Other investing activities	(22)	) (26	)
Net cash used for investing activities	(1,049)	) (1,003	)
Financing Activities:			
Proceeds —			
Senior notes issuances	975		400
Capital contributions from parent company	13		20
Pollution control revenue bonds	80		—
Redemptions and repurchases —			
Preferred and preference stock	(412)	) —	
Pollution control revenue bonds	(134)	) —	
Senior notes	(250)	) —	
Payment of preferred and preference stock dividends	(27)	) (30	)
Payment of common stock dividends	(428)	) (412	)
Other financing activities	(11)	) (6	)
Net cash used for financing activities	(194)	) (28	)
Net Change in Cash and Cash Equivalents	336		367
Cash and Cash Equivalents at Beginning of Period	273		295

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Cash and Cash Equivalents at End of Period	\$ 609	\$ 662
Supplemental Cash Flow Information:		
Cash paid during the period for —		
Interest (net of \$15 and \$13 capitalized for 2015 and 2014, respectively)	\$ 192	\$ 174
Income taxes, net	47	227
Noncash transactions — Accrued property additions at end of period	88	57
The accompanying notes as they relate to Alabama Power are an integral part of these condensed financial statements.		

Table of ContentsALABAMA POWER COMPANY
CONDENSED BALANCE SHEETS (UNAUDITED)

Assets	At September 30, 2015 (in millions)	At December 31, 2014
Current Assets:		
Cash and cash equivalents	\$609	\$273
Receivables —		
Customer accounts receivable	460	345
Unbilled revenues	134	138
Under recovered regulatory clause revenues	67	74
Other accounts and notes receivable	34	23
Affiliated companies	43	37
Accumulated provision for uncollectible accounts	(9)	(9)
Fossil fuel stock, at average cost	199	268
Materials and supplies, at average cost	398	406
Vacation pay	65	65
Prepaid expenses	79	244
Other regulatory assets, current	118	84
Other current assets	9	5
Total current assets	2,206	1,953
Property, Plant, and Equipment:		
In service	23,922	23,080
Less accumulated provision for depreciation	8,623	8,522
Plant in service, net of depreciation	15,299	14,558
Nuclear fuel, at amortized cost	325	348
Construction work in progress	1,117	1,006
Total property, plant, and equipment	16,741	15,912
Other Property and Investments:		
Equity investments in unconsolidated subsidiaries	69	66
Nuclear decommissioning trusts, at fair value	712	756
Miscellaneous property and investments	91	84
Total other property and investments	872	906
Deferred Charges and Other Assets:		
Deferred charges related to income taxes	530	525
Deferred under recovered regulatory clause revenues	66	31
Other regulatory assets, deferred	1,055	1,063
Other deferred charges and assets	163	162
Total deferred charges and other assets	1,814	1,781
Total Assets	\$21,633	\$20,552

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

Table of ContentsALABAMA POWER COMPANY
CONDENSED BALANCE SHEETS (UNAUDITED)

Liabilities and Stockholder's Equity	At September 30, 2015 (in millions)	At December 31, 2014
Current Liabilities:		
Securities due within one year	\$600	\$454
Accounts payable —		
Affiliated	272	248
Other	272	443
Customer deposits	88	87
Accrued taxes —		
Accrued income taxes	105	2
Other accrued taxes	117	37
Accrued interest	67	66
Accrued vacation pay	54	54
Accrued compensation	103	131
Other current liabilities	118	82
Total current liabilities	1,796	1,604
Long-term Debt	6,699	6,176
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	3,965	3,874
Deferred credits related to income taxes	70	72
Accumulated deferred investment tax credits	120	125
Employee benefit obligations	319	326
Asset retirement obligations	1,288	829
Other cost of removal obligations	742	744
Other regulatory liabilities, deferred	152	239
Deferred over recovered regulatory clause revenues	128	47
Other deferred credits and liabilities	73	79
Total deferred credits and other liabilities	6,857	6,335
Total Liabilities	15,352	14,115
Redeemable Preferred Stock	85	342
Preference Stock	196	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	2,328	2,304
Retained earnings	2,483	2,255
Accumulated other comprehensive loss	(33)	(29)
Total common stockholder's equity	6,000	5,752
Total Liabilities and Stockholder's Equity	\$21,633	\$20,552

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

Table of ContentsALABAMA POWER COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONSTHIRD QUARTER 2015 vs. THIRD QUARTER 2014
AND
YEAR-TO-DATE 2015 vs. YEAR-TO-DATE 2014

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, 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 2015 vs. Third Quarter 2014		Year-to-Date 2015 vs. Year-to-Date 2014	
(change in millions)	(% change)	(change in millions)	(% change)
\$13	4.6	\$23	3.6

Alabama Power's net income after dividends on preferred and preference stock for the third quarter 2015 was \$295 million compared to \$282 million for the corresponding period in 2014. The increase was primarily related to an increase in rates under rate stabilization and equalization (Rate RSE) effective January 1, 2015 and a decrease in depreciation, partially offset by increases in other operating expenses. Alabama Power's net income after dividends on preferred and preference stock for year-to-date 2015 was \$665 million compared to \$642 million for the corresponding period in 2014. The increase was primarily related to an increase under Rate RSE, a decrease in depreciation, and a decrease in dividends on preferred and preference stock, partially offset by an increase in non-fuel operations and maintenance expenses and interest expense.

Retail Revenues

Third Quarter 2015 vs. Third Quarter 2014		Year-to-Date 2015 vs. Year-to-Date 2014	
(change in millions)	(% change)	(change in millions)	(% change)
\$46	3.0	\$93	2.3

In the third quarter 2015, retail revenues were \$1.56 billion compared to \$1.51 billion for the corresponding period in 2014. For year-to-date 2015, retail revenues were \$4.15 billion compared to \$4.06 billion for the corresponding period in 2014.

Table of ContentsALABAMA POWER COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Details of the changes in retail revenues were as follows:

	Third Quarter 2015		Year-to-Date 2015	
	(in millions)	(% change)	(in millions)	(% change)
Retail – prior year	\$1,512		\$4,058	
Estimated change resulting from –				
Rates and pricing	69	4.5	172	4.2
Sales growth (decline)	(2)	(0.1)	8	0.2
Weather	2	0.1	—	—
Fuel and other cost recovery	(23)	(1.5)	(87)	(2.1)
Retail – current year	\$1,558	3.0%	\$4,151	2.3%

Revenues associated with changes in rates and pricing increased in the third quarter 2015 and year-to-date 2015 when compared to the corresponding periods in 2014 primarily due to a Rate RSE increase effective January 1, 2015. See Note 3 to the financial statements of Alabama Power under "Retail Regulatory Matters" in Item 8 of the Form 10-K for additional information.

Revenues attributable to sales growth remained relatively flat in the third quarter 2015 and increased slightly year-to-date 2015 when compared to the corresponding periods in 2014. Weather-adjusted residential and commercial KWH energy sales both increased 0.2% for year-to-date 2015 when compared to the corresponding period in 2014. Industrial KWH energy sales decreased 0.3% for year-to-date 2015 as a result of a decrease in demand resulting from changes in production levels primarily in the primary metals sector. A strong dollar, low oil prices, and weak global growth conditions have constrained growth in the industrial sector.

Fuel and other cost recovery revenues decreased in the third quarter 2015 and year-to-date 2015 when compared to the corresponding periods in 2014 primarily due to a decrease in the average cost of fuel.

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 2015 vs. Third Quarter 2014		Year-to-Date 2015 vs. Year-to-Date 2014	
(change in millions)	(% change)	(change in millions)	(% change)
\$(7)	(9.7)	\$(34)	(15.3)

Wholesale revenues from sales to non-affiliates will vary depending on fuel prices, the market prices of 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 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 2015, wholesale revenues from sales to non-affiliates were \$65 million compared to \$72 million for the corresponding period in 2014. The decrease was primarily due to a 5.7% decrease in KWH sales and a 4.3% decrease in the price of energy. For year-to-date 2015, wholesale revenues from sales to non-affiliates were \$188 million compared to \$222 million for the corresponding period in 2014. The decrease was primarily due to an 8.7% decrease in KWH sales and a 7.3% decrease in the price of energy.

In 2014, Alabama Power's fuel diversity led to increased sales to non-affiliates due to higher natural gas prices. In 2015, lower natural gas prices and decreased availability of hydro generation resulted in lower sales of Alabama Power's generation to non-affiliates.

Table of ContentsALABAMA POWER COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Wholesale Revenues – Affiliates

Third Quarter 2015 vs. Third Quarter 2014		Year-to-Date 2015 vs. Year-to-Date 2014	
(change in millions)	(% change)	(change in millions)	(% change)
\$(11)	(35.5)	\$(113)	(67.3)

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 2015, wholesale revenues from sales to affiliates were \$20 million compared to \$31 million for the corresponding period in 2014. The decrease was primarily due to a 22.9% decrease in the price of energy and a 13.8% decrease in KWH sales. For year-to-date 2015, wholesale revenues from sales to affiliates were \$55 million compared to \$168 million for the corresponding period in 2014. The decrease was primarily due to a 52.8% decrease in KWH sales and a 30.6% decrease in the price of energy.

In 2014, Alabama Power's fuel diversity led to increased sales to affiliates due to higher natural gas prices. In 2015, lower natural gas prices and decreased availability of hydro generation resulted in lower sales of Alabama Power's generation to affiliates.

Fuel and Purchased Power Expenses

	Third Quarter 2015 vs. Third Quarter 2014 (change in millions)(% change)	Year-to-Date 2015 vs. Year-to-Date 2014 (change in millions)(% change)
Fuel	\$(34)) (7.7)	\$(227)) (17.6)
Purchased power – non-affiliates	(1)) (1.8)	(11)) (7.2)
Purchased power – affiliates	(3)) (5.6)	13 9.3
Total fuel and purchased power expenses	\$(38))	\$(225))

In the third quarter 2015, total fuel and purchased power expenses were \$515 million compared to \$553 million for the corresponding period in 2014. The decrease was primarily due to a \$36 million decrease in the average cost of fuel and a \$9 million decrease related to the volume of KWHs purchased, partially offset by a \$5 million increase in the average cost of purchased power and a \$2 million increase related to the volume of KWHs generated.

For year-to-date 2015, fuel and purchased power expenses were \$1.36 billion compared to \$1.58 billion for the corresponding period in 2014. The decrease was primarily due to a \$159 million decrease in the average cost of fuel, a \$68 million decrease related to the volume of KWHs generated, and a \$41 million decrease in the average cost of purchased power, partially offset by a \$43 million increase related to the volume of KWHs purchased.

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 clause. Alabama Power, along with the Alabama PSC, continuously monitors the under/over recovered balance to determine whether adjustments to billing rates are required. See Note 3 to the financial statements of Alabama Power under "Retail Regulatory Matters – Rate ECR" in Item 8 of the Form 10-K for additional information.

Table of ContentsALABAMA POWER COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

	Third Quarter 2015	Third Quarter 2014	Year-to-Date 2015	Year-to-Date 2014
Total generation (billions of KWHs)	17	17	46	50
Total purchased power (billions of KWHs)	2	2	5	5
Sources of generation (percent) —				
Coal	61	59	56	55
Nuclear	23	23	23	23
Gas	14	16	16	16
Hydro	2	2	5	6
Cost of fuel, generated (cents per net KWH) —				
Coal	2.79	3.04	2.85	3.24
Nuclear	0.81	0.81	0.81	0.84
Gas	3.11	3.54	3.08	3.83
Average cost of fuel, generated (cents per net KWH) ^(a)	2.39	2.61	2.40	2.75
Average cost of purchased power (cents per net KWH) ^(b)	6.90	6.56	5.56	6.32

(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 2015, fuel expense was \$408 million compared to \$442 million for the corresponding period in 2014. The decrease was primarily due to a 12.1% decrease in the average cost of natural gas per KWH generated, which excludes fuel associated with tolling agreements, an 8.1% decrease in the volume of KWHs generated by natural gas, and an 8.1% decrease in the average cost of coal per KWH generated.

For year-to-date 2015, fuel expense was \$1.06 billion compared to \$1.29 billion for the corresponding period in 2014. The decrease was primarily due to a 19.7% decrease in the average cost of natural gas per KWH generated, which excludes fuel associated with tolling agreements, an 11.8% decrease in the average cost of coal per KWH generated, and a 6.7% decrease in the volume of KWHs generated. The decrease was partially offset by a 20.0% decrease in the volume of KWHs generated by hydro facilities.

Purchased Power – Non-Affiliates

For year-to-date 2015, purchased power expense from non-affiliates was \$142 million compared to \$153 million for the corresponding period in 2014. The decrease was related to a 19.5% decrease in the average cost per KWH purchased as a result of lower natural gas prices partially offset by a 15.3% increase in the amount of energy purchased due to the availability of lower cost generation as a result of lower natural gas prices.

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

For year-to-date 2015, purchased power expense from affiliates was \$153 million compared to \$140 million for the corresponding period in 2014. The increase was related to a 13.9% increase in the amount of energy purchased primarily due to the availability of Southern Company's lower cost generation sources and the decreased availability

Table of ContentsALABAMA POWER COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

of hydro generation. The increase was partially offset by a 3.6% decrease in the average cost per KWH purchased due to lower natural gas prices.

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 2015 vs. Third Quarter 2014		Year-to-Date 2015 vs. Year-to-Date 2014	
(change in millions)	(% change)	(change in millions)	(% change)
\$37	11.1	\$151	15.3

In the third quarter 2015, other operations and maintenance expenses were \$371 million compared to \$334 million for the corresponding period in 2014. The increase was primarily due to an increase of \$18 million in employee benefit costs including pension costs. In addition, the implementation of an accounting order in 2014 allowed the deferral of non-nuclear outage costs. Alabama Power deferred approximately \$16 million of non-nuclear outage expenditures in the third quarter 2014. Nuclear generation costs increased \$9 million primarily due to outage amortization costs and labor costs.

For year-to-date 2015, other operations and maintenance expenses were \$1.14 billion compared to \$989 million for the corresponding period in 2014. Alabama Power deferred approximately \$57 million of non-nuclear outage expenditures in the first nine months of 2014. In addition, employee benefit costs including pension costs increased \$49 million and steam generation costs increased \$27 million primarily due to labor costs, maintenance costs, and other general operating expenses.

See Note 3 to the financial statements of Alabama Power under "Retail Regulatory Matters – Non-Nuclear Outage Accounting Order" and "– Cost of Removal Accounting Order" in Item 8 of the Form 10-K for additional information. See Note (F) to the Condensed Financial Statements herein for additional information related to pension costs.

Depreciation and Amortization

Third Quarter 2015 vs. Third Quarter 2014		Year-to-Date 2015 vs. Year-to-Date 2014	
(change in millions)	(% change)	(change in millions)	(% change)
\$(11)	(6.3)	\$(40)	(7.7)

In the third quarter 2015, depreciation and amortization was \$163 million compared to \$174 million for the corresponding period in 2014. For year-to-date 2015, depreciation and amortization was \$481 million compared to \$521 million for the corresponding period in 2014. These decreases were primarily due to a decrease in depreciation rates related to environmental, steam generation, transmission, and distribution assets effective January 1, 2015, as authorized by the FERC, partially offset by increases in plant in service.

Interest Expense, Net of Amounts Capitalized

Third Quarter 2015 vs. Third Quarter 2014		Year-to-Date 2015 vs. Year-to-Date 2014	
(change in millions)	(% change)	(change in millions)	(% change)
\$8	12.7	\$17	9.0

In the third quarter 2015, interest expense, net of amounts capitalized was \$71 million compared to \$63 million for the corresponding period in 2014. For year-to-date 2015, interest expense, net of amounts capitalized was \$205 million compared to \$188 million for the corresponding period in 2014. These increases were primarily due to new debt issuances, a portion of which were used to redeem long-term debt, preferred stock, and preference stock.

Table of ContentsALABAMA POWER COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Other Income (Expense), Net

Third Quarter 2015 vs. Third Quarter 2014		Year-to-Date 2015 vs. Year-to-Date 2014	
(change in millions)	(% change)	(change in millions)	(% change)
\$(10)	N/M	\$(19)	N/M

N/M – Not meaningful

In the third quarter 2015, other income (expense), net was \$(7) million compared to \$3 million for the corresponding period in 2014. The change was primarily due to a decrease in sales of non-utility property in 2015.

For year-to-date 2015, other income (expense), net was \$(24) million compared to \$(5) million for the corresponding period in 2014. The change was primarily due to an increase in donations and a decrease in sales of non-utility property in 2015.

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 are subject to a number of factors. These factors include weather, competition, new energy contracts with other utilities, energy conservation practiced by customers, the use of alternative energy sources 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. Demand for electricity for Alabama Power is partially driven by economic growth. The pace of economic growth and electricity demand may be affected by changes in regional and global economic conditions, which 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.

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. Environmental compliance costs are recovered through Rate CNP. See Note 3 to the financial statements of Alabama Power under "Retail Regulatory Matters – Rate CNP" in Item 8 of the Form 10-K and "Retail Regulatory Matters – Rate CNP" herein for additional information. 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.

New Source Review Actions

See Note 3 to the financial statements of Alabama Power under "Environmental Matters – New Source Review Actions" in Item 8 of the Form 10-K and Note (B) to the Condensed Financial Statements herein for additional information.

On August 24, 2015, the U.S. District Court for the Northern District of Alabama entered an order approving the joint stipulation among Alabama Power, the EPA, and the U.S. Department of Justice modifying the 2006 consent decree to resolve all remaining claims for relief alleged in the case. Under the modified consent decree, Alabama Power will, without admitting liability, operate certain units subject to emission rates and an annual emissions cap;

Table of Contents

ALABAMA POWER COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

use only natural gas at certain other units, including a unit co-owned by Mississippi Power; retire certain units at Plants Gorgas and Barry; pay a \$100,000 civil penalty; and invest \$1.5 million in electric transportation infrastructure projects over three years.

Environmental Statutes and Regulations

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "Environmental Matters – Environmental Statutes and Regulations" and – "Retail Regulatory Matters – Environmental Accounting Order" of Alabama Power in Item 7 of the Form 10-K and "Retail Regulatory 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 EPA's proposed regulations governing emissions during startup, shutdown, or malfunction (SSM), the final MATS rule, the Cross State Air Pollution Rule (CSAPR), and the eight-hour National Ambient Air Quality Standard (NAAQS) for ozone.

On June 12, 2015, the EPA published a final rule requiring affected states (including Alabama) to revise or remove state implementation plan (SIP) provisions regarding excess emissions that occur during periods of SSM by no later than November 22, 2016. The ultimate impact of the final rule will depend on the outcome of any legal challenges and the development and approval of SIPs by the affected states and cannot be determined at this time.

On June 29, 2015, the U.S. Supreme Court issued a decision finding that the EPA had failed to properly consider costs in its decision to regulate hazardous air pollutant emissions from electric generating units under the MATS rule and remanded the case to the U.S. Court of Appeals for the District of Columbia Circuit for further proceedings. The MATS rule remains in effect while the U.S. Court of Appeals for the District of Columbia Circuit and the EPA respond to the decision. The ultimate impact of this decision cannot be determined at this time.

On July 28, 2015, the U.S. Court of Appeals for the District of Columbia Circuit issued an opinion invalidating certain emissions budgets under the CSAPR Phase II emissions trading program for a number of states, including Alabama. The court's decision leaves the emissions trading program in place and remands the rule to the EPA for further action consistent with the court's decision. The court rejected all other pending challenges to the rule. The ultimate impact of this decision will depend on additional rulemaking and cannot be determined at this time.

On October 26, 2015, the EPA published a more stringent eight-hour NAAQS for ozone. This new standard could potentially require additional emission controls, improvements in control efficiency, and operational fuel changes and could affect the siting of new generating facilities. The ultimate impact of this matter will depend on any legal challenges and implementation of the final rule and cannot be determined at this time.

Water Quality

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 and the U.S. Army Corps of Engineers' rule revising the definition of waters of the U.S. under the Clean Water Act (CWA) and the EPA's revisions to effluent guidelines.

On June 29, 2015, the EPA and the U.S. Army Corps of Engineers jointly published a final rule revising the regulatory definition of waters of the U.S. for all CWA programs. The final rule significantly expands the scope of federal jurisdiction under the CWA and could have significant impacts on economic development projects which could affect customer demand growth. In addition, 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. The rule became effective August 28, 2015, but on October 9, 2015, the U.S.

Court of Appeals for the Sixth Circuit issued an order staying implementation of the final rule. The ultimate impact

55

Table of Contents

ALABAMA POWER COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

of the final rule will depend on the outcome of this and other pending legal challenges and the EPA's and the U.S. Army Corps of Engineers' field-level implementation of the rule and cannot be determined at this time.

On November 3, 2015, the EPA published final revisions to technology-based limits for certain wastestreams from steam electric power plants. These revisions impose stringent steam effluent guidelines and technology requirements for wastewater discharges at affected units. Compliance with these revisions could result in significant additional capital expenditures and could affect future unit retirement and replacement decisions. The ultimate impact of these revisions will depend on any legal challenges and implementation of the final revisions and cannot be determined at this time.

Coal Combustion Residuals

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "Environmental Matters – Coal Combustion Residuals" of Alabama Power in Item 7 of the Form 10-K for additional information regarding the EPA's regulation of CCR.

On April 17, 2015, the EPA published the Disposal of Coal Combustion Residuals from Electric Utilities final rule (CCR Rule) in the Federal Register, which became effective on October 19, 2015. Based on initial cost estimates for closure in place and groundwater monitoring of ash ponds pursuant to the CCR Rule, during the second quarter 2015, Alabama Power recorded incremental asset retirement obligations (ARO) of approximately \$401 million related to the CCR Rule. As further analysis is performed, including evaluation of the expected method of compliance, refinement of assumptions underlying the cost estimates, such as the quantities of CCR at each site, and the determination of timing, including the potential for closing ash ponds prior to the end of their currently anticipated useful life, Alabama Power expects to continue to periodically update these estimates. The ultimate impact of the CCR Rule cannot be determined at this time and will depend on Alabama Power's ongoing review of the CCR Rule, the results of initial and ongoing minimum criteria assessments, and the outcome of legal challenges. See Note (A) to the Condensed Financial Statements herein for additional information regarding Alabama Power's AROs as of September 30, 2015.

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 proposed regulation of CO₂ from fossil-fuel-fired electric generating units.

On October 23, 2015, two final actions by the EPA that would limit CO₂ emissions from fossil fuel-fired electric generating units were published in the Federal Register. One of the final actions contains specific emission standards governing CO₂ emissions from new, modified, and reconstructed units. The other final action establishes guidelines for states to develop plans to meet EPA-mandated CO₂ emission rates for existing units. The EPA's final guidelines require state plans to meet interim CO₂ performance rates between 2022 and 2029 and final rates in 2030 and thereafter. At the same time, a proposed federal plan and proposed model rule were published that states can adopt or that would be put in place if, in response to the final guidelines, a state either does not submit a state plan or its plan is not approved by the EPA.

These guidelines and standards could result in operational restrictions and material compliance costs, including capital expenditures, which could affect future unit retirement and replacement decisions. Alabama Power's results of operations, cash flows, and financial condition could be significantly impacted if such costs are not recovered through regulated rates or through market-based contracts. However, the ultimate financial and operational impact of the final rules on Alabama Power cannot be determined at this time and will depend on numerous factors including the Southern Company system's ongoing review of the final rules; the outcome of any legal challenges, including legal challenges filed by Alabama Power; individual state implementation of the EPA's final guidelines, including the potential that state plans impose different standards; additional rulemaking activities in response to legal challenges and related court decisions; the impact of future changes in generation and emissions-related

Table of Contents

ALABAMA POWER COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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.

FERC Matters

Alabama Power has authority from the FERC to sell electricity at market-based rates. Since 2008, that authority, for certain balancing authority areas, has been conditioned on compliance with the requirements of an energy auction, which the FERC found to be tailored mitigation that addresses potential market power concerns. In accordance with FERC regulations governing such authority, the traditional operating companies (including Alabama Power) and Southern Power filed a triennial market power analysis on June 30, 2014, which included continued reliance on the energy auction as tailored mitigation. On April 27, 2015, the FERC issued an order finding that the traditional operating companies' (including Alabama Power's) and Southern Power's existing tailored mitigation may not effectively mitigate the potential to exert market power in certain areas served by the traditional operating companies and in some adjacent areas. To retain market-based rate authority, the FERC directed the traditional operating companies (including Alabama Power) and Southern Power to show why market-based rate authority should not be revoked in these areas or to provide a mitigation plan to further address market power concerns. The traditional operating companies (including Alabama Power) and Southern Power filed a request for rehearing on May 27, 2015 and on June 26, 2015 filed their response with the FERC. The ultimate outcome of this matter cannot be determined at this time.

See REGULATION – "Federal Power Act" of Alabama Power in Item 1 of the Form 10-K for additional information regarding Alabama Power's Warrior River Project license.

On January 30, 2015, the U.S. Court of Appeals for the District of Columbia Circuit issued an order denying Smith Lake Improvement and Stakeholders Association's (SLISA) petition for en banc review of the court's dismissal of SLISA's appeal of the new Warrior River Project license. SLISA did not appeal this decision; therefore, this matter is now concluded and the FERC license is authorized as issued.

Retail Regulatory Matters

Alabama Power's revenues from regulated retail operations are collected through various rate mechanisms subject to the oversight of the Alabama PSC. Alabama Power currently recovers its costs from the regulated retail business primarily through its Rate RSE, Rate CNP, rate energy cost recovery, and natural disaster reserve rate. In addition, the Alabama PSC issues accounting orders to address current events impacting Alabama Power. See Note 1 to the financial statements of Alabama Power under "Nuclear Outage Accounting Order" and Note 3 under "Retail Regulatory Matters" in Item 8 of the Form 10-K for additional information regarding Alabama Power's rate mechanisms and accounting orders. The recovery balance of each regulatory clause for Alabama Power is reported in Note (B) to the Condensed Financial Statements herein.

Rate CNP

See Note 3 to the financial statements of Alabama Power under "Retail Regulatory Matters – Rate CNP" and " – Non-Environmental Federal Mandated Costs Accounting Order" in Item 8 of the Form 10-K for additional information regarding Alabama Power's development of a revised cost recovery mechanism and the normal purchases and normal sales (NPNS) exception for wind PPAs.

On March 3, 2015, the Alabama PSC approved a modification to Rate CNP Environmental to include compliance costs for both environmental and non-environmental mandates. The recoverable non-environmental compliance costs result from laws, regulations, and other mandates directed at the utility industry involving the security, reliability, safety, sustainability, or similar considerations impacting Alabama Power's facilities or operations. This modification to Rate CNP Environmental was effective March 20, 2015 with the revised rate now defined as Rate CNP Compliance. Alabama Power incurred \$50 million of non-environmental compliance costs during the first nine months of 2015 and will be limited to recovery of \$50 million for the year. Customer rates will not be impacted before

January 2016; therefore, the modification will increase the under recovered position for Rate CNP Compliance during 2015.

Table of Contents

ALABAMA POWER COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

On August 14, 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-13, allowing the NPNS exception for physical forward transactions in nodal energy markets, consistent with the manner in which Alabama Power currently accounts for its two wind PPAs. The new accounting guidance will have no impact on Alabama Power's financial statements.

Environmental Accounting Order

In April 2015, as part of its environmental compliance strategy, Alabama Power retired Plant Gorgas Units 6 and 7. These units represented 200 MWs of Alabama Power's approximately 12,200 MWs of generating capacity. Additionally, in April 2015, Alabama Power ceased 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. No later than April 2016, Alabama Power expects to cease using coal at Plant Greene County Units 1 and 2 (300 MWs) and begin operating those units solely on natural gas. On August 24, 2015, the U.S. District Court for the Northern District of Alabama entered an order approving the joint stipulation in the New Source Review (NSR) action. In accordance with the joint stipulation, Alabama Power retired Plant Barry Unit 3 (225 MWs) and it is no longer available for generation. See Note (B) to the Condensed Financial Statements herein for additional information regarding the NSR actions.

In accordance with an accounting order from the Alabama PSC, Alabama Power transferred 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, and recovered through Rate CNP. As a result, these decisions will not have a significant impact on Alabama Power's financial statements. See Note 3 to the financial statements of Alabama Power under "Retail Regulatory Matters – Rate CNP" in Item 8 of the Form 10-K and "Retail Regulatory Matters – Rate CNP" herein for additional information.

Renewable Energy

On September 1, 2015, the Alabama PSC approved Alabama Power's petition for a Renewable Generation Certificate. This will allow Alabama Power to build its own renewable projects each less than 80 MWs or purchase power from other renewable-generated sources up to 500 MWs.

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 occurred throughout the U.S. This litigation has included claims for damages alleged to have been caused by CO₂ and other emissions, CCR, and alleged exposure to hazardous materials, and/or requests for injunctive relief in connection with such matters. The ultimate outcome of such pending or potential litigation against 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 Note (B) 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.

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

Table of Contents

ALABAMA POWER COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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.

Asset Retirement Obligations

AROs are computed as the fair value of the ultimate costs for an asset's future retirement and are recorded in the period in which the liability is incurred. The costs are capitalized as part of the related long-lived asset and depreciated over the asset's useful life. In the absence of quoted market prices, AROs are estimated using present value techniques in which estimates of future cash outlays associated with the asset retirements are discounted using a credit-adjusted risk-free rate. Estimates of the timing and amounts of future cash outlays are based on projections of when and how the assets will be retired and the cost of future removal activities.

The liability for AROs primarily relates to the decommissioning of Alabama Power's nuclear facility, Plant Farley, and facilities that are subject to the CCR Rule, primarily ash ponds. In addition, Alabama Power has retirement obligations related to various landfill sites, underground storage tanks, asbestos removal, disposal of polychlorinated biphenyls in certain transformers, and disposal of sulfur hexafluoride gas in certain substation breakers. Alabama Power also has identified retirement obligations related to certain transmission and distribution facilities and certain wireless communication towers. However, liabilities for the removal of these assets have not been recorded because the settlement timing for the retirement obligations related to these assets is indeterminable and, therefore, the fair value of the retirement obligations cannot be reasonably estimated. A liability for these AROs will be recognized when sufficient information becomes available to support a reasonable estimation of the ARO.

As a result of the final CCR Rule discussed above, Alabama Power recorded new AROs for facilities that are subject to the CCR Rule. The cost estimates are based on information using various assumptions related to closure and post-closure costs, timing of future cash outlays, inflation and discount rates, and the potential methods for complying with the CCR Rule requirements for closure in place. As further analysis is performed, including evaluation of the expected method of compliance, refinement of assumptions underlying the cost estimates, such as the quantities of CCR at each site, and the determination of timing, including the potential for closing ash ponds prior to the end of their currently anticipated useful life, Alabama Power expects to continue to periodically update these estimates. Given the significant judgment involved in estimating AROs, Alabama Power considers the liabilities for AROs to be critical accounting estimates.

See Note 1 to the financial statements of Alabama Power under "Asset Retirement Obligations and Other Costs of Removal" and "Nuclear Decommissioning" in Item 8 of the Form 10-K and Note (A) to the Condensed Financial Statements under "Asset Retirement Obligations" herein for additional information.

Recently Issued Accounting Standards

The FASB's ASC 606, Revenue from Contracts with Customers, revises the accounting for revenue recognition effective for fiscal years beginning after December 15, 2017. Alabama Power continues to evaluate the requirements of ASC 606. The ultimate impact of the new standard has not yet been determined.

On April 7, 2015, the FASB issued Accounting Standards Update (ASU) No. 2015-03, Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs. The ASU requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability and is effective for fiscal years beginning after December 15, 2015. Early adoption is permitted and Alabama Power intends to adopt the ASU in the fourth quarter 2015. The ASU is required to be applied retrospectively to all periods presented beginning in the year of adoption. Alabama Power currently reflects

unamortized debt issuance costs in other deferred charges and assets on its balance sheet. Upon adoption,

Table of Contents

ALABAMA POWER COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

the reclassification will not have a material impact on the results of operations, financial position, or cash flows of Alabama Power.

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, 2015. 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 \$1.6 billion for the first nine months of 2015, an increase of \$181 million as compared to the first nine months of 2014. The increase in net cash provided from operating activities was primarily due to the timing of income tax payments and refunds associated with bonus depreciation and collection of fuel cost recovery revenues, partially offset by the timing of payments of accounts payable. Net cash used for investing activities totaled \$1.0 billion for the first nine months of 2015 primarily due to gross property additions related to distribution, environmental, transmission, and steam generation. Net cash used for financing activities totaled \$194 million for the first nine months of 2015 primarily due to the redemptions and repurchases of long-term debt and payments of common stock dividends, partially offset by issuances of long-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 2015 include increases of \$829 million in property, plant, and equipment, primarily due to additions to distribution, environmental, transmission, and steam generation, \$336 million in cash and cash equivalents, \$523 million in long-term debt primarily due to the issuance of additional senior notes, and \$459 million in AROs associated with the CCR Rule. See Note (A) to the Condensed Financial Statements herein for additional information related to AROs. Other significant changes include decreases of \$404 million in redeemable preferred and preference stock due to redemptions in the second quarter 2015.

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 \$600 million will be required through September 30, 2016 to fund maturities of long-term debt. Subsequent to September 30, 2015, Alabama Power repaid at maturity \$400 million aggregate principal amount of its Series 2012B 0.550% Senior Notes due October 15, 2015.

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

60

Table of ContentsALABAMA POWER COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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 to meet its future capital needs through operating cash flows, short-term debt, term loans, external 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, 2015, Alabama Power had approximately \$609 million of cash and cash equivalents. Committed credit arrangements with banks at September 30, 2015 were as follows:

Expires					Due Within One	
2016	2018	2020	Total	Unused	Term Out	No Term Out
(in millions)				(in millions)	(in millions)	
\$40	\$500	\$800	\$1,340	\$1,339	\$—	\$40

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.

As reflected in the table above, in August 2015, Alabama Power amended and restated its multi-year credit arrangement, which, among other things, extended the maturity date from 2018 to 2020. In addition, Alabama Power entered into a new \$500 million three-year credit arrangement which replaced a majority of Alabama Power's bi-lateral credit arrangements.

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. The amount of variable rate pollution control revenue bonds outstanding requiring liquidity support as of September 30, 2015 was approximately \$810 million. In addition, at September 30, 2015, Alabama Power had \$200 million of fixed rate pollution control revenue bonds outstanding that were required to be reoffered within the next 12 months, of which \$120 million were remarketed subsequent to September 30, 2015.

Most of these bank credit arrangements contain covenants that limit debt levels and contain cross acceleration provisions to other indebtedness (including guarantee obligations) of Alabama Power. Such cross acceleration provisions to other indebtedness would trigger an event of default if Alabama Power defaulted on indebtedness, the payment of which was then accelerated. Alabama Power is currently in compliance with all such covenants. None of the bank credit arrangements contain material adverse change clauses at the time of borrowings.

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

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. 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

Table of ContentsALABAMA POWER COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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.

Alabama Power had no commercial paper or short-term debt outstanding during the three-month period ended September 30, 2015.

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

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 BBB and/or Baa2 or below. These contracts are primarily for physical electricity purchases, fuel purchases, fuel transportation and storage, energy price risk management, and transmission. The maximum potential collateral requirements under these contracts at September 30, 2015 were as follows:

Credit Ratings	Maximum Potential Collateral Requirements (in millions)
At BBB and/or Baa2	\$1
At BBB- and/or Baa3	2
Below BBB- and/or Baa3	372

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, a credit rating downgrade could impact the ability of Alabama Power to access capital markets, and would be likely to impact the cost at which it does so.

On August 17, 2015, S&P downgraded the consolidated long-term issuer rating of Southern Company (including Alabama Power) to A- from A. S&P revised its credit rating outlook from negative to stable. Separately, on August 24, 2015, S&P revised its credit rating outlook from stable to negative following the announcement of the Merger.

Financing Activities

In March 2015, Alabama Power issued \$550 million aggregate principal amount of Series 2015A 3.750% Senior Notes due March 1, 2045. The proceeds were used to redeem \$250 million aggregate principal amount of Series DD 5.65% Senior Notes due March 15, 2035 and for general corporate purposes, including Alabama Power's continuous construction program.

In April 2015, Alabama Power purchased and held \$80 million aggregate principal amount of Industrial Development Board of the City of Mobile, Alabama Pollution Control Revenue Bonds (Alabama Power Company Barry Plant Project), Series 2007-B. Alabama Power reoffered these bonds to the public in May 2015.

Also in April 2015, Alabama Power issued \$175 million additional aggregate principal amount of its Series 2015A 3.750% Senior Notes due March 1, 2045 (Additional Series 2015A Senior Notes) and \$250 million aggregate principal amount of its Series 2015B 2.800% Senior Notes due April 1, 2025 (Series 2015B Senior Notes). A portion of the proceeds of the Additional Series 2015A Senior Notes and the Series 2015B Senior Notes were used in May 2015 to redeem 6.48 million shares (\$162 million aggregate stated capital) of Alabama Power's 5.20% Class A Preferred Stock at a redemption price of \$25 per share plus accrued and unpaid dividends to the redemption date, 4.0 million shares (\$100 million aggregate stated capital) of Alabama Power's 5.30% Class A Preferred Stock at a

Table of Contents

ALABAMA POWER COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

redemption price of \$25 per share plus accrued and unpaid dividends to the redemption date, and 6.0 million shares (\$150 million aggregate stated capital) of Alabama Power's 5.625% Series Preference Stock at a redemption price of \$25 per share plus accrued and unpaid dividends to the redemption date, and the remaining net proceeds were used for general corporate purposes, including Alabama Power's continuous construction program.

In June 2015, \$18.7 million aggregate principal amount of the Industrial Development Board of the City of Mobile, Alabama Pollution Control Revenue Refunding Bonds (Alabama Power Company Project), Series 1994, \$6.15 million aggregate principal amount of the Industrial Development Board of the City of Gadsden, Pollution Control Revenue Bonds (Alabama Power Company Project), Series 1994, and \$28.85 million aggregate principal amount of the Industrial Development Board of the Town of Parrish, Pollution Control Revenue Refunding Bonds (Alabama Power Company Project), Series 1994A were repaid at maturity.

Subsequent to September 30, 2015, Alabama Power repaid at maturity \$400 million aggregate principal amount of its Series 2012B 0.550% Senior Notes due October 15, 2015.

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.

Table of Contents

GEORGIA POWER COMPANY

64

Table of Contents

GEORGIA POWER COMPANY
CONDENSED STATEMENTS OF INCOME (UNAUDITED)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2015	2014	2015	2014
	(in millions)		(in millions)	
Operating Revenues:				
Retail revenues	\$2,537	\$2,452	\$6,223	\$6,502
Wholesale revenues, non-affiliates	55	80	173	269
Wholesale revenues, affiliates	5	7	18	38
Other revenues	94	92	271	277
Total operating revenues	2,691	2,631	6,685	7,086
Operating Expenses:				
Fuel	706	684	1,735	2,055
Purchased power, non-affiliates	90	77	227	219
Purchased power, affiliates	148	172	411	522
Other operations and maintenance	462	456	1,405	1,334
Depreciation and amortization	214	211	633	628
Taxes other than income taxes	107	111	302	320
Total operating expenses	1,727	1,711	4,713	5,078
Operating Income	964	920	1,972	2,008
Other Income and (Expense):				
Interest expense, net of amounts capitalized	(90)	(88)	(272)	(262)
Other income (expense), net	18	14	34	29
Total other income and (expense)	(72)	(74)	(238)	(233)
Earnings Before Income Taxes	892	846	1,734	1,775
Income taxes	337	317	657	660
Net Income	555	529	1,077	1,115
Dividends on Preferred and Preference Stock	4	4	13	13
Net Income After Dividends on Preferred and Preference Stock	\$551	\$525	\$1,064	\$1,102

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2015	2014	2015	2014
	(in millions)		(in millions)	
Net Income	\$555	\$529	\$1,077	\$1,115
Other comprehensive income (loss):				
Qualifying hedges:				
Changes in fair value, net of tax of \$(7), \$-, \$(7) and \$-, respectively	(11)	—	(10)	—
Reclassification adjustment for amounts included in net income, net of tax of \$-, \$1, \$1 and \$1, respectively	1	—	2	1
Total other comprehensive income (loss)	(10)	—	(8)	1
Comprehensive Income	\$545	\$529	\$1,069	\$1,116

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

Table of Contents

GEORGIA POWER COMPANY
CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)

	For the Nine Months Ended September 30, 2015 2014 (in millions)		
Operating Activities:			
Net income	\$1,077		\$1,115
Adjustments to reconcile net income to net cash provided from operating activities —			
Depreciation and amortization, total	766		757
Deferred income taxes	12		121
Allowance for equity funds used during construction	(24)	)	(29)
Retail fuel cost over recovery — long-term	—		(44)
Deferred expenses	(45)	)	(35)
Pension, postretirement, and other employee benefits	40		28
Other, net	30		24
Changes in certain current assets and liabilities —			
-Receivables	37		(377)
-Fossil fuel stock	141		337
-Prepaid income taxes	244		19
-Other current assets	(17)	)	(24)
-Accounts payable	(118)	)	(7)
-Accrued taxes	54		148
-Accrued compensation	(34)	)	20
-Retail fuel cost over recovery — short-term	—		(14)
-Other current liabilities	(3)	)	29
Net cash provided from operating activities	2,160		2,068
Investing Activities:			
Property additions	(1,321)	)	(1,364)
Nuclear decommissioning trust fund purchases	(815)	)	(457)
Nuclear decommissioning trust fund sales	810		455
Cost of removal, net of salvage	(57)	)	(39)
Change in construction payables, net of joint owner portion	44		16
Prepaid long-term service agreements	(60)	)	(66)
Other investing activities	11		(3)
Net cash used for investing activities	(1,388)	)	(1,458)
Financing Activities:			
Decrease in notes payable, net	(26)	)	(836)
Proceeds —			
Capital contributions from parent company	41		39
Pollution control revenue bonds	274		40
FFB loan	600		1,000
Short-term borrowings	250		—
Redemptions and repurchases —			
Pollution control revenue bonds	(268)	)	(37)
Senior notes	(525)	)	—
Short-term borrowings	(250)	)	—
Payment of preferred and preference stock dividends	(13)	)	(13)

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Payment of common stock dividends	(776	) (715	)
FFB loan issuance costs	—	(49	)
Other financing activities	(18	) (6	)
Net cash used for financing activities	(711	) (577	)
Net Change in Cash and Cash Equivalents	61	33	
Cash and Cash Equivalents at Beginning of Period	24	30	
Cash and Cash Equivalents at End of Period	\$85	\$63	
Supplemental Cash Flow Information:			
Cash paid during the period for —			
Interest (net of \$10 and \$13 capitalized for 2015 and 2014, respectively)	\$251	\$235	
Income taxes, net	311	309	
Noncash transactions — Accrued property additions at end of period	192	220	

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

Table of Contents

GEORGIA POWER COMPANY
CONDENSED BALANCE SHEETS (UNAUDITED)

Assets	At September 30, 2015 (in millions)	At December 31, 2014
Current Assets:		
Cash and cash equivalents	\$85	\$24
Receivables —		
Customer accounts receivable	758	553
Unbilled revenues	243	201
Joint owner accounts receivable	52	121
Other accounts and notes receivable	47	61
Affiliated companies	22	18
Accumulated provision for uncollectible accounts	(7)	(6)
Fossil fuel stock, at average cost	298	439
Materials and supplies, at average cost	439	438
Vacation pay	90	91
Prepaid income taxes	24	278
Other regulatory assets, current	124	136
Other current assets	94	74
Total current assets	2,269	2,428
Property, Plant, and Equipment:		
In service	31,546	31,083
Less accumulated provision for depreciation	11,046	11,222
Plant in service, net of depreciation	20,500	19,861
Other utility plant, net	10	211
Nuclear fuel, at amortized cost	544	563
Construction work in progress	4,390	4,031
Total property, plant, and equipment	25,444	24,666
Other Property and Investments:		
Equity investments in unconsolidated subsidiaries	62	58
Nuclear decommissioning trusts, at fair value	761	789
Miscellaneous property and investments	38	38
Total other property and investments	861	885
Deferred Charges and Other Assets:		
Deferred charges related to income taxes	678	698
Deferred under recovered regulatory clause revenues	—	197
Other regulatory assets, deferred	2,075	1,753
Other deferred charges and assets	399	403
Total deferred charges and other assets	3,152	3,051
Total Assets	\$31,726	\$31,030

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

Table of Contents

GEORGIA POWER COMPANY
CONDENSED BALANCE SHEETS (UNAUDITED)

Liabilities and Stockholder's Equity	At September 30, 2015 (in millions)	At December 31, 2014
Current Liabilities:		
Securities due within one year	\$ 1,362	\$ 1,154
Notes payable	130	156
Accounts payable —		
Affiliated	444	451
Other	515	555
Customer deposits	260	253
Accrued taxes —		
Accrued income taxes	75	1
Other accrued taxes	311	332
Accrued interest	99	96
Accrued vacation pay	62	63
Accrued compensation	120	153
Other current liabilities	345	256
Total current liabilities	3,723	3,470
Long-term Debt	8,709	8,683
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	5,493	5,507
Deferred credits related to income taxes	101	106
Accumulated deferred investment tax credits	188	196
Employee benefit obligations	893	903
Asset retirement obligations	1,332	1,223
Other deferred credits and liabilities	266	255
Total deferred credits and other liabilities	8,273	8,190
Total Liabilities	20,705	20,343
Preferred Stock	45	45
Preference Stock	221	221
Common Stockholder's Equity:		
Common stock, without par value —		
Authorized — 20,000,000 shares		
Outstanding — 9,261,500 shares	398	398
Paid-in capital	6,251	6,196
Retained earnings	4,123	3,835
Accumulated other comprehensive loss	(17	) (8
Total common stockholder's equity	10,755	10,421
Total Liabilities and Stockholder's Equity	\$ 31,726	\$ 31,030

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

Table of Contents

GEORGIA POWER COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

THIRD QUARTER 2015 vs. THIRD QUARTER 2014
AND
YEAR-TO-DATE 2015 vs. YEAR-TO-DATE 2014

OVERVIEW

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

Many factors affect the opportunities, challenges, and risks of Georgia Power's business of selling electricity. These factors include the ability to maintain a constructive regulatory environment, to maintain and grow energy sales, 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, and fuel. In addition, construction continues on Plant Vogtle Units 3 and 4 in which Georgia Power will own a 45.7% interest in these two nuclear generating units to increase its generation diversity and meet future supply needs. Appropriately balancing required costs and capital expenditures with customer prices will continue to challenge Georgia Power for the foreseeable future.

Georgia Power continues to focus on several key performance indicators. These indicators include customer satisfaction, plant availability, system reliability, the execution of major construction projects, 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 Georgia Power in Item 7 of the Form 10-K.

RESULTS OF OPERATIONS**Net Income**

Third Quarter 2015 vs. Third Quarter 2014		Year-to-Date 2015 vs. Year-to-Date 2014	
(change in millions)	(% change)	(change in millions)	(% change)
\$26	5.0	\$(38)	(3.4)

Georgia Power's net income after dividends on preferred and preference stock for the third quarter 2015 was \$551 million compared to \$525 million for the corresponding period in 2014. For year-to-date 2015, net income after dividends on preferred and preference stock was \$1.06 billion compared to \$1.10 billion for the corresponding period in 2014. The increase in the third quarter 2015 was primarily due to an increase in retail base revenues effective January 1, 2015, as authorized by the Georgia PSC, partially offset by higher non-fuel operating expenses. The decrease in year-to-date 2015 was primarily due to higher non-fuel operating expenses and the correction of an error affecting billings since 2013 to a small number of large commercial and industrial customers under a rate plan allowing for variable demand-driven pricing, partially offset by increases in retail base revenues effective January 1, 2015, as authorized by the Georgia PSC.

See Note (A) to the Condensed Financial Statements herein for additional information.

Table of Contents

GEORGIA POWER COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Retail Revenues

Third Quarter 2015 vs. Third Quarter 2014		Year-to-Date 2015 vs. Year-to-Date 2014	
(change in millions)	(% change)	(change in millions)	(% change)
\$85	3.5	\$(279)	(4.3)

In the third quarter 2015, retail revenues were \$2.54 billion compared to \$2.45 billion for the corresponding period in 2014. For year-to-date 2015, retail revenues were \$6.22 billion compared to \$6.50 billion for the corresponding period in 2014.

Details of the changes in retail revenues were as follows:

	Third Quarter 2015		Year-to-Date 2015	
	(in millions)	(% change)	(in millions)	(% change)
Retail – prior year	\$2,452		\$6,502	
Estimated change resulting from –				
Rates and pricing	29	1.2	32	0.5
Sales growth	13	0.5	49	0.7
Weather	44	1.8	50	0.8
Fuel cost recovery	(1)	—	(410)	(6.3)
Retail – current year	\$2,537	3.5 %	\$6,223	(4.3) %

Revenues associated with changes in rates and pricing increased in the third quarter 2015 when compared to the corresponding period in 2014 primarily due to base tariff increases approved under 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, which were both effective January 1, 2015 as well as higher contributions from variable demand-driven pricing from commercial and industrial customers. Revenues associated with changes in rates and pricing increased for year-to-date 2015 when compared to the corresponding period in 2014 primarily due to the base tariff increases and increases in collections for financing costs described above, partially offset by the correction of an error affecting billings since 2013 to a small number of large commercial and industrial customers under a rate plan allowing for variable demand-driven pricing. See Note 3 to the financial statements of Georgia Power under "Retail Regulatory Matters – Rate Plans" in Item 8 of the Form 10-K and Note (A) to the Condensed Financial Statements herein for additional information.

Revenues attributable to changes in sales increased in the third quarter and year-to-date 2015 when compared to the corresponding periods in 2014. Weather-adjusted residential KWH sales increased 0.1%, weather-adjusted commercial KWH sales increased 1.8%, and weather-adjusted industrial KWH sales decreased 0.3% in the third quarter 2015 when compared to the corresponding period in 2014. For year-to-date 2015, weather-adjusted residential KWH sales increased 1.1%, weather-adjusted commercial KWH sales increased 1.3%, and weather-adjusted industrial KWH sales increased 1.2% when compared to the corresponding period in 2014. An increase of approximately 26,000 residential customers since September 30, 2014 contributed to the increase in weather-adjusted residential KWH sales. Increased customer usage and an increase of approximately 3,000 commercial customers since September 30, 2014 contributed to the increase in weather-adjusted commercial sales. Increased demand in the paper, stone, clay, and glass, food processing, transportation, rubber, and pipeline sectors was the main contributor to the year-to-date increase in weather-adjusted industrial KWH sales, partially offset by a decrease in the chemicals and primary metals sectors. A strong dollar, low oil prices, and weak global growth conditions have constrained growth in the industrial sector.

Fuel revenues and costs are allocated between retail and wholesale jurisdictions. Retail fuel cost recovery revenues decreased \$1 million and \$410 million in the third quarter and year-to-date 2015, respectively, when compared to the corresponding periods in 2014 primarily due to lower natural gas costs. Electric rates include provisions to adjust

Table of Contents

GEORGIA POWER COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

billings for fluctuations in fuel costs, including the energy component of purchased power costs. Under these fuel cost recovery provisions, fuel revenues generally equal fuel expenses and do not affect net income. See FUTURE EARNINGS POTENTIAL – "Retail Regulatory Matters – Fuel Cost Recovery" herein for additional information.

Wholesale Revenues – Non-Affiliates

Third Quarter 2015 vs. Third Quarter 2014		Year-to-Date 2015 vs. Year-to-Date 2014	
(change in millions)	(% change)	(change in millions)	(% change)
\$(25)	(31.3)	\$(96)	(35.7)

Wholesale revenues from sales to non-affiliates consist of PPAs and short-term opportunity sales. Wholesale revenues from PPAs have both capacity and energy components. Wholesale capacity revenues from PPAs are recognized either on a levelized basis over the appropriate contract period or the amounts billable under the contract terms and provide for recovery of fixed costs and a return on investment. Wholesale revenues from sales to non-affiliates will vary depending on fuel prices, the market prices of wholesale energy compared to the cost of Georgia 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 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 Georgia Power's variable cost to produce the energy.

In the third quarter 2015, wholesale revenues from sales to non-affiliates were \$55 million compared to \$80 million for the corresponding period in 2014 related to an \$8 million decrease in energy revenues and a \$17 million decrease in capacity revenues. For year-to-date 2015, wholesale revenues from sales to non-affiliates were \$173 million compared to \$269 million for the corresponding period in 2014 related to a \$57 million decrease in energy revenues and a \$39 million decrease in capacity revenues. The decreases in energy revenues were primarily due to lower natural gas prices. The decreases in capacity revenues reflect the expiration of wholesale contracts in December 2014 and the retirements of Plant Branch Units 1, 3, and 4, Plant Yates Units 1 through 5, and Plant McManus Units 1 and 2.

Wholesale Revenues – Affiliates

Third Quarter 2015 vs. Third Quarter 2014		Year-to-Date 2015 vs. Year-to-Date 2014	
(change in millions)	(% change)	(change in millions)	(% change)
\$(2)	(28.6)	\$(20)	(52.6)

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 the energy is generally sold at marginal cost.

In the third quarter 2015, wholesale revenues from sales to affiliates were \$5 million compared to \$7 million for the corresponding period in 2014. For year-to-date 2015, wholesale revenues from sales to affiliates were \$18 million compared to \$38 million for the corresponding period in 2014. The decreases were due to lower natural gas prices and a 41.7% and 52.9% decrease in KWH sales in the third quarter 2015 and year-to-date 2015, respectively, primarily due to the higher cost of Georgia Power-owned generation as compared to the market cost of available energy.

Table of Contents

GEORGIA POWER COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Fuel and Purchased Power Expenses

	Third Quarter 2015 vs. Third Quarter 2014 (change in millions)(% change)		Year-to-Date 2015 vs. Year-to-Date 2014 (change in millions)(% change)	
Fuel	\$22	3.2	\$(320)	(15.6)
Purchased power – non-affiliates	13	16.9	8	3.7
Purchased power – affiliates	(24)	(14.0)	(111)	(21.3)
Total fuel and purchased power expenses	\$11		\$(423)	

In the third quarter 2015, total fuel and purchased power expenses were \$944 million compared to \$933 million in the corresponding period in 2014. The increase in the third quarter 2015 was primarily due to an increase of \$44 million in the volume of KWHs purchased due to lower natural gas prices and a \$37 million increase in the average cost of fuel related to higher coal prices, partially offset by a \$35 million decrease in the average cost of purchased power due to lower natural gas prices and a \$35 million decrease in the volume of KWHs generated due to higher coal prices. For year-to-date 2015, total fuel and purchased power expenses were \$2.37 billion compared to \$2.80 billion in the corresponding period in 2014. The decrease in year-to-date 2015 was primarily due to a \$394 million decrease in the average cost of fuel and purchased power related to lower natural gas prices and a \$135 million decrease in the volume of KWHs generated due to higher coal prices, partially offset by a \$106 million increase in the volume of KWHs purchased due to lower natural gas prices.

Fuel and purchased power energy transactions do not have a significant impact on earnings since these fuel expenses are generally offset by fuel revenues through Georgia Power's fuel cost recovery mechanism. See FUTURE EARNINGS POTENTIAL – "Retail Regulatory Matters – Fuel Cost Recovery" herein for additional information.

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

	Third Quarter 2015	Third Quarter 2014	Year-to-Date 2015	Year-to-Date 2014
Total generation (billions of KWHs)	19	19	53	55
Total purchased power (billions of KWHs)	7	6	18	16
Sources of generation (percent) —				
Coal	41	45	38	45
Nuclear	22	20	23	21
Gas	36	34	37	32
Hydro	1	1	2	2
Cost of fuel, generated (cents per net KWH) —				
Coal	5.42	4.19	4.65	4.49
Nuclear	0.86	0.86	0.76	0.90
Gas	2.57	3.41	2.62	3.84
Average cost of fuel, generated (cents per net KWH)	3.37	3.25	2.98	3.51
Average cost of purchased power (cents per net KWH)(*)	4.54	5.03	4.50	5.42

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

Table of Contents

GEORGIA POWER COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Fuel

In the third quarter 2015, fuel expense was \$706 million compared to \$684 million in the corresponding period in 2014. The increase was primarily due to a 29.4% increase in the average cost of coal per KWH generated, partially offset by a 24.6% decrease in the average cost of natural gas per KWH generated and an 11.5% decrease in the volume of KWHs generated by coal.

For year-to-date 2015, fuel expense was \$1.74 billion compared to \$2.06 billion in the corresponding period in 2014. The decrease was primarily due to a 15.1% decrease in the average cost of fuel per KWH generated and an 18.5% decrease in the volume of KWHs generated by coal, partially offset by a 9.5% increase in the volume of KWHs generated by natural gas.

Purchased Power – Non-Affiliates

In the third quarter 2015, purchased power expense from non-affiliates was \$90 million compared to \$77 million in the corresponding period in 2014. The increase was primarily due to a 42.9% increase in the volume of KWHs purchased to meet customer demand, partially offset by a 15.0% decrease in the average cost per KWH purchased primarily resulting from lower natural gas prices.

For year-to-date 2015, purchased power expense from non-affiliates was \$227 million compared to \$219 million in the corresponding period in 2014. The increase was primarily due to a 46.0% increase in the volume of KWHs purchased to meet customer demand, partially offset by a 26.4% decrease in the average cost per KWH purchased primarily resulting from lower natural gas prices.

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 2015, purchased power expense from affiliates was \$148 million compared to \$172 million in the corresponding period in 2014. For year-to-date 2015, purchased power expense from affiliates was \$411 million compared to \$522 million in the corresponding period in 2014. The decreases were due to decreases of 11.0% and 17.2% in the average cost per KWH purchased in the third quarter 2015 and year-to-date 2015, respectively, primarily resulting from lower natural gas prices.

Energy purchases from affiliates will vary depending on demand 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, all as approved by the FERC.

Other Operations and Maintenance Expenses

Third Quarter 2015 vs. Third Quarter 2014		Year-to-Date 2015 vs. Year-to-Date 2014	
(change in millions)	(% change)	(change in millions)	(% change)
\$6	1.3	\$71	5.3

In the third quarter 2015, other operations and maintenance expenses were \$462 million compared to \$456 million in the corresponding period in 2014. The increase was primarily due to increases of \$10 million in employee compensation and benefits including pension costs and \$5 million primarily related to customer incentive and demand-side management costs due to additional customer participation, partially offset by a decrease of \$10 million in transmission and distribution overhead line maintenance. See Note (F) to the Condensed Financial Statements herein for additional information related to pension costs.

For year-to-date 2015, other operations and maintenance expenses were \$1.41 billion compared to \$1.33 billion in the corresponding period in 2014. The increase was primarily due to increases of \$39 million in employee compensation and benefits including pension costs, \$13 million in scheduled outage-related costs, and \$17 million

Table of Contents

GEORGIA POWER COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

primarily related to customer incentive and demand-side management costs due to additional customer participation.

Depreciation and Amortization

Third Quarter 2015 vs. Third Quarter 2014		Year-to-Date 2015 vs. Year-to-Date 2014	
(change in millions)	(% change)	(change in millions)	(% change)
\$3	1.4	\$5	0.8

For year-to-date 2015, depreciation and amortization was \$633 million compared to \$628 million in the corresponding period in 2014. The increase was primarily due to a \$16 million increase related to additional plant in service, partially offset by a \$9 million decrease related to other cost of removal and a \$3 million decrease due to a change in useful lives.

Taxes Other Than Income Taxes

Third Quarter 2015 vs. Third Quarter 2014		Year-to-Date 2015 vs. Year-to-Date 2014	
(change in millions)	(% change)	(change in millions)	(% change)
\$(4)	(3.6)	\$(18)	(5.6)

In the third quarter 2015, taxes other than income taxes were \$107 million compared to \$111 million in the corresponding period in 2014. For the year-to-date 2015, taxes other than income taxes were \$302 million compared to \$320 million in the corresponding period in 2014. The decrease in year-to-date 2015 was primarily due to decreases of \$9 million in municipal franchise fees related to lower retail revenues and \$7 million in property taxes.

Interest Expense, Net of Amounts Capitalized

Third Quarter 2015 vs. Third Quarter 2014		Year-to-Date 2015 vs. Year-to-Date 2014	
(change in millions)	(% change)	(change in millions)	(% change)
\$2	2.3	\$10	3.8

In the third quarter 2015, interest expense, net of amounts capitalized was \$90 million compared to \$88 million in the corresponding period in 2014. For year-to-date 2015, interest expense, net of amounts capitalized was \$272 million compared to \$262 million in the corresponding period in 2014. The increases were primarily due to increased outstanding long-term debt borrowings from the FFB.

Income Taxes

Third Quarter 2015 vs. Third Quarter 2014		Year-to-Date 2015 vs. Year-to-Date 2014	
(change in millions)	(% change)	(change in millions)	(% change)
\$20	6.3	\$(3)	(0.5)

In the third quarter 2015, income taxes were \$337 million compared to \$317 million in the corresponding period in 2014. For year-to-date 2015, income taxes were \$657 million compared to \$660 million in the corresponding period in 2014. The increase in the third quarter 2015 was primarily due to higher pre-tax earnings. The decrease in year-to-date 2015 was due to lower pre-tax earnings, partially offset by the recognition in 2014 of tax benefits related to emission allowances and state apportionment and lower non-taxable AFUDC equity.

FUTURE EARNINGS POTENTIAL

The results of operations discussed above are not necessarily indicative of Georgia Power's future earnings potential. The level of Georgia Power's future earnings depends on numerous factors that affect the opportunities, challenges, and risks of Georgia Power's business of selling electricity. These factors include Georgia Power's

Table of Contents

GEORGIA POWER COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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 completion and subsequent operation of ongoing construction projects, primarily Plant Vogtle Units 3 and 4. Future earnings in the near term will depend, in part, upon maintaining and growing sales which are subject to a number of factors. These factors include weather, competition, new energy contracts with other utilities, energy conservation practiced by customers, the use of alternative energy sources by customers, the price of electricity, the price elasticity of demand, and the rate of economic growth or decline in Georgia Power's service territory. Demand for electricity for Georgia Power is partially driven by economic growth. The pace of economic growth and electricity demand may be affected by changes in regional and global economic conditions, which 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 Georgia Power 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. Georgia Power's Environmental Compliance Cost Recovery (ECCR) tariff allows for the recovery of capital and operations and maintenance costs related to environmental controls mandated by state and federal regulations. 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 Georgia Power in Item 7 and Note 3 to the financial statements of Georgia 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 – "Retail Regulatory Matters – Integrated Resource Plans" of Georgia Power in Item 7 of the Form 10-K and "Retail Regulatory Matters – Integrated Resource Plan" herein for additional information on planned unit retirements and fuel conversions at Georgia Power.

Air Quality

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "Environmental Matters – Environmental Statutes and Regulations – Air Quality" of Georgia Power in Item 7 of the Form 10-K for additional information regarding the EPA's proposed regulations governing emissions during startup, shutdown, or malfunction (SSM), the final MATS rule, the Cross State Air Pollution Rule (CSAPR), and the eight-hour National Ambient Air Quality Standard (NAAQS) for ozone.

On June 12, 2015, the EPA published a final rule requiring affected states (including Georgia, Alabama, and Florida) to revise or remove state implementation plan (SIP) provisions regarding excess emissions that occur during periods of SSM by no later than November 22, 2016. The ultimate impact of the final rule will depend on the outcome of any legal challenges and the development and approval of SIPs by the affected states and cannot be determined at this time.

On June 29, 2015, the U.S. Supreme Court issued a decision finding that the EPA had failed to properly consider costs in its decision to regulate hazardous air pollutant emissions from electric generating units under the MATS rule and remanded the case to the U.S. Court of Appeals for the District of Columbia Circuit for further proceedings. The MATS rule remains in effect while the U.S. Court of Appeals for the District of Columbia Circuit and the EPA respond to the decision. The ultimate impact of this decision cannot be determined at this time.

On July 28, 2015, the U.S. Court of Appeals for the District of Columbia Circuit issued an opinion invalidating certain emissions budgets under the CSAPR Phase II emissions trading program for a number of states, including

Table of Contents

GEORGIA POWER COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Georgia, Alabama, and Florida. The court's decision leaves the emissions trading program in place and remands the rule to the EPA for further action consistent with the court's decision. The court rejected all other pending challenges to the rule. The ultimate impact of this decision will depend on additional rulemaking and cannot be determined at this time.

On October 26, 2015, the EPA published a more stringent eight-hour NAAQS for ozone. This new standard could potentially require additional emission controls, improvements in control efficiency, and operational fuel changes and could affect the siting of new generating facilities. The ultimate impact of this matter will depend on any legal challenges and implementation of the final rule and cannot be determined at this time.

Water Quality

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "Environmental Matters – Environmental Statutes and Regulations – Water Quality" of Georgia Power in Item 7 of the Form 10-K for additional information regarding the EPA's and the U.S. Army Corps of Engineers' rule revising the definition of waters of the U.S. under the Clean Water Act (CWA) and the EPA's revisions to effluent guidelines.

On June 29, 2015, the EPA and the U.S. Army Corps of Engineers jointly published a final rule revising the regulatory definition of waters of the U.S. for all CWA programs. The final rule significantly expands the scope of federal jurisdiction under the CWA and could have significant impacts on economic development projects which could affect customer demand growth. In addition, 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. The rule became effective August 28, 2015, but on October 9, 2015, the U.S. Court of Appeals for the Sixth Circuit issued an order staying implementation of the final rule. The ultimate impact of the final rule will depend on the outcome of this and other pending legal challenges and the EPA's and the U.S. Army Corps of Engineers' field-level implementation of the rule and cannot be determined at this time.

On November 3, 2015, the EPA published final revisions to technology-based limits for certain wastestreams from steam electric power plants. These revisions impose stringent steam effluent guidelines and technology requirements for wastewater discharges at affected units. Compliance with these revisions could result in significant additional capital expenditures and could affect future unit retirement and replacement decisions. The ultimate impact of these revisions will depend on any legal challenges and implementation of the final revisions and cannot be determined at this time.

Coal Combustion Residuals

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "Environmental Matters – Coal Combustion Residuals" of Georgia Power in Item 7 of the Form 10-K for additional information regarding the EPA's regulation of CCR.

On April 17, 2015, the EPA published the Disposal of Coal Combustion Residuals from Electric Utilities final rule (CCR Rule) in the Federal Register, which became effective on October 19, 2015. Based on initial cost estimates for closure in place and groundwater monitoring of ash ponds pursuant to the CCR Rule, during the second quarter 2015, Georgia Power recorded incremental asset retirement obligations (ARO) of approximately \$82 million related to the CCR Rule. As further analysis is performed, including evaluation of the expected method of compliance, refinement of assumptions underlying the cost estimates, such as the quantities of CCR at each site, and the determination of timing, including the potential for closing ash ponds prior to the end of their currently anticipated useful life, Georgia Power expects to continue to periodically update these estimates. The ultimate impact of the CCR Rule cannot be determined at this time and will depend on Georgia Power's ongoing review of the CCR Rule, the results of initial and ongoing minimum criteria assessments, and the outcome of legal challenges. See Note (A) to the Condensed Financial Statements herein for additional information regarding Georgia Power's AROs as of September 30, 2015.

Table of Contents

GEORGIA POWER COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Global Climate Issues

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "Environmental Matters – Global Climate Issues" of Georgia Power in Item 7 of the Form 10-K for additional information regarding the EPA's proposed regulation of CO₂ from fossil-fuel-fired electric generating units.

On October 23, 2015, two final actions by the EPA that would limit CO₂ emissions from fossil fuel-fired electric generating units were published in the Federal Register. One of the final actions contains specific emission standards governing CO₂ emissions from new, modified, and reconstructed units. The other final action establishes guidelines for states to develop plans to meet EPA-mandated CO₂ emission rates for existing units. The EPA's final guidelines require state plans to meet interim CO₂ performance rates between 2022 and 2029 and final rates in 2030 and thereafter. At the same time, a proposed federal plan and proposed model rule were published that states can adopt or that would be put in place if, in response to the final guidelines, a state either does not submit a state plan or its plan is not approved by the EPA.

These guidelines and standards could result in operational restrictions and material compliance costs, including capital expenditures, which could affect future unit retirement and replacement decisions. Georgia Power's results of operations, cash flows, and financial condition could be significantly impacted if such costs are not recovered through regulated rates or through market-based contracts. However, the ultimate financial and operational impact of the final rules on Georgia Power cannot be determined at this time and will depend on numerous factors including the Southern Company system's ongoing review of the final rules; the outcome of any legal challenges, including legal challenges filed by Georgia Power; individual state implementation of the EPA's final guidelines, including the potential that state plans impose different standards; additional rulemaking activities in response to legal challenges and related 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.

FERC Matters

Georgia Power has authority from the FERC to sell electricity at market-based rates. Since 2008, that authority, for certain balancing authority areas, has been conditioned on compliance with the requirements of an energy auction, which the FERC found to be tailored mitigation that addresses potential market power concerns. In accordance with FERC regulations governing such authority, the traditional operating companies (including Georgia Power) and Southern Power filed a triennial market power analysis on June 30, 2014, which included continued reliance on the energy auction as tailored mitigation. On April 27, 2015, the FERC issued an order finding that the traditional operating companies' (including Georgia Power's) and Southern Power's existing tailored mitigation may not effectively mitigate the potential to exert market power in certain areas served by the traditional operating companies and in some adjacent areas. To retain market-based rate authority, the FERC directed the traditional operating companies (including Georgia Power) and Southern Power to show why market-based rate authority should not be revoked in these areas or to provide a mitigation plan to further address market power concerns. The traditional operating companies (including Georgia Power) and Southern Power filed a request for rehearing on May 27, 2015 and on June 26, 2015 filed their response with the FERC. The ultimate outcome of this matter cannot be determined at this time.

Retail Regulatory Matters

Georgia Power's revenues from regulated retail operations are collected through various rate mechanisms subject to the oversight of the Georgia PSC. Georgia Power currently recovers its costs from the regulated retail business through the 2013 ARP, which includes traditional base tariff rates, Demand-Side Management (DSM) tariffs, ECCR tariffs, and Municipal Franchise Fee (MFF) tariffs. In addition, financing costs related to the construction of Plant Vogtle Units 3 and 4 are being collected through the NCCR tariff and fuel costs are collected through separate fuel cost recovery tariffs. See Note 3 to the financial statements of Georgia Power under "Retail Regulatory Matters" in

Item 8 of the Form 10-K for additional information.

77

Table of Contents

GEORGIA POWER COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Renewables Development

As part of the Georgia Power Advanced Solar Initiative program, Georgia Power executed ten PPAs that were approved by the Georgia PSC in 2014 and provide for the purchase of energy from 515 MWs of solar capacity. These PPAs are expected to commence in December 2015 and 2016 and have terms ranging from 20 to 30 years. As a result of certain acquisitions by Southern Power, Georgia Power expects that 249 MWs of the 515 MWs of contracted capacity will be purchased from solar facilities owned or under development by Southern Power.

On June 15, 2015, Georgia Power executed a PPA to purchase a total of 58 MWs of biomass capacity and energy from a 79-MW facility in Georgia that will begin in 2017 and end in 2047. This PPA was approved by the Georgia PSC on April 15, 2015. Georgia Power also entered into an energy-only PPA for the remaining 21 MWs from the same facility.

On July 21, 2015, the Georgia PSC approved Georgia Power's request to build, own, and operate an up to 46-MW solar generation facility at a U.S. Marine Corps base in Albany, Georgia by the end of 2016.

Rate Plans

In accordance with the terms of the 2013 ARP, on October 2, 2015, Georgia Power filed the following tariff adjustments with the Georgia PSC to become effective January 1, 2016 pending its approval:

- increase in traditional base tariffs by approximately \$49 million;
- increase in the environmental compliance cost recovery tariff by approximately \$75 million;
- increase in the demand-side management tariffs by approximately \$7 million; and
- increase in the municipal franchise fee tariff by approximately \$13 million.

The ultimate outcome of this matter cannot be determined at this time.

Integrated Resource Plan

To comply with the April 16, 2015 effective date of the MATS rule, Plant Branch Units 1, 3, and 4 (1,266 MWs), Plant Yates Units 1 through 5 (579 MWs), and Plant McManus Units 1 and 2 (122 MWs) were retired on April 15, 2015. In addition, operations were discontinued at Plant Mitchell Unit 3 (155 MWs) and its decertification will be requested in connection with the triennial Integrated Resource Plan in 2016. The switch to natural gas as the primary fuel is complete at Plant Yates Units 7 and 6 and the units were returned to service on May 4, 2015 and June 27, 2015, respectively. On October 13, 2015, Plant Kraft Units 1 through 4 (316 MWs) were retired.

Fuel Cost Recovery

Georgia Power has established fuel cost recovery rates approved by the Georgia PSC. On September 18, 2015, Georgia Power filed a rate request with the Georgia PSC to lower total annual billings by approximately \$268 million effective January 1, 2016. The Georgia PSC is scheduled to vote on this matter on December 15, 2015. The ultimate outcome of this matter cannot be determined at this time.

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 Georgia Power's revenues or net income, but will affect cash flow. See Note (B) to the Condensed Financial Statements under "Retail Regulatory Matters – Georgia Power – Fuel Cost Recovery" herein for additional information.

Nuclear Construction

See Note 3 to the financial statements of Georgia Power under "Retail Regulatory Matters – Nuclear Construction" in Item 8 of the Form 10-K for additional information regarding the construction of Plant Vogtle Units 3 and 4, Vogtle Construction Monitoring (VCM) reports, and pending litigation.

In 2008, Georgia Power, acting for itself and as agent for the Vogtle Owners, entered into an agreement (Vogtle 3 and 4 Agreement) with the Contractor, pursuant to which the Contractor agreed to design, engineer, procure,

Table of Contents

GEORGIA POWER COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

construct, and test Plant Vogtle Units 3 and 4. Current anticipated in-service dates for Plant Vogtle Units 3 and 4 are the second quarter 2019 and the second quarter 2020, respectively.

Under the terms of the Vogtle 3 and 4 Agreement, the Vogtle Owners agreed to pay a purchase price that is subject to certain price escalations and adjustments, including fixed escalation amounts and index-based adjustments, as well as adjustments for change orders, and performance bonuses for early completion and unit performance. The Vogtle 3 and 4 Agreement also provides for liquidated damages upon the Contractor's failure to fulfill the schedule and performance guarantees, subject to a cap. In addition, the Vogtle 3 and 4 Agreement provides for limited cost sharing by the Vogtle Owners for Contractor costs under certain conditions (which have not occurred), with maximum additional capital costs under this provision attributable to Georgia Power (based on Georgia Power's ownership interest) of approximately \$114 million. Each Vogtle Owner is severally (and not jointly) liable for its proportionate share, based on its ownership interest, of all amounts owed to the Contractor under the Vogtle 3 and 4 Agreement. Georgia Power's proportionate share is 45.7%.

Certain payment obligations of Westinghouse and CB&I Stone & Webster, Inc. (S&W) (formerly known as Stone & Webster, Inc.) under the Vogtle 3 and 4 Agreement are guaranteed by Toshiba Corporation (Toshiba) and The Shaw Group Inc. (Shaw Group) (a subsidiary of Chicago Bridge & Iron Company, N.V. (CB&I)), respectively. In the event of certain credit rating downgrades of any Vogtle Owner, such Vogtle Owner will be required to provide a letter of credit or other credit enhancement. The Vogtle Owners may terminate the Vogtle 3 and 4 Agreement at any time for their convenience, provided that the Vogtle Owners will be required to pay certain termination costs. The Contractor may terminate the Vogtle 3 and 4 Agreement under certain circumstances, including certain Vogtle Owner suspension or delays of work, action by a governmental authority to permanently stop work, certain breaches of the Vogtle 3 and 4 Agreement by the Vogtle Owners, Vogtle Owner insolvency, and certain other events.

In 2009, the NRC issued an Early Site Permit and Limited Work Authorization which allowed limited work to begin on Plant Vogtle Units 3 and 4. The NRC certified the Westinghouse Design Control Document, as amended (DCD), for the AP1000 nuclear reactor design, in late 2011, and issued combined construction and operating licenses (COLs) in early 2012. Receipt of the COLs allowed full construction to begin. There have been technical and procedural challenges to the construction and licensing of Plant Vogtle Units 3 and 4, at the federal and state level, and additional challenges may arise as construction proceeds.

In 2012, the Vogtle Owners and the Contractor began negotiations regarding the costs associated with design changes to the DCD and the delays in the timing of approval of the DCD and issuance of the COLs, including the assertion by the Contractor that the Vogtle Owners are responsible for these costs under the terms of the Vogtle 3 and 4 Agreement. Also in 2012, Georgia Power and the other Vogtle Owners filed suit against the Contractor in the U.S. District Court for the Southern District of Georgia seeking a declaratory judgment that the Vogtle Owners are not responsible for these costs. In 2012, the Contractor also filed suit against Georgia Power and the other Vogtle Owners in the U.S. District Court for the District of Columbia alleging the Vogtle Owners are responsible for these costs. The Contractor also asserted it is entitled to extensions of the guaranteed substantial completion dates of April 2016 and April 2017 for Plant Vogtle Units 3 and 4, respectively. In May 2014, the Contractor filed an amended counterclaim to the suit pending in the U.S. District Court for the Southern District of Georgia alleging that (i) the design changes to the DCD imposed by the NRC delayed module production and the impacts to the Contractor are recoverable by the Contractor under the Vogtle 3 and 4 Agreement and (ii) the changes to the basemat rebar design required by the NRC caused additional costs and delays recoverable by the Contractor under the Vogtle 3 and 4 Agreement. On March 10, 2015, the U.S. Court of Appeals for the District of Columbia Circuit affirmed the decision of the U.S. District Court for the District of Columbia, which had dismissed the Contractor's suit, ruling that the proper venue is the U.S. District Court for the Southern District of Georgia. The case is pending in the U.S. District Court for the Southern District of Georgia (Vogtle Construction Litigation). The portion of additional costs claimed by the Contractor in its initial complaint that would be attributable to Georgia Power (based on Georgia Power's ownership interest) is

approximately \$425 million in 2008 dollars (approximately \$591 million in 2015 dollars). The Contractor did not specify in its amended counterclaim the amounts relating to these new allegations; however, the Contractor subsequently asserted estimated minimum damages related to the amended counterclaim (based on Georgia Power's ownership interest) of approximately \$113 million in 2014 dollars (approximately \$118

Table of Contents

GEORGIA POWER COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

million in 2015 dollars). In June 2015, the Contractor updated its estimated damages under the initial complaint and the amended counterclaim to an aggregate (based on Georgia Power's ownership interest) of approximately \$714 million (in 2015 dollars).

On October 27, 2015, Westinghouse and CB&I announced an agreement under which Westinghouse or one of its affiliates will acquire S&W from CB&I, subject to satisfaction of certain conditions to closing. In addition, on October 27, 2015, Westinghouse and the Vogtle Owners entered into a term sheet (Term Sheet) setting forth the terms of a settlement agreement to resolve disputes between the Vogtle Owners and the Contractor under the Vogtle 3 and 4 Agreement, including the Vogtle Construction Litigation.

In accordance with the Term Sheet: (i) the Vogtle Owners and the Contractor will enter into mutual releases of all open claims which have been asserted, including any potential extension of such open claims, as well as future claims based on events occurring prior to the effective date of the release that potentially could have been asserted under the original terms of the Vogtle 3 and 4 Agreement, including the Vogtle Construction Litigation, which will be dismissed with prejudice; (ii) the Vogtle 3 and 4 Agreement will be amended to restrict the Contractor's ability to seek further increases in the contract price by clarifying and limiting the circumstances that constitute nuclear regulatory changes in law; (iii) enhanced dispute resolution procedures will be implemented; (iv) the guaranteed substantial completion dates under the Vogtle 3 and 4 Agreement will be revised to match the current estimated in-service dates of June 30, 2019 for Unit 3 and June 30, 2020 for Unit 4 (as discussed below); (v) delay liquidated damages will now commence from the current estimated nuclear fuel loading date for each unit, which is December 31, 2018 for Unit 3 and December 31, 2019 for Unit 4, rather than the original guaranteed substantial completion dates under the Vogtle 3 and 4 Agreement; and (vi) Georgia Power, based on its ownership interest, will pay to the Contractor and capitalize to the project cost approximately \$350 million, of which approximately \$120 million has been paid previously under the dispute resolution procedures of the Vogtle 3 and 4 Agreement. In addition, the Vogtle Owners and the Contractor resolved other open existing items relating to the scope of the project under the Vogtle 3 and 4 Agreement, including cyber security, for which costs were reflected in Georgia Power's previously disclosed in-service cost estimate.

Further, as part of the proposed settlement and in connection with Westinghouse's proposed acquisition of S&W: (i) the Vogtle Owners will terminate the parent guarantee of Shaw Group with respect to certain obligations of S&W, subject to obtaining the consent of the DOE under loan guarantee agreements relating to Plant Vogtle Units 3 and 4, while the parent guarantee of Toshiba with respect to certain obligations of Westinghouse will remain in place; (ii) Westinghouse will make provisions to engage Fluor Enterprises, Inc., a subsidiary of Fluor Corporation, as a new construction subcontractor; and (iii) the Vogtle Owners, CB&I, and Shaw Group also will enter into mutual releases of any and all claims against each other arising out of the construction of Plant Vogtle Units 3 and 4.

The settlement of the pending disputes between the Vogtle Owners and the Contractor, including the Vogtle Construction Litigation, is subject to consummation of Westinghouse's proposed acquisition of S&W. If this proposed acquisition is not completed, the Vogtle Construction Litigation will continue and the Contractor may from time to time continue to assert that it is entitled to additional payments with respect to its allegations, any of which could be substantial.

Georgia Power will submit the ultimate settlement agreement terms and the related amendments to the Vogtle 3 and 4 Agreement to the Georgia PSC for its review.

Georgia Power is required to file semi-annual VCM reports with the Georgia PSC by February 28 and August 31 each year. If the projected certified construction capital costs to be borne by Georgia Power increase by 5% or the projected in-service dates are significantly extended, Georgia Power is required to seek an amendment to the Plant Vogtle Units 3 and 4 certificate from the Georgia PSC. In 2013, the Georgia PSC approved a stipulation (2013 Stipulation) entered into by Georgia Power and the Georgia PSC staff to waive the requirement to amend the Plant Vogtle Units 3 and 4 certificate, until the completion of Plant Vogtle Unit 3, or earlier if deemed appropriate by the Georgia PSC and Georgia Power.

On April 15, 2015, the Georgia PSC issued a procedural order in connection with the twelfth VCM report, which included a requested amendment (Requested Amendment) to the Plant Vogtle Units 3 and 4 certificate to reflect the

Table of Contents

GEORGIA POWER COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Contractor's revised forecast for completion of Plant Vogtle Units 3 and 4 (second quarter of 2019 and second quarter of 2020, respectively) as well as additional estimated owner-related costs, which include approximately \$10 million per month, including property taxes, oversight costs, compliance costs, and other operational readiness costs to include the estimated owner's costs associated with the proposed 18-month Contractor delay and to increase the estimated total in-service capital cost of Plant Vogtle Units 3 and 4 to \$5.0 billion. Pursuant to this order, the Georgia PSC deemed the Requested Amendment unnecessary and withdrawn until the completion of construction of Plant Vogtle Unit 3 consistent with the 2013 Stipulation. The Georgia PSC recognized that the certified cost and the 2013 Stipulation do not constitute a cost recovery cap. In accordance with the Georgia Integrated Resource Planning Act, any costs incurred by Georgia Power in excess of the certified amount will be included in rate base, provided Georgia Power shows the costs to be reasonable and prudent. Financing costs up to the certified amount will be collected through the NCCR tariff until the units are placed in service, while financing costs on any construction-related costs in excess of the \$4.4 billion certified amount are expected to be recovered through AFUDC.

The Georgia PSC has approved twelve VCM reports covering the periods through December 31, 2014, including construction capital costs incurred, which through that date totaled \$3.0 billion. On August 28, 2015, Georgia Power filed its thirteenth VCM report with the Georgia PSC covering the period from January 1 through June 30, 2015, which requested approval for an additional \$148 million of construction capital costs incurred during that period and reflected estimated financing costs during the construction period to total approximately \$2.4 billion. Georgia Power will continue to incur financing costs of approximately \$30 million per month until Plant Vogtle Units 3 and 4 are placed in service.

On October 30, 2015, Georgia Power filed to increase the NCCR tariff by approximately \$19 million, effective January 1, 2016, pending Georgia PSC approval.

Processes are in place that are designed to assure compliance with the requirements specified in the DCD and the COLs, including inspections by Southern Nuclear and the NRC that occur throughout construction. As a result of such compliance processes, certain license amendment requests have been filed and approved or are pending before the NRC. Various design and other licensing-based compliance issues may arise as construction proceeds, which may result in additional license amendments or require other resolution. If any license amendment requests or other licensing-based compliance issues are not resolved in a timely manner, there may be delays in the project schedule that could result in increased costs either to the Vogtle Owners or the Contractor or to both.

As construction continues, the risk remains that ongoing challenges with Contractor performance including additional challenges in its fabrication, assembly, delivery, and installation of the shield building and structural modules, delays in the receipt of the remaining permits necessary for the operation of Plant Vogtle Units 3 and 4, or other issues could arise and may further impact project schedule and cost. In addition, the IRS allocated production tax credits to each of Plant Vogtle Units 3 and 4, which require the applicable unit to be placed in service before 2021.

Future claims by the Contractor or Georgia Power (on behalf of the Vogtle Owners) could arise throughout construction. These claims may be resolved through formal and informal dispute resolution procedures under the Vogtle 3 and 4 Agreement, but also may be resolved through litigation.

See RISK FACTORS of Georgia Power in Item 1A of the Form 10-K for a discussion of 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 matters cannot be determined at this time.

Other Matters

Georgia Power is involved in various other matters being litigated and regulatory matters that could affect future earnings. In addition, Georgia Power is subject to certain claims and legal actions arising in the ordinary course of business. Georgia Power's business activities are subject to extensive governmental regulation related to public

Table of Contents

GEORGIA POWER COMPANY
 MANAGEMENT'S DISCUSSION AND ANALYSIS OF
 FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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 occurred throughout the U.S. This litigation has included claims for damages alleged to have been caused by CO₂ and other emissions, CCR, and alleged exposure to hazardous materials, and/or requests for injunctive relief in connection with such matters. The ultimate outcome of such pending or potential litigation against Georgia 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 Georgia 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 Georgia Power's financial statements. See Note (B) 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.

ACCOUNTING POLICIES**Application of Critical Accounting Policies and Estimates**

Georgia Power prepares its financial statements in accordance with GAAP. Significant accounting policies are described in Note 1 to the financial statements of Georgia 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 Georgia 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 Georgia Power in Item 7 of the Form 10-K for a complete discussion of Georgia Power's critical accounting policies and estimates related to Electric Utility Regulation, Contingent Obligations, and Pension and Other Postretirement Benefits.

Asset Retirement Obligations

AROs are computed as the fair value of the ultimate costs for an asset's future retirement and are recorded in the period in which the liability is incurred. The costs are capitalized as part of the related long-lived asset and depreciated over the asset's useful life. In the absence of quoted market prices, AROs are estimated using present value techniques in which estimates of future cash outlays associated with the asset retirements are discounted using a credit-adjusted risk-free rate. Estimates of the timing and amounts of future cash outlays are based on projections of when and how the assets will be retired and the cost of future removal activities.

The liability for AROs primarily relates to the decommissioning of Georgia Power's nuclear facilities, which include Georgia Power's ownership interests in Plant Hatch and Plant Vogtle Units 1 and 2, and facilities that are subject to the CCR Rule, primarily ash ponds. In addition, Georgia Power has retirement obligations related to various landfill sites, underground storage tanks, and asbestos removal. Georgia Power also has identified retirement obligations related to certain transmission and distribution facilities, including the disposal of polychlorinated biphenyls in certain transformers; leasehold improvements; equipment on customer property; and property associated with Georgia Power's rail lines and natural gas pipelines. However, liabilities for the removal of these assets have not been recorded because the settlement timing for the retirement obligations related to these assets is indeterminable and, therefore, the fair value of the retirement obligations cannot be reasonably estimated. A liability for these AROs will be recognized when sufficient information becomes available to support a reasonable estimation of the ARO.

Georgia Power previously recorded AROs as a result of state requirements in Georgia which closely align with the requirements of the CCR Rule discussed above. The cost estimates are based on information using various assumptions related to closure and post-closure costs, timing of future cash outlays, inflation and discount rates, and the potential methods for complying with the CCR Rule requirements for closure in place. As further analysis is performed, including evaluation of the expected method of compliance, refinement of assumptions underlying the cost estimates, such as the quantities of CCR at each site, and the determination of timing, including the potential

Table of Contents

GEORGIA POWER COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

for closing ash ponds prior to the end of their currently anticipated useful life, Georgia Power expects to continue to periodically update these estimates.

Given the significant judgment involved in estimating AROs, Georgia Power considers the liabilities for AROs to be critical accounting estimates.

See Note 1 to the financial statements of Georgia Power under "Asset Retirement Obligations and Other Costs of Removal" and "Nuclear Decommissioning" in Item 8 of the Form 10-K and Note (A) to the Condensed Financial Statements under "Asset Retirement Obligations" herein for additional information.

Recently Issued Accounting Standards

The Financial Accounting Standards Board's (FASB) ASC 606, Revenue from Contracts with Customers, revises the accounting for revenue recognition effective for fiscal years beginning after December 15, 2017. Georgia Power continues to evaluate the requirements of ASC 606. The ultimate impact of the new standard has not yet been determined.

On April 7, 2015, the FASB issued Accounting Standards Update (ASU) No. 2015-03, Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs. The ASU requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability and is effective for fiscal years beginning after December 15, 2015. Early adoption is permitted and Georgia Power intends to adopt the ASU in the fourth quarter 2015. The ASU is required to be applied retrospectively to all periods presented beginning in the year of adoption. Georgia Power currently reflects unamortized debt issuance costs in other deferred charges and assets on its balance sheet. Upon adoption, the reclassification will not have a material impact on the results of operations, financial position, or cash flows of Georgia Power.

FINANCIAL CONDITION AND LIQUIDITY

Overview

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FINANCIAL CONDITION AND LIQUIDITY – "Overview" of Georgia Power in Item 7 of the Form 10-K for additional information. Georgia Power's financial condition remained stable at September 30, 2015. Georgia Power intends to continue to monitor its access to short-term and long-term capital markets as well as bank credit agreements 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 \$2.16 billion for the first nine months of 2015 compared to \$2.07 billion for the corresponding period in 2014. The increase was primarily due to increased fuel cost recovery, partially offset by lower deferred taxes. Net cash used for investing activities totaled \$1.39 billion for the first nine months of 2015 compared to \$1.46 billion for the corresponding period in 2014 primarily related to installation of equipment to comply with environmental standards and construction of transmission and distribution facilities. Net cash used for financing activities totaled \$711 million for the first nine months of 2015 compared to \$577 million in the corresponding period in 2014. The increase in cash used for financing activities is primarily due to an increase in common stock dividends, lower borrowings from the FFB for the construction of Plant Vogtle 3 and 4, and a redemption and a maturity of senior notes in 2015. 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 2015 include increases of \$778 million in property, plant, and equipment to comply with environmental standards and construction of generation, transmission, and distribution facilities and an increase in other regulatory assets, deferred of \$322 million primarily related to AROs and deferred plant retirement costs.

Table of Contents

GEORGIA POWER COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Capital Requirements and Contractual Obligations

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FINANCIAL CONDITION AND LIQUIDITY – "Capital Requirements and Contractual Obligations" of Georgia Power in Item 7 of the Form 10-K for a description of Georgia Power's capital requirements for its construction program, including estimated capital expenditures for Plant Vogtle Units 3 and 4 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, and trust funding requirements. Approximately \$1.4 billion will be required through September 30, 2016 to fund maturities of long-term debt. See "Sources of Capital" herein for additional information.

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 FERC rules and regulations; Georgia 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. See Note 3 to the financial statements of Georgia Power under "Retail Regulatory Matters – Nuclear Construction" in Item 8 of the Form 10-K and Note (B) to the Condensed Financial Statements under "Retail Regulatory Matters – Georgia Power – Nuclear Construction" herein for information regarding additional factors that may impact construction expenditures.

Sources of Capital

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

In addition, Georgia Power may make borrowings through a loan guarantee agreement (Loan Guarantee Agreement) between Georgia Power and the DOE, the proceeds of which may be used to reimburse Georgia Power for Eligible Project Costs incurred in connection with its construction of Plant Vogtle Units 3 and 4. Under the Loan Guarantee Agreement, the DOE agreed to guarantee borrowings of up to \$3.46 billion (not to exceed 70% of Eligible Project Costs) to be made by Georgia Power under a multi-advance credit facility (FFB Credit Facility) among Georgia Power, the DOE, and the FFB. Eligible Project Costs incurred through September 30, 2015 would allow for borrowings of up to \$2.2 billion under the FFB Credit Facility, of which Georgia Power has borrowed \$1.8 billion. See Note 6 to the financial statements of Georgia Power under "DOE Loan Guarantee Borrowings" 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.

As of September 30, 2015, Georgia Power's current liabilities exceeded current assets by \$1.45 billion primarily due to approximately \$1.49 billion of long-term debt due within one year and notes payable. Georgia Power intends to utilize operating cash flows, as well as FFB borrowings, commercial paper, lines of credit, bank notes, and securities issuances, as market conditions permit, and equity contributions from Southern Company to fund its short-term capital needs. Georgia Power has substantial cash flow from operating activities and access to the capital markets and financial institutions to meet liquidity needs.

Table of Contents

GEORGIA POWER COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

At September 30, 2015, Georgia Power had approximately \$85 million of cash and cash equivalents. Committed credit arrangements with banks at September 30, 2015 were as follows:

Expires			Due Within One Year	
	Total	Unused	Term Out	No Term Out
(in millions)	(in millions)		(in millions)	
2020	\$1,750	\$1,732	\$—	\$—

See Note 6 to the financial statements of Georgia 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.

As reflected in the table above, in August 2015, Georgia Power amended and restated its multi-year credit arrangement, which, among other things, extended the maturity date from 2018 to 2020. Georgia Power increased its borrowing ability by \$150 million under its facility maturing in 2020 and terminated its aggregate \$150 million facilities maturing in 2016.

A portion of the unused credit with banks is allocated to provide liquidity support to Georgia Power's variable rate pollution control revenue bonds and commercial paper program. The amount of variable rate pollution control revenue bonds outstanding requiring liquidity support as of September 30, 2015 was approximately \$872 million. In addition, at September 30, 2015, Georgia Power had \$121 million of fixed rate pollution control revenue bonds outstanding that were required to be reoffered within the next 12 months.

This bank credit arrangement contains a covenant that limits debt levels and contains a cross acceleration provision to other indebtedness (including guarantee obligations) of Georgia Power. Such a cross acceleration provision to other indebtedness would trigger an event of default if Georgia Power defaulted on indebtedness, the payment of which was then accelerated. Georgia Power is currently in compliance with this covenant. This bank credit arrangement does not contain a material adverse change clause at the time of borrowing.

Subject to applicable market conditions, Georgia Power expects to renew or replace this credit arrangement, as needed, prior to expiration. In connection therewith, Georgia Power may extend the maturity date and/or increase or decrease the lending commitments thereunder.

Georgia 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 Georgia Power and the other traditional operating companies. Proceeds from such issuances for the benefit of Georgia Power are loaned directly to Georgia 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, 2015		Short-term Debt During the Period ^(*)		
	Amount Outstanding	Weighted Average Interest Rate	Average Amount Outstanding	Weighted Average Interest Rate	Maximum Amount Outstanding
	(in millions)		(in millions)		(in millions)
Commercial paper	\$130	0.5 %	\$193	0.4 %	\$325

^(*) Average and maximum amounts are based upon daily balances during the three-month period ended September 30, 2015.

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

Table of Contents

GEORGIA POWER COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Credit Rating Risk

Georgia 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 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, transmission, and construction of new generation at Plant Vogtle Units 3 and 4.

The maximum potential collateral requirements under these contracts at September 30, 2015 were as follows:

Credit Ratings	Maximum Potential Collateral Requirements (in millions)
At BBB- and/or Baa3	\$102
Below BBB- and/or Baa3	1,287

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, a credit rating downgrade could impact the ability of Georgia Power to access capital markets, and would be likely to impact the cost at which it does so.

On August 17, 2015, S&P downgraded the consolidated long-term issuer rating of Southern Company (including Georgia Power) to A- from A. S&P revised its credit rating outlook from negative to stable. Separately, on August 24, 2015, S&P revised its credit rating outlook from stable to negative following the announcement of the Merger.

Financing Activities

In March 2015, Georgia Power entered into a \$250 million aggregate principal amount three-month floating rate bank loan bearing interest based on one-month LIBOR. The proceeds were used for working capital and other general corporate purposes and the loan was repaid at maturity.

In April 2015, Georgia Power purchased and held \$65 million aggregate principal amount of Development Authority of Burke County (Georgia) Pollution Control Revenue Bonds (Georgia Power Company Plant Vogtle Project), Second Series 2008. Georgia Power reoffered these bonds to the public in May 2015.

In April 2015, Georgia Power redeemed \$125 million aggregate principal amount of its Series Y 5.80% Senior Notes due April 15, 2035.

In May 2015, Georgia Power reoffered to the public \$104.6 million aggregate principal amount of Development Authority of Burke County (Georgia) Pollution Control Revenue Bonds (Georgia Power Company Plant Vogtle Project), First Series 2013, which had been previously purchased and held since 2013.

In June 2015, Georgia Power made additional borrowings under the FFB Credit Facility in an aggregate principal amount of \$600 million. The interest rate applicable to the \$600 million principal amount is 3.283% for an interest period that extends to the final maturity date of February 20, 2044. The proceeds were used to reimburse Georgia Power for Eligible Project Costs relating to the construction of Plant Vogtle Units 3 and 4. Georgia Power settled \$350 million of interest rate swaps related to this borrowing for a payment of approximately \$6 million, which will be amortized to interest expense over 10 years.

In July 2015, \$97.925 million aggregate principal amount of the Development Authority of Putnam County (Georgia) Pollution Control Revenue Bonds (Georgia Power Company Plant Branch Project), First Series 1996, First Series 1997, Second Series 1997, and First Series 1998 were redeemed.

Table of Contents

GEORGIA POWER COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

In August 2015, Georgia Power's \$400 million aggregate principal amount of Series 2012C 0.75% Senior Notes matured.

Also in August 2015, in connection with optional tenders, Georgia Power repurchased and reoffered to the public \$94.6 million aggregate principal amount of Development Authority of Bartow County (Georgia) Pollution Control Revenue Bonds (Georgia Power Company Plant Bowen Project), First Series 2009 and \$10 million aggregate principal amount of Development Authority of Burke County (Georgia) Pollution Control Revenue Bonds (Georgia Power Company Plant Vogtle Project), First Series 2013.

In addition to any financings that may be necessary to meet capital requirements and contractual obligations, Georgia 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.

Table of Contents

GULF POWER COMPANY

88

Table of ContentsGULF POWER COMPANY
CONDENSED STATEMENTS OF INCOME (UNAUDITED)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2015	2014	2015	2014
	(in millions)		(in millions)	
Operating Revenues:				
Retail revenues	\$363	\$366	\$983	\$979
Wholesale revenues, non-affiliates	30	34	82	104
Wholesale revenues, affiliates	17	21	52	97
Other revenues	19	17	53	49
Total operating revenues	429	438	1,170	1,229
Operating Expenses:				
Fuel	143	164	375	478
Purchased power, non-affiliates	26	27	76	57
Purchased power, affiliates	4	4	22	19
Other operations and maintenance	90	85	274	251
Depreciation and amortization	40	38	100	109
Taxes other than income taxes	35	31	91	84
Total operating expenses	338	349	938	998
Operating Income	91	89	232	231
Other Income and (Expense):				
Allowance for equity funds used during construction	3	3	11	8
Interest expense, net of amounts capitalized	(12)	(13)	(38)	(39)
Other income (expense), net	(1)	(1)	(3)	(2)
Total other income and (expense)	(10)	(11)	(30)	(33)
Earnings Before Income Taxes	81	78	202	198
Income taxes	31	29	75	74
Net Income	50	49	127	124
Dividends on Preference Stock	2	2	7	7
Net Income After Dividends on Preference Stock	\$48	\$47	\$120	\$117

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2015	2014	2015	2014
	(in millions)		(in millions)	
Net Income	\$50	\$49	\$127	\$124
Other comprehensive income (loss)	—	—	—	—
Comprehensive Income	\$50	\$49	\$127	\$124

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

Table of Contents

GULF POWER COMPANY
CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)

	For the Nine Months Ended September 30, 2015 2014 (in millions)		
Operating Activities:			
Net income	\$ 127		\$ 124
Adjustments to reconcile net income to net cash provided from operating activities —			
Depreciation and amortization, total	105		115
Deferred income taxes	58		29
Allowance for equity funds used during construction	(11)	) (8	)
Other, net	16		5
Changes in certain current assets and liabilities —			
-Receivables	18	(46	)
-Fossil fuel stock	18		44
-Prepaid income taxes	31		9
-Other current assets	1		3
-Accounts payable	(13)	) 10	
-Accrued taxes	46		22
-Accrued compensation	(3)	) 5	
-Over recovered regulatory clause revenues	10		7
-Other current liabilities	8		5
Net cash provided from operating activities	411		324
Investing Activities:			
Property additions	(189)	) (254	)
Cost of removal, net of salvage	(9)	) (9	)
Change in construction payables	(29)	) 2	
Other investing activities	(6)	) (7	)
Net cash used for investing activities	(233)	) (268	)
Financing Activities:			
Decrease in notes payable, net	(34)	) (44	)
Proceeds —			
Common stock issued to parent	20		50
Pollution control revenue bonds	13		42
Senior notes	—		200
Redemptions and repurchases —			
Pollution control revenue bonds	(13)	) (29	)
Senior notes	(60)	) —	
Payment of preference stock dividends	(7)	) (7	)
Payment of common stock dividends	(98)	) (92	)
Other financing activities	3	(1	)
Net cash provided from (used for) financing activities	(176)	) 119	
Net Change in Cash and Cash Equivalents	2		175
Cash and Cash Equivalents at Beginning of Period	39		22
Cash and Cash Equivalents at End of Period	\$ 41		\$ 197

Supplemental Cash Flow Information:

Cash paid (received) during the period for —

Interest (net of \$5 and \$4 capitalized for 2015 and 2014, respectively)	\$27	\$29
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Income taxes, net	(37	) 36
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Noncash transactions — Accrued property additions at end of period	17	35
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The accompanying notes as they relate to Gulf Power are an integral part of these condensed financial statements.

Table of ContentsGULF POWER COMPANY
CONDENSED BALANCE SHEETS (UNAUDITED)

Assets	At September 30, 2015 (in millions)	At December 31, 2014
Current Assets:		
Cash and cash equivalents	\$41	\$39
Receivables —		
Customer accounts receivable	100	73
Unbilled revenues	68	58
Under recovered regulatory clause revenues	17	57
Other accounts and notes receivable	9	8
Affiliated companies	4	10
Accumulated provision for uncollectible accounts	(2	) (2
Fossil fuel stock, at average cost	84	101
Materials and supplies, at average cost	57	56
Other regulatory assets, current	81	74
Prepaid expenses	13	40
Other current assets	1	2
Total current assets	473	516
Property, Plant, and Equipment:		
In service	4,640	4,495
Less accumulated provision for depreciation	1,273	1,296
Plant in service, net of depreciation	3,367	3,199
Other utility plant, net	64	—
Construction work in progress	407	465
Total property, plant, and equipment	3,838	3,664
Other Property and Investments	15	15
Deferred Charges and Other Assets:		
Deferred charges related to income taxes	61	56
Other regulatory assets, deferred	430	416
Other deferred charges and assets	44	41
Total deferred charges and other assets	535	513
Total Assets	\$4,861	\$4,708

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

Table of ContentsGULF POWER COMPANY
CONDENSED BALANCE SHEETS (UNAUDITED)

Liabilities and Stockholder's Equity	At September 30, 2015 (in millions)	At December 31, 2014
Current Liabilities:		
Notes payable	\$76	\$110
Accounts payable —		
Affiliated	65	87
Other	40	56
Customer deposits	36	35
Accrued taxes —		
Accrued income taxes	22	—
Other accrued taxes	33	9
Accrued interest	20	11
Accrued compensation	20	23
Deferred capacity expense, current	22	22
Liabilities from risk management activities	41	37
Other current liabilities	44	23
Total current liabilities	419	413
Long-term Debt	1,310	1,370
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	870	800
Employee benefit obligations	120	121
Other cost of removal obligations	226	235
Other regulatory liabilities, deferred	49	49
Deferred capacity expense	147	163
Other deferred credits and liabilities	216	101
Total deferred credits and other liabilities	1,628	1,469
Total Liabilities	3,357	3,252
Preference Stock	147	147
Common Stockholder's Equity:		
Common stock, without par value —		
Authorized — 20,000,000 shares		
Outstanding — September 30, 2015: 5,642,717 shares		
— December 31, 2014: 5,442,717 shares	503	483
Paid-in capital	564	560
Retained earnings	290	267
Accumulated other comprehensive loss	—	(1)
Total common stockholder's equity	1,357	1,309
Total Liabilities and Stockholder's Equity	\$4,861	\$4,708

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

Table of Contents

GULF POWER COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

THIRD QUARTER 2015 vs. THIRD QUARTER 2014
AND
YEAR-TO-DATE 2015 vs. YEAR-TO-DATE 2014

OVERVIEW

Gulf Power operates as a vertically integrated utility providing electricity to retail customers within its traditional service territory located in northwest Florida and to wholesale customers in the Southeast.

Many factors affect the opportunities, challenges, and risks of Gulf Power's business of selling electricity. These factors include the ability to maintain a constructive regulatory environment, to maintain and grow energy sales, 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, restoration following major storms, and fuel. Appropriately balancing required costs and capital expenditures with customer prices will continue to challenge Gulf Power for the foreseeable future. Capacity revenues represent the majority of Gulf Power's wholesale earnings. Gulf Power currently has long-term sales agreements for 100% of Gulf Power's co-ownership of Plant Scherer Unit 3 (205 MWs) through 2015 and 41% through 2019. These capacity revenues represented 82% of total wholesale capacity revenues for 2014. Gulf Power is actively evaluating strategic alternatives related to this asset, including replacement wholesale contracts, but the expiration of current contracts could have a material negative impact on Gulf Power's earnings.

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

RESULTS OF OPERATIONS**Net Income**

Third Quarter 2015 vs. Third Quarter 2014		Year-to-Date 2015 vs. Year-to-Date 2014	
(change in millions)	(% change)	(change in millions)	(% change)
\$1	2.1	\$3	2.6

Gulf Power's net income after dividends on preference stock for the third quarter 2015 was \$48 million compared to \$47 million for the corresponding period in 2014. The increase was primarily due to higher retail revenues related to a base rate increase, partially offset by higher operations and maintenance expenses.

Gulf Power's net income after dividends on preference stock for year-to-date 2015 was \$120 million compared to \$117 million for the corresponding period in 2014. The increase was primarily due to higher retail revenues related to a base rate increase and a reduction in depreciation, as authorized by the Florida PSC, partially offset by higher operations and maintenance expenses.

Retail Revenues

Third Quarter 2015 vs. Third Quarter 2014		Year-to-Date 2015 vs. Year-to-Date 2014	
(change in millions)	(% change)	(change in millions)	(% change)
\$(3)	(0.8)	\$4	0.4

In the third quarter 2015, retail revenues were \$363 million compared to \$366 million for the corresponding period in 2014. For year-to-date 2015, retail revenues were \$983 million compared to \$979 million for the corresponding period in 2014.

Table of Contents

GULF POWER COMPANY

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

Details of the changes in retail revenues were as follows:

	Third Quarter 2015		Year-to-Date 2015	
	(in millions)	(% change)	(in millions)	(% change)
Retail – prior year	\$366		\$979	
Estimated change resulting from –				
Rates and pricing	8	2.1	18	1.8
Sales decline	(1)	(0.3)	(1)	(0.1)
Weather	4	1.1	8	0.8
Fuel and other cost recovery	(14)	(3.7)	(21)	(2.1)
Retail – current year	\$363	(0.8)%	\$983	0.4%

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "Retail Regulatory Matters" of Gulf Power in Item 7 and Note 1 to the financial statements of Gulf Power under "Revenues" and Note 3 to the financial statements of Gulf Power under "Retail Regulatory Matters" in Item 8 of the Form 10-K for additional information regarding Gulf Power's retail base rate case and cost recovery clauses, including Gulf Power's fuel cost recovery, purchased power capacity recovery, environmental cost recovery, and energy conservation cost recovery clauses.

Revenues associated with changes in rates and pricing increased in the third quarter and year-to-date 2015 when compared to the corresponding periods in 2014 primarily due to an increase in retail base rates, as authorized in a settlement agreement for Gulf Power's 2013 base rate case, as well as an increase in the environmental and energy conservation cost recovery clause rates, both effective in January 2015.

Revenues attributable to changes in sales decreased slightly in the third quarter and year-to-date 2015 when compared to the corresponding periods in 2014. For the third quarter and year-to-date 2015, weather-adjusted KWH energy sales decreased 2.0% and 1.4%, respectively, to residential customers, and decreased 0.6% and 0.3%, respectively, to commercial customers, due to lower customer usage, partially offset by customer growth. KWH energy sales to industrial customers decreased 2.9% and 2.8% for the third quarter and year-to-date 2015, respectively, primarily due to increased customer co-generation.

Fuel and other cost recovery revenues decreased in the third quarter and year-to-date 2015 when compared to the corresponding periods in 2014 primarily due to lower revenues associated with fuel costs as the result of decreased generation and lower purchased power energy costs. For year-to-date 2015, the decrease was partially offset by higher revenues associated with purchased power capacity costs when compared to the corresponding period in 2014.

Fuel and other cost recovery provisions include fuel expenses, the energy component of purchased power costs, purchased power capacity costs, and the difference between projected and actual costs and revenues related to energy conservation and environmental compliance. See Note 3 to the financial statements of Gulf Power under "Retail Regulatory Matters – Cost Recovery Clauses – Retail Fuel Cost Recovery" in Item 8 of the Form 10-K for additional information.

Wholesale Revenues – Non-Affiliates

Third Quarter 2015 vs. Third Quarter 2014		Year-to-Date 2015 vs. Year-to-Date 2014	
(change in millions)	(% change)	(change in millions)	(% change)
\$(4)	(11.8)	\$(22)	(21.2)

Wholesale revenues from sales to non-affiliates consist of long-term sales agreements to other utilities in Florida and Georgia and short-term opportunity sales. Capacity revenues from long-term sales agreements represent the greatest contribution to wholesale earnings. Energy is generally sold at variable cost and does not have a significant impact on wholesale earnings. Short-term opportunity sales are made at market-based rates that generally provide a

Table of Contents

GULF POWER COMPANY

MANAGEMENT'S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

margin above Gulf Power's variable cost of energy. Wholesale energy revenues from sales to non-affiliates will vary depending on fuel prices, the market prices of wholesale energy compared to the cost of Gulf 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 system's generation.

In the third quarter 2015, wholesale revenues from sales to non-affiliates were \$30 million compared to \$34 million for the corresponding period in 2014. The decrease was primarily due to a 20.2% decrease in KWH sales resulting from lower sales under the Plant Scherer Unit 3 long-term sales agreements due to lower natural gas prices that led to increased generation from customer-owned units.

For year-to-date 2015, wholesale revenues from sales to non-affiliates were \$82 million compared to \$104 million for the corresponding period in 2014. The decrease was primarily due to a 41.4% decrease in KWH sales resulting from lower sales under the Plant Scherer Unit 3 long-term sales agreements due to a planned outage and lower natural gas prices that led to increased generation from customer-owned units.

Wholesale Revenues – Affiliates

Third Quarter 2015 vs. Third Quarter 2014		Year-to-Date 2015 vs. Year-to-Date 2014	
(change in millions)	(% change)	(change in millions)	(% change)
\$(4)	(19.0)	\$(45)	(46.4)

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 the revenue related to these energy sales generally offsets the cost of energy sold.

In the third quarter 2015, wholesale revenues from sales to affiliates were \$17 million compared to \$21 million for the corresponding period in 2014. The decrease was primarily due to a 17.7% decrease in the price of energy sold to affiliates due to lower power pool interchange rates resulting from lower natural gas prices.

For year-to-date 2015, wholesale revenues from sales to affiliates were \$52 million compared to \$97 million for the corresponding period in 2014. The decrease was primarily due to a 29.1% decrease in KWH sales that resulted from planned outages for Gulf Power generation resources through the second quarter 2015 and a 24.4% decrease in the price of energy sold to affiliates due to lower power pool interchange rates resulting from lower natural gas prices.

Fuel and Purchased Power Expenses

	Third Quarter 2015		Year-to-Date 2015	
	vs.		vs.	
	Third Quarter 2014		Year-to-Date 2014	
	(change in millions)	(% change)	(change in millions)	(% change)
Fuel	\$(21)	(12.8)	\$(103)	(21.5)
Purchased power – non-affiliates	(1)	(3.7)	19	33.3
Purchased power – affiliates	—	—	3	15.8
Total fuel and purchased power expenses	\$(22)		\$(81)	

In the third quarter 2015, total fuel and purchased power expenses were \$173 million compared to \$195 million for the corresponding period in 2014. The decrease was primarily the result of a \$20 million decrease due to the lower average cost of fuel and purchased power and a \$10 million decrease related to the volume of KWHs generated, partially offset by an \$8 million increase in the volume of KWHs purchased.

For year-to-date 2015, total fuel and purchased power expenses were \$473 million compared to \$554 million for the corresponding period in 2014. The decrease was primarily the result of a \$52 million decrease related to the volume

Table of Contents

GULF POWER COMPANY

MANAGEMENT'S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

of KWHs generated and a \$31 million decrease due to the lower average cost of fuel and purchased power, partially offset by a \$2 million increase related to the volume of KWHs purchased.

Fuel and purchased power transactions do not have a significant impact on earnings since energy and capacity expenses are generally offset by energy and capacity revenues through Gulf Power's fuel cost and purchased power capacity recovery clauses. See Note 3 to the financial statements of Gulf Power under "Retail Regulatory Matters – Cost Recovery Clauses – Retail Fuel Cost Recovery" and " – Purchased Power Capacity Recovery" in Item 8 of the Form 10-K for additional information.

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

	Third Quarter 2015	Third Quarter 2014	Year-to-Date 2015	Year-to-Date 2014
Total generation (millions of KWHs)	2,839	3,085	7,435	8,717
Total purchased power (millions of KWHs)	1,637	1,479	4,231	4,190
Sources of generation (percent) –				
Coal	64	66	61	69
Gas	36	34	39	31
Cost of fuel, generated (cents per net KWH) –				
Coal	3.67	3.83	3.88	4.08
Gas	4.32	4.16	4.22	3.95
Average cost of fuel, generated (cents per net KWH)	3.90	3.94	4.01	4.04
Average cost of purchased power (cents per net KWH) ^(*)	3.83	4.96	4.12	4.83

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

Fuel

In the third quarter 2015, fuel expense was \$143 million compared to \$164 million for the corresponding period in 2014. The decrease was primarily due to an 8.0% decrease in the volume of KWHs generated by Gulf Power's generation resources and a 1.0% decrease in the average cost of fuel due to lower coal prices per KWH generated. For year-to-date 2015, fuel expense was \$375 million compared to \$478 million for the corresponding period in 2014. The decrease was primarily due to a 14.7% decrease in the volume of KWHs generated due to planned outages for Gulf Power's generation and a resource contracted under a PPA and a 1.0% decrease in the average cost of fuel due to lower coal prices per KWH generated.

Purchased Power – Non-Affiliates

In the third quarter 2015, purchased power expense from non-affiliates was \$26 million compared to \$27 million for the corresponding period in 2014. The decrease was primarily due to a 22.2% decrease in the average cost per KWH purchased due to lower natural gas prices, partially offset by a 7.7% increase in the volume of KWHs purchased. For year-to-date 2015, purchased power expense from non-affiliates was \$76 million compared to \$57 million for the corresponding period in 2014. The increase was primarily due to a \$26 million increase in capacity costs associated with a scheduled rate increase for an existing PPA, partially offset by the expiration of another PPA in mid-2014. The increase was partially offset by an 8.2% decrease in the volume of KWHs purchased due to a planned outage for a resource contracted under a PPA.

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.

Table of Contents

GULF POWER COMPANY

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

Purchased Power – Affiliates

In the third quarter 2015 and the corresponding period in 2014, purchased power expense from affiliates was \$4 million. The volume of KWHs purchased increased 37.9% due to decreased generation from Gulf Power resources. The increase was offset by a 13.0% decrease in the average cost per KWH purchased due to lower power pool interchange rates.

For year-to-date 2015, purchased power expense from affiliates was \$22 million compared to \$19 million for the corresponding period in 2014. The increase was primarily due to a 60.5% increase in the volume of KWHs purchased due to planned outages for Gulf Power's generation and a resource contracted under a PPA, offset by a 31.5% decrease in the average cost per KWH purchased due to lower power pool interchange rates.

Energy purchases from affiliates will vary depending on demand 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, all as approved by the FERC.

Other Operations and Maintenance Expenses

Third Quarter 2015 vs. Third Quarter 2014		Year-to-Date 2015 vs. Year-to-Date 2014	
(change in millions)	(% change)	(change in millions)	(% change)
\$5	5.9	\$23	9.2

In the third quarter 2015, other operations and maintenance expenses were \$90 million compared to \$85 million for the corresponding period in 2014. The increase was primarily due to increases of \$3 million in employee compensation and benefits including pension costs, \$1 million in customer service expenses, and \$1 million in marketing programs.

For year-to-date 2015, other operations and maintenance expenses were \$274 million compared to \$251 million for the corresponding period in 2014. The increase was primarily due to increases of \$9 million in routine and planned maintenance expenses at generation facilities, \$5 million in employee compensation and benefits including pension costs, \$2 million in customer service expenses, \$2 million in marketing programs, and \$2 million in energy services expenses.

Expenses from marketing programs did not have a significant impact on earnings since they were offset by energy conservation revenues through Gulf Power's energy conservation cost recovery clause. Expenses from energy services did not have a significant impact on earnings since they were generally offset by associated revenues. See Note (F) to the Condensed Financial Statements herein for additional information related to pension costs.

Depreciation and Amortization

Third Quarter 2015 vs. Third Quarter 2014		Year-to-Date 2015 vs. Year-to-Date 2014	
(change in millions)	(% change)	(change in millions)	(% change)
\$2	5.3	\$(9)	(8.3)

For year-to-date 2015, depreciation and amortization was \$100 million compared to \$109 million for the corresponding period in 2014. As authorized by the Florida PSC in a settlement agreement, Gulf Power recorded a \$20.5 million reduction in depreciation in the first nine months of 2015 as compared to \$5.4 million in the corresponding period in 2014. The decrease was partially offset by increases of \$6 million primarily attributable to property additions at generation, transmission, and distribution facilities.

See Note 3 to the financial statements of Gulf Power under "Retail Regulatory Matters – Retail Base Rate Case" in Item 8 of the Form 10-K and Note (B) to the Condensed Financial Statements under "Retail Regulatory Matters – Gulf Power – Retail Base Rate Case" herein for additional information.

Table of Contents

GULF POWER COMPANY

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

Taxes Other Than Income Taxes

Third Quarter 2015 vs. Third Quarter 2014		Year-to-Date 2015 vs. Year-to-Date 2014	
(change in millions)	(% change)	(change in millions)	(% change)
\$4	12.9	\$7	8.3

In the third quarter 2015, taxes other than income taxes were \$35 million compared to \$31 million for the corresponding period in 2014. For year-to-date 2015, taxes other than income taxes were \$91 million compared to \$84 million for the corresponding period in 2014. The increases were primarily due to increases in property taxes, franchise fees, and gross receipts taxes. Franchise fees and gross receipts taxes have no impact on net income.

Allowance for Equity Funds Used During Construction

Third Quarter 2015 vs. Third Quarter 2014		Year-to-Date 2015 vs. Year-to-Date 2014	
(change in millions)	(% change)	(change in millions)	(% change)
\$—	—	\$3	37.5

For year-to-date 2015, AFUDC equity was \$11 million compared to \$8 million for the corresponding period in 2014. The increase was primarily due to increased construction related to environmental control projects at generation facilities.

FUTURE EARNINGS POTENTIAL

The results of operations discussed above are not necessarily indicative of Gulf Power's future earnings potential. The level of Gulf Power's future earnings depends on numerous factors that affect the opportunities, challenges, and risks of Gulf Power's business of selling electricity. These factors include Gulf 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 are subject to a number of factors. These factors include weather, competition, energy conservation practiced by customers, the price of electricity, the price elasticity of demand, the rate of economic growth or decline in Gulf Power's service territory, and the successful remarketing of wholesale capacity as current contracts expire. Demand for electricity for Gulf Power is partially driven by economic growth. The pace of economic growth and electricity demand may be affected by changes in regional and global economic conditions, which 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 Gulf Power in Item 7 of the Form 10-K. Gulf Power's wholesale business consists of two types of agreements. The first type, referred to as requirements service, provides that Gulf Power serves the customer's capacity and energy requirements from Gulf Power resources. The second type, referred to as a unit sale, is a wholesale customer purchase from a dedicated generating plant unit where a portion of that unit is reserved for the customer. These agreements are associated with Gulf Power's co-ownership of Plant Scherer Unit 3 (205 MWs) and consist of both capacity and energy sales. Capacity revenues represent the majority of Gulf Power's wholesale earnings. Gulf Power currently has long-term sales agreements for 100% of Gulf Power's co-ownership of that unit through 2015 and 41% through 2019. These capacity revenues represented 82% of total wholesale capacity revenues for 2014. Gulf Power is actively evaluating strategic alternatives related to this asset, including replacement wholesale contracts, but the expiration of current contracts could have a material negative impact on Gulf Power's earnings. In the event some portion of Gulf Power's ownership in Plant Scherer is not subject to a replacement long-term wholesale contract, the proportionate amount of the unit may be sold into the power pool or into the wholesale market.

Table of Contents

GULF POWER COMPANY

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

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 retail rates or through long-term wholesale agreements on a timely basis or through market-based contracts. The State of Florida has statutory provisions that allow a utility to petition the Florida PSC for recovery of prudent environmental compliance costs that are not being recovered through base rates or any other recovery mechanism. Gulf Power's current long-term wholesale agreements contain provisions that permit charging the customer with costs incurred as a result of changes in environmental laws and regulations. The full impact of any such regulatory or legislative changes cannot be determined at this time. 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 or long-term wholesale agreements could contribute to reduced demand for electricity as well as impact the cost competitiveness of wholesale capacity, which could negatively affect results of operations, cash flows, and financial condition. See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "Environmental Matters" and "Retail Regulatory Matters – Cost Recovery Clauses – Environmental Cost Recovery" of Gulf Power in Item 7 and Note 3 to the financial statements of Gulf Power under "Environmental Matters" in Item 8 of the Form 10-K for additional information.

Environmental Statutes and Regulations

Air Quality

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "Environmental Matters – Environmental Statutes and Regulations – Air Quality" of Gulf Power in Item 7 of the Form 10-K for additional information regarding the EPA's proposed regulations governing emissions during startup, shutdown, or malfunction (SSM), the final MATS rule, the Cross State Air Pollution Rule (CSAPR), and the eight-hour National Ambient Air Quality Standard (NAAQS) for ozone.

On June 12, 2015, the EPA published a final rule requiring affected states (including Florida, Georgia, and Mississippi) to revise or remove state implementation plan (SIP) provisions regarding excess emissions that occur during periods of SSM by no later than November 22, 2016. The ultimate impact of the final rule will depend on the outcome of any legal challenges and the development and approval of SIPs by the affected states and cannot be determined at this time.

On June 29, 2015, the U.S. Supreme Court issued a decision finding that the EPA had failed to properly consider costs in its decision to regulate hazardous air pollutant emissions from electric generating units under the MATS rule and remanded the case to the U.S. Court of Appeals for the District of Columbia Circuit for further proceedings. The MATS rule remains in effect while the U.S. Court of Appeals for the District of Columbia Circuit and the EPA respond to the decision. The ultimate impact of this decision cannot be determined at this time.

On July 28, 2015, the U.S. Court of Appeals for the District of Columbia Circuit issued an opinion invalidating certain emissions budgets under the CSAPR Phase II emissions trading program for a number of states, including Florida and Georgia. The court's decision leaves the emissions trading program in place and remands the rule to the EPA for further action consistent with the court's decision. The court rejected all other pending challenges to the rule. The ultimate impact of this decision will depend on additional rulemaking and cannot be determined at this time.

On October 26, 2015, the EPA published a more stringent eight-hour NAAQS for ozone. This new standard could potentially require additional emission controls, improvements in control efficiency, and operational fuel changes and could affect the siting of new generating facilities. The ultimate impact of this matter will depend on any legal challenges and implementation of the final rule and cannot be determined at this time.

Table of Contents

GULF POWER COMPANY

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

Water Quality

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "Environmental Matters – Environmental Statutes and Regulations – Water Quality" of Gulf Power in Item 7 of the Form 10-K for additional information regarding the EPA's and the U.S. Army Corps of Engineers' rule revising the definition of waters of the U.S. under the Clean Water Act (CWA) and the EPA's revisions to effluent guidelines.

On June 29, 2015, the EPA and the U.S. Army Corps of Engineers jointly published a final rule revising the regulatory definition of waters of the U.S. for all CWA programs. The final rule significantly expands the scope of federal jurisdiction under the CWA and could have significant impacts on economic development projects which could affect customer demand growth. In addition, 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. The rule became effective August 28, 2015, but on October 9, 2015, the U.S. Court of Appeals for the Sixth Circuit issued an order staying implementation of the final rule. The ultimate impact of the final rule will depend on the outcome of this and other pending legal challenges and the EPA's and the U.S. Army Corps of Engineers' field-level implementation of the rule and cannot be determined at this time.

On November 3, 2015, the EPA published final revisions to technology-based limits for certain wastestreams from steam electric power plants. These revisions impose stringent steam effluent guidelines and technology requirements for wastewater discharges at affected units. Compliance with these revisions could result in significant additional capital expenditures and could affect future unit retirement and replacement decisions. The ultimate impact of these revisions will depend on any legal challenges and implementation of the final revisions and cannot be determined at this time.

Coal Combustion Residuals

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "Environmental Matters – Coal Combustion Residuals" of Gulf Power in Item 7 of the Form 10-K for additional information regarding the EPA's regulation of CCR.

On April 17, 2015, the EPA published the Disposal of Coal Combustion Residuals from Electric Utilities final rule (CCR Rule) in the Federal Register, which became effective on October 19, 2015. Based on initial cost estimates for closure in place and groundwater monitoring of ash ponds pursuant to the CCR Rule, during the second quarter 2015, Gulf Power recorded incremental asset retirement obligations (ARO) of approximately \$75 million related to the CCR Rule. As further analysis is performed, including evaluation of the expected method of compliance, refinement of assumptions underlying the cost estimates, such as the quantities of CCR at each site, and the determination of timing, including the potential for closing ash ponds prior to the end of their currently anticipated useful life, Gulf Power expects to continue to periodically update these estimates. The ultimate impact of the CCR Rule cannot be determined at this time and will depend on Gulf Power's ongoing review of the CCR Rule, the results of initial and ongoing minimum criteria assessments, and the outcome of legal challenges. See Note (A) to the Condensed Financial Statements herein for additional information regarding Gulf Power's AROs as of September 30, 2015.

Global Climate Issues

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "Environmental Matters – Global Climate Issues" of Gulf Power in Item 7 of the Form 10-K for additional information regarding the EPA's proposed regulation of CO₂ from fossil-fuel-fired electric generating units.

On October 23, 2015, two final actions by the EPA that would limit CO₂ emissions from fossil fuel-fired electric generating units were published in the Federal Register. One of the final actions contains specific emission standards governing CO₂ emissions from new, modified, and reconstructed units. The other final action establishes guidelines for states to develop plans to meet EPA-mandated CO₂ emission rates for existing units. The EPA's final guidelines require state plans to meet interim CO₂ performance rates between 2022 and 2029 and final rates in 2030 and thereafter. At the same time, a proposed federal plan and proposed model rule were published that states can

Table of Contents

GULF POWER COMPANY

MANAGEMENT'S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

adopt or that would be put in place if, in response to the final guidelines, a state either does not submit a state plan or its plan is not approved by the EPA.

These guidelines and standards could result in operational restrictions and material compliance costs, including capital expenditures, which could affect future unit retirement and replacement decisions. Gulf Power's results of operations, cash flows, and financial condition could be significantly impacted if such costs are not recovered through regulated rates or through market-based contracts. However, the ultimate financial and operational impact of the final rules on Gulf Power cannot be determined at this time and will depend on numerous factors including the Southern Company system's ongoing review of the final rules; the outcome of any legal challenges, including legal challenges filed by Gulf Power; individual state implementation of the EPA's final guidelines, including the potential that state plans impose different standards; additional rulemaking activities in response to legal challenges and related 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.

FERC Matters

Gulf Power has authority from the FERC to sell electricity at market-based rates. Since 2008, that authority, for certain balancing authority areas, has been conditioned on compliance with the requirements of an energy auction, which the FERC found to be tailored mitigation that addresses potential market power concerns. In accordance with FERC regulations governing such authority, the traditional operating companies (including Gulf Power) and Southern Power filed a triennial market power analysis on June 30, 2014, which included continued reliance on the energy auction as tailored mitigation. On April 27, 2015, the FERC issued an order finding that the traditional operating companies' (including Gulf Power's) and Southern Power's existing tailored mitigation may not effectively mitigate the potential to exert market power in certain areas served by the traditional operating companies and in some adjacent areas. To retain market-based rate authority, the FERC directed the traditional operating companies (including Gulf Power) and Southern Power to show why market-based rate authority should not be revoked in these areas or to provide a mitigation plan to further address market power concerns. The traditional operating companies (including Gulf Power) and Southern Power filed a request for rehearing on May 27, 2015 and on June 26, 2015 filed their response with the FERC. The ultimate outcome of this matter cannot be determined at this time.

Retail Regulatory Matters

Gulf Power's rates and charges for service to retail customers are subject to the regulatory oversight of the Florida PSC. Gulf Power's rates are a combination of base rates and several separate cost recovery clauses for specific categories of costs. These separate cost recovery clauses address such items as fuel and purchased energy costs, purchased power capacity costs, energy conservation and demand side management programs, and the costs of compliance with environmental laws and regulations. Costs not addressed through one of the specific cost recovery clauses are recovered through base rates. See Note 3 to the financial statements of Gulf Power under "Retail Regulatory Matters – Retail Base Rate Case" in Item 8 of the Form 10-K for additional information.

Retail Base Rate Case

In December 2013, the Florida PSC approved a settlement agreement that provides Gulf Power may reduce depreciation expense and record a regulatory asset up to \$62.5 million between January 2014 and June 2017. In any given month, such depreciation expense reduction may not exceed the amount necessary for the retail ROE, as reported to the Florida PSC monthly, to reach the midpoint of the authorized retail ROE range then in effect. For 2014 and the first nine months of 2015, Gulf Power recognized reductions in depreciation expense of \$8.4 million and \$20.5 million, respectively.

Cost Recovery Clauses

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "Retail Regulatory Matters – Cost Recovery Clauses" of Gulf Power in Item 7 and Note 3 to the financial statements of

Table of Contents

GULF POWER COMPANY

MANAGEMENT'S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Gulf Power under "Retail Regulatory Matters – Cost Recovery Clauses" in Item 8 of the Form 10-K for additional information regarding Gulf Power's recovery of retail costs through various regulatory clauses and accounting orders. Gulf Power has four regulatory clauses which are approved by the Florida PSC. See Note (B) to the Condensed Financial Statements herein for additional information.

On November 2, 2015, the Florida PSC approved Gulf Power's annual rate clause request for its fuel, purchased power capacity, environmental, and energy conservation cost recovery factors for 2016. The net effect of the approved changes is a \$49 million decrease in annual revenue for 2016. The decreased revenues will not have a significant impact on net income since most of the revenues will be offset by lower expenses.

Renewables

On April 16, 2015, the Florida PSC approved three energy purchase agreements totaling 120 MWs of utility-scale solar generation located at three military installations in northwest Florida. On May 5, 2015, the Florida PSC approved an energy purchase agreement for up to 178 MWs of wind generation in central Oklahoma. Purchases under these agreements will be for energy only and will be recovered through Gulf Power's fuel cost recovery mechanism.

Other Matters

Gulf Power is involved in various other matters being litigated and regulatory matters that could affect future earnings. In addition, Gulf Power is subject to certain claims and legal actions arising in the ordinary course of business. Gulf Power's business activities are subject to extensive governmental regulation related to public health and the environment, such as regulation of air emissions and water discharges. Litigation over environmental issues and claims of various types, including property damage, personal injury, common law nuisance, and citizen enforcement of environmental requirements, such as air quality and water standards, has occurred throughout the U.S. This litigation included claims for damages alleged to have been caused by CO₂ and other emissions, CCR, and alleged exposure to hazardous materials, and/or requests for injunctive relief in connection with such matters.

The ultimate outcome of such pending or potential litigation against Gulf Power cannot be predicted at this time; however, for current proceedings not specifically reported in Note (B) to the Condensed Financial Statements herein or in Note 3 to the financial statements of Gulf 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 Gulf Power's financial statements. See Note (B) 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.

ACCOUNTING POLICIES

Application of Critical Accounting Policies and Estimates

Gulf Power prepares its financial statements in accordance with GAAP. Significant accounting policies are described in Note 1 to the financial statements of Gulf 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 Gulf 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 Gulf Power in Item 7 of the Form 10-K for a complete discussion of Gulf Power's critical accounting policies and estimates related to Electric Utility Regulation, Contingent Obligations, and Pension and Other Postretirement Benefits.

Asset Retirement Obligations

AROs are computed as the fair value of the ultimate costs for an asset's future retirement and are recorded in the period in which the liability is incurred. The costs are capitalized as part of the related long-lived asset and depreciated over the asset's useful life. In the absence of quoted market prices, AROs are estimated using present value techniques in which estimates of future cash outlays associated with the asset retirements are discounted using

Table of Contents

GULF POWER COMPANY

MANAGEMENT'S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

a credit-adjusted risk-free rate. Estimates of the timing and amounts of future cash outlays are based on projections of when and how the assets will be retired and the cost of future removal activities.

The liability for AROs primarily relates to Gulf Power's facilities that are subject to the CCR Rule and to the closure of an ash pond at Plant Scholz. In addition, Gulf Power has retirement obligations related to various landfill sites, a barge unloading dock, asbestos removal, disposal of polychlorinated biphenyls in certain transformers, and combustion turbines at its Pea Ridge facility. Gulf Power also has identified retirement obligations related to certain transmission and distribution facilities, certain wireless communication towers, and certain structures authorized by the U.S. Army Corps of Engineers. However, liabilities for the removal of these assets have not been recorded because the settlement timing for the retirement obligations related to these assets is indeterminable and, therefore, the fair value of the retirement obligations cannot be reasonably estimated. A liability for these AROs will be recognized when sufficient information becomes available to support a reasonable estimation of the ARO.

As a result of the final CCR Rule discussed above, Gulf Power recorded new AROs for facilities that are subject to the CCR Rule. The cost estimates are based on information using various assumptions related to closure and post-closure costs, timing of future cash outlays, inflation and discount rates, and the potential methods for complying with the CCR Rule requirements for closure in place. As further analysis is performed, including evaluation of the expected method of compliance, refinement of assumptions underlying the cost estimates, such as the quantities of CCR at each site, and the determination of timing, including the potential for closing ash ponds prior to the end of their currently anticipated useful life, Gulf Power expects to continue to periodically update these estimates.

Given the significant judgment involved in estimating AROs, Gulf Power considers the liabilities for AROs to be critical accounting estimates.

See Note 1 to the financial statements of Gulf Power under "Asset Retirement Obligations and Other Costs of Removal" in Item 8 of the Form 10-K and Note (A) to the Condensed Financial Statements under "Asset Retirement Obligations" herein for additional information.

Recently Issued Accounting Standards

The Financial Accounting Standards Board's (FASB) ASC 606, Revenue from Contracts with Customers, revises the accounting for revenue recognition effective for fiscal years beginning after December 15, 2017. Gulf Power continues to evaluate the requirements of ASC 606. The ultimate impact of the new standard has not yet been determined.

On April 7, 2015, the FASB issued Accounting Standards Update (ASU) No. 2015-03, Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs. The ASU requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability and is effective for fiscal years beginning after December 15, 2015. Early adoption is permitted and Gulf Power intends to adopt the ASU in the fourth quarter 2015. The ASU is required to be applied retrospectively to all periods presented beginning in the year of adoption. Gulf Power currently reflects unamortized debt issuance costs in other deferred charges and assets on its balance sheet. Upon adoption, the reclassification will not have a material impact on the results of operations, financial position, or cash flows of Gulf Power.

FINANCIAL CONDITION AND LIQUIDITY

Overview

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FINANCIAL CONDITION AND LIQUIDITY – "Overview" of Gulf Power in Item 7 of the Form 10-K for additional information. Gulf Power's financial condition remained stable at September 30, 2015. Gulf Power intends to continue to monitor its access to short-term and long-term capital markets as well as bank credit agreements to meet future capital and liquidity needs. See "Capital Requirements and Contractual Obligations," "Sources of Capital," and "Financing Activities" herein for additional information.

Table of Contents

GULF POWER COMPANY

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

Net cash provided from operating activities totaled \$411 million for the first nine months of 2015 compared to \$324 million for the corresponding period in 2014. The \$87 million increase in net cash was primarily due to increased revenue collection related to cost recovery clauses and the timing of income tax payments and refunds associated with bonus depreciation, partially offset by the timing of payments for accounts payable and fossil fuel stock purchases. Net cash used for investing activities totaled \$233 million in the first nine months of 2015 primarily due to property additions to utility plant. Net cash used for financing activities totaled \$176 million for the first nine months of 2015 primarily due to payments for common stock dividends and redemptions of long-term debt and notes payable, partially offset by cash received for the issuance of common stock to Southern Company. 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 2015 include increases of \$174 million in net property, plant, and equipment, \$115 million in other deferred credits and liabilities primarily related to AROs, and \$70 million in accumulated deferred income tax liabilities primarily related to bonus depreciation. Other significant changes include decreases of \$60 million in long-term debt, \$40 million in under recovered regulatory clause revenues, and \$34 million in notes payable.

Capital Requirements and Contractual Obligations

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FINANCIAL CONDITION AND LIQUIDITY – "Capital Requirements and Contractual Obligations" of Gulf Power in Item 7 of the Form 10-K for a description of Gulf 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 related interest, leases, derivative obligations, preference stock dividends, purchase commitments, trust funding requirements, and unrecognized tax benefits. There are no scheduled maturities of long-term debt through September 30, 2016. See "Financing Activities" herein for additional information.

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; storm impacts; 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 programs; changes in FERC rules and regulations; Florida PSC approvals; changes in legislation; the cost and efficiency of construction labor, equipment, and materials; project scope and design changes; 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

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

Gulf Power's current liabilities frequently exceed current assets because of the continued use of short-term debt as a funding source to meet scheduled maturities of long-term debt, as well as cash needs, which can fluctuate significantly due to the seasonality of the business. Gulf Power has substantial cash flow from operating activities and access to the capital markets and financial institutions to meet short-term liquidity needs, including its commercial paper program which is supported by bank credit facilities.

Table of Contents

GULF POWER COMPANY

MANAGEMENT'S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

At September 30, 2015, Gulf Power had approximately \$41 million of cash and cash equivalents. Committed credit arrangements with banks at September 30, 2015 were as follows:

Expires					Executable Term Loans		Due Within One Year	
2015	2016	2017	Total	Unused	One Year	Two Years	Term Out	No Term Out
(in millions)				(in millions)	(in millions)		(in millions)	
\$20	\$225	\$30	\$275	\$275	\$50	\$—	\$50	\$195

See Note 6 to the financial statements of Gulf 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 the unused credit arrangements with banks are allocated to provide liquidity support to Gulf Power's variable rate pollution control revenue bonds and commercial paper program. The amount of variable rate pollution control revenue bonds outstanding requiring liquidity support as of September 30, 2015 was approximately \$82 million. In addition, at September 30, 2015, Gulf Power had approximately \$33 million of fixed rate pollution control revenue bonds outstanding that were required to be reoffered within the next 12 months.

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 Gulf Power. Such cross default provisions to other indebtedness would trigger an event of default if Gulf Power defaulted on indebtedness or guarantee obligations over a specified threshold. Gulf Power is currently in compliance with all such covenants. None of the bank credit arrangements contain material adverse change clauses at the time of borrowings. Subject to applicable market conditions, Gulf Power expects to renew or replace its bank credit arrangements, as needed, prior to expiration. In connection therewith, Gulf Power may extend the maturity dates and/or increase or decrease the lending commitments thereunder.

Gulf 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 Gulf Power and the other traditional operating companies. Proceeds from such issuances for the benefit of Gulf Power are loaned directly to Gulf 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, 2015			Short-term Debt During the Period ^(*)		
	Amount Outstanding	Weighted Average Interest Rate		Average Amount Outstanding	Weighted Average Interest Rate	Maximum Amount Outstanding
	(in millions)			(in millions)		(in millions)
Commercial paper	\$76	0.4	%	\$91	0.4	% \$125
Short-term bank debt	—	—	%	30	0.7	% 40
Total	\$76	0.4	%	\$121	0.4	%

^(*) Average and maximum amounts are based upon daily balances during the three-month period ended September 30, 2015.

Gulf Power believes the need for working capital can be adequately met by utilizing the commercial paper program, lines of credit, and operating cash flows.

Table of Contents

GULF POWER COMPANY

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

Credit Rating Risk

Gulf Power does not have any credit arrangements that would require material changes in payment schedules or terminations as a result of a credit rating downgrade.

There are certain contracts that could require collateral, but not accelerated payment, in the event of a credit rating change to BBB- and/or Baa3 or below. These contracts are for physical electricity purchases and sales, fuel transportation and storage, transmission, and energy price risk management.

The maximum potential collateral requirements under these contracts at September 30, 2015 were as follows:

Credit Ratings	Maximum Potential Collateral Requirements (in millions)
At BBB- and/or Baa3	\$91
Below BBB- and/or Baa3	485

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, a credit rating downgrade could impact the ability of Gulf Power to access capital markets, and would be likely to impact the cost at which it does so.

On August 17, 2015, S&P downgraded the consolidated long-term issuer rating of Southern Company (including Gulf Power) to A- from A and revised its credit rating outlook from negative to stable. Separately, on August 24, 2015, S&P revised its credit rating outlook from stable to negative following the announcement of the Merger.

Market Price Risk

Gulf Power's market risk exposure relative to interest rate changes for the third quarter and year-to-date 2015 has not changed materially compared to the December 31, 2014 reporting period. Gulf Power's exposure to market volatility in commodity fuel prices and prices of electricity with respect to its wholesale generating capacity is limited because its long-term sales agreements shift substantially all fuel cost responsibility to the purchaser. However, Gulf Power could become exposed to market volatility in energy-related commodity prices to the extent any wholesale generating capacity is uncontracted. Gulf Power currently has long-term sales agreements for 100% of its wholesale capacity through 2015 and 41% through 2019. These capacity revenues represented 82% of total wholesale capacity revenues for 2014. Gulf Power is actively pursuing replacement wholesale contracts but the expiration of current contracts could have a material negative impact on Gulf Power's earnings. In the event some portion of Gulf Power's ownership in Plant Scherer is not subject to a replacement long-term wholesale contract, the proportionate amount of the unit may be sold into the power pool or into the wholesale market. For an in-depth discussion of Gulf Power's market risks, see MANAGEMENT'S DISCUSSION AND ANALYSIS – FINANCIAL CONDITION AND LIQUIDITY – "Market Price Risk" of Gulf Power in Item 7 of the Form 10-K.

Financing Activities

In January 2015, Gulf Power issued 200,000 shares of common stock to Southern Company and realized proceeds of \$20 million. The proceeds were used to repay a portion of Gulf Power's short-term debt and for other general corporate purposes, including Gulf Power's continuous construction program.

In June 2015, Gulf Power entered into a \$40 million aggregate principal amount three-month floating rate bank loan bearing interest based on one-month LIBOR. The proceeds were used for credit support, working capital, and other general corporate purposes. The loan was repaid at maturity.

Table of Contents

GULF POWER COMPANY

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

In July 2015, Gulf Power purchased and held \$13 million aggregate principal amount of Mississippi Business Finance Corporation Solid Waste Disposal Facilities Revenue Refunding Bonds (Gulf Power Company Project), Series 2012. Gulf Power reoffered these bonds on July 16, 2015.

In September 2015, Gulf Power redeemed \$60 million aggregate principal amount of its Series L 5.65% Senior Notes due September 1, 2035.

Subsequent to September 30, 2015, Gulf 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 \$80 million.

In addition to any financings that may be necessary to meet capital requirements, contractual obligations, and storm recovery, Gulf 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.

Table of Contents

MISSISSIPPI POWER COMPANY

108

Table of Contents
MISSISSIPPI POWER COMPANY
CONDENSED STATEMENTS OF OPERATIONS (UNAUDITED)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2015	2014	2015	2014
	(in millions)		(in millions)	
Operating Revenues:				
Retail revenues	\$244	\$228	\$601	\$647
Wholesale revenues, non-affiliates	76	83	216	255
Wholesale revenues, affiliates	18	39	63	82
Other revenues	3	5	13	13
Total operating revenues	341	355	893	997
Operating Expenses:				
Fuel	130	169	359	459
Purchased power, non-affiliates	1	3	5	16
Purchased power, affiliates	1	2	6	17
Other operations and maintenance	63	67	206	192
Depreciation and amortization	38	23	95	70
Taxes other than income taxes	24	22	71	63
Estimated loss on Kemper IGCC	150	418	182	798
Total operating expenses	407	704	924	1,615
Operating Income (Loss)	(66)	(349)	(31)	(618)
Other Income and (Expense):				
Allowance for equity funds used during construction	29	32	82	108
Interest expense, net of amounts capitalized	(13)	(9)	6	(34)
Other income (expense), net	(2)	(8)	(5)	(12)
Total other income and (expense)	14	15	83	62
Earnings (Loss) Before Income Taxes	(52)	(334)	52	(556)
Income taxes (benefit)	(31)	(139)	(11)	(253)
Net Income (Loss)	(21)	(195)	63	(303)
Dividends on Preferred Stock	—	—	1	2
Net Income (Loss) After Dividends on Preferred Stock	\$(21)	\$(195)	\$62	\$(305)

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2015	2014	2015	2014
	(in millions)		(in millions)	
Net Income (Loss)	\$(21)	\$(195)	\$63	\$(303)
Other comprehensive income (loss):				
Qualifying hedges:				
Reclassification adjustment for amounts included in net income, net of tax of \$-, \$-, \$- and \$-, respectively	—	—	1	—
Total other comprehensive income (loss)	—	—	1	—
Comprehensive Income (Loss)	\$(21)	\$(195)	\$64	\$(303)

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

Table of Contents

MISSISSIPPI POWER COMPANY
CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)

	For the Nine Months Ended September 30,	
	2015	2014
	(in millions)	
Operating Activities:		
Net income (loss)	\$63	\$(303)
Adjustments to reconcile net income (loss) to net cash provided from operating activities —		
Depreciation and amortization, total	94	78
Deferred income taxes	518	159
Investment tax credits	25	(108)
Allowance for equity funds used during construction	(82)	(108)
Regulatory assets associated with Kemper IGCC	(56)	(52)
Estimated loss on Kemper IGCC	182	798
Income taxes receivable, non-current	(544)	—
Other, net	7	10
Changes in certain current assets and liabilities —		
-Receivables	7	(48)
-Fossil fuel stock	5	36
-Prepaid income taxes	(1)	(90)
-Other current assets	(8)	(4)
-Accounts payable	(32)	28
-Accrued taxes	24	(17)
-Accrued interest	(6)	24
-Accrued compensation	(8)	8
-Over recovered regulatory clause revenues	59	(18)
-Mirror CWIP	99	112
-Other current liabilities	3	—
Net cash provided from operating activities	349	505
Investing Activities:		
Property additions	(626)	(986)
Construction payables	(31)	(40)
Investment in restricted cash	—	(11)
Distribution of restricted cash	—	9
Other investing activities	(29)	(22)
Net cash used for investing activities	(686)	(1,050)
Financing Activities:		
Increase in notes payable, net	475	—
Proceeds —		
Capital contributions from parent company	153	311
Bonds — Other	—	23
Interest-bearing refundable deposit	—	75
Long-term debt issuance to parent company	—	220
Other long-term debt issuances	—	250
Short-term borrowings	30	—
Redemptions —		
Long-term debt to parent company	—	(220)

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Other long-term debt	(350	)	—	
Payment of preferred stock dividends	(1	)	(1	)
Return of capital	—		(165	)
Other financing activities	(7	)	(3	)
Net cash provided from financing activities	300		490	
Net Change in Cash and Cash Equivalents	(37	)	(55	)
Cash and Cash Equivalents at Beginning of Period	133		145	
Cash and Cash Equivalents at End of Period	\$96		\$90	
Supplemental Cash Flow Information:				
Cash paid (received) during the period for —				
Interest (paid \$58 and \$55, net of \$52 and \$50 capitalized for 2015 and 2014, respectively)	\$6		\$5	
Income taxes, net	(55	)	(210	)
Noncash transactions —				
Accrued property additions at end of period	83		124	
Issuance of promissory note to parent related to repayment of interest-bearing refundable deposits and accrued interest	301		—	

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

Table of ContentsMISSISSIPPI POWER COMPANY
CONDENSED BALANCE SHEETS (UNAUDITED)

Assets	At September 30, 2015 (in millions)	At December 31, 2014
Current Assets:		
Cash and cash equivalents	\$96	\$133
Receivables —		
Customer accounts receivable	51	43
Unbilled revenues	42	35
Other accounts and notes receivable	11	11
Affiliated companies	31	51
Accumulated provision for uncollectible accounts	(1	) (1
Fossil fuel stock, at average cost	95	100
Materials and supplies, at average cost	72	62
Other regulatory assets, current	119	73
Prepaid income taxes	183	191
Other current assets	10	6
Total current assets	709	704
Property, Plant, and Equipment:		
In service	4,475	4,378
Less accumulated provision for depreciation	1,215	1,173
Plant in service, net of depreciation	3,260	3,205
Construction work in progress	2,596	2,161
Total property, plant, and equipment	5,856	5,366
Other Property and Investments	6	5
Deferred Charges and Other Assets:		
Deferred charges related to income taxes	278	226
Other regulatory assets, deferred	460	385
Income taxes receivable, non-current	544	—
Other deferred charges and assets	60	71
Total deferred charges and other assets	1,342	682
Total Assets	\$7,913	\$6,757

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

Table of Contents

MISSISSIPPI POWER COMPANY
CONDENSED BALANCE SHEETS (UNAUDITED)

Liabilities and Stockholder's Equity	At September 30, 2015 (in millions)	At December 31, 2014
Current Liabilities:		
Securities due within one year	\$429	\$778
Notes payable	500	—
Interest-bearing refundable deposits	—	275
Accounts payable —		
Affiliated	91	86
Other	109	178
Accrued taxes —		
Accrued income taxes	288	142
Other accrued taxes	67	84
Accrued interest	15	76
Accrued compensation	18	26
Over recovered regulatory clause liabilities	60	1
Mirror CWIP	369	271
Other current liabilities	87	61
Total current liabilities	2,033	1,978
Long-term Debt:		
Long-term debt, affiliated	301	—
Long-term debt, non-affiliated	1,621	1,630
Total Long-term Debt	1,922	1,630
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	674	285
Accumulated deferred investment tax credits	5	283
Employee benefit obligations	147	148
Asset retirement obligations	150	48
Unrecognized tax benefits	361	2
Other cost of removal obligations	171	166
Other regulatory liabilities, deferred	66	64
Other deferred credits and liabilities	48	36
Total deferred credits and other liabilities	1,622	1,032
Total Liabilities	5,577	4,640
Redeemable Preferred Stock	33	33
Common Stockholder's Equity:		
Common stock, without par value —		
Authorized — 1,130,000 shares		
Outstanding — 1,121,000 shares	38	38
Paid-in capital	2,767	2,612
Accumulated deficit	(496)	) (559)
Accumulated other comprehensive loss	(6)	) (7)
Total common stockholder's equity	2,303	2,084
Total Liabilities and Stockholder's Equity	\$7,913	\$6,757

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

Table of Contents

MISSISSIPPI POWER COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

THIRD QUARTER 2015 vs. THIRD QUARTER 2014
AND
YEAR-TO-DATE 2015 vs. YEAR-TO-DATE 2014

OVERVIEW

Mississippi Power operates as a vertically integrated utility providing electricity to retail customers within its traditional service territory located within the State of Mississippi and to wholesale customers in the Southeast. Many factors affect the opportunities, challenges, and risks of Mississippi Power's business of selling electricity. These factors include Mississippi Power's ability to maintain and grow energy sales and to operate in a constructive regulatory environment that provides timely recovery of prudently-incurred costs. These costs include those related to the completion and operation of major construction projects, primarily the Kemper IGCC and the Plant Daniel scrubber project, projected long-term demand growth, reliability, fuel, and increasingly stringent environmental standards, as well as ongoing capital expenditures required for maintenance. Appropriately balancing required costs and capital expenditures with customer prices will continue to challenge Mississippi Power for the foreseeable future. In 2010, the Mississippi PSC issued a CPCN authorizing the acquisition, construction, and operation of the Kemper IGCC. The certificated cost estimate of the Kemper IGCC established by the Mississippi PSC was \$2.4 billion with a construction cost cap of \$2.88 billion, 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).

Mississippi Power's current cost estimate for the Kemper IGCC in total is approximately \$6.43 billion, which includes approximately \$5.11 billion of costs subject to the construction cost cap. Mississippi Power does not intend to seek any rate recovery for any related costs that exceed the \$2.88 billion cost cap, net of the DOE Grants and excluding the Cost Cap Exceptions. Mississippi Power recorded pre-tax charges to income for revisions to the cost estimate above the cost cap of \$150 million (\$93 million after tax) in the third quarter 2015 and a total of \$182 million (\$112 million after tax) for the nine months ended September 30, 2015. Since 2012, in the aggregate, Mississippi Power has incurred charges of \$2.23 billion (\$1.4 billion after tax) as a result of changes in the cost estimate above the cost cap for the Kemper IGCC through September 30, 2015.

Mississippi Power placed the combined cycle and the associated common facilities portion of the Kemper IGCC project in service in August 2014 and continues to focus on completing the remainder of the Kemper IGCC, including the gasifier and the gas clean-up facilities. While the expected in-service date for the remainder of the Kemper IGCC is in the first half of 2016, Mississippi Power now anticipates the in-service date to occur subsequent to April 19, 2016, which would result in Mississippi Power being required to recapture the investment tax credits that were allocated to the Kemper IGCC under Section 48A (Phase II) of the Internal Revenue Code. The current cost estimate includes costs through June 30, 2016. As a result of the additional factors that have the potential to impact start-up and operational readiness activities for this first-of-a-kind technology as described herein, the risk of further schedule extensions and/or cost increases, which could be material, remains.

For additional information on the Kemper IGCC, see Note 3 to the financial statements of Mississippi Power 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.

On February 12, 2015, the Mississippi Supreme Court (Court) reversed the Mississippi PSC's March 2013 order that authorized collection of \$156 million annually (2013 MPSC Rate Order) to be recorded as Mirror CWIP and directed the Mississippi PSC to enter an order requiring Mississippi Power to refund the Mirror CWIP amounts

Table of Contents

MISSISSIPPI POWER COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

collected. Following the Court's rejection of both Mississippi Power's and the Mississippi PSC's motions for rehearing, the Mississippi PSC ordered that the Mirror CWIP rate be terminated effective July 20, 2015. Refunds of the \$342 million collected by Mississippi Power through July 2015 billings, plus carrying costs, will begin in early November 2015. See FUTURE EARNINGS POTENTIAL – "Integrated Coal Gasification Combined Cycle – Rate Recovery of Kemper IGCC Costs – 2015 Mississippi Supreme Court Decision" herein for additional information. Prior to the Court's final decision, Mississippi Power filed a rate case on May 15, 2015 (2015 Rate Case) that presented the Mississippi PSC with three alternative rate proposals: (i) a traditional rate case, (ii) a rate mitigation plan fixing rates through 2017 (RMP 2017), and (iii) a rate mitigation plan fixing rates through 2019 (RMP 2019). On May 20, 2015, SMEPA notified Mississippi Power of its termination of the asset purchase agreement (APA) between Mississippi Power and SMEPA whereby SMEPA previously agreed to purchase a 15% undivided interest in the Kemper IGCC. In connection with the termination of the APA, on June 3, 2015, Southern Company, pursuant to its guarantee obligation, returned approximately \$301 million (\$275 million in deposits plus interest) to SMEPA. Subsequently, Mississippi Power issued an 18-month promissory note in the aggregate principal amount of approximately \$301 million to Southern Company. See FUTURE EARNINGS POTENTIAL – "Integrated Coal Gasification Combined Cycle – Termination of Proposed Sale of Undivided Interest to SMEPA" herein for additional information.

The return of approximately \$301 million to SMEPA in June 2015 in connection with the termination of the APA, the required refund of the approximately \$369 million of Mirror CWIP rate collections, including associated carrying costs through September 30, 2015, the termination of the Mirror CWIP rates, and the likely repayment of approximately \$235 million of unrecognized tax benefits associated with the Phase II tax credits to the IRS if the in-service date of the Kemper IGCC extends beyond April 19, 2016 have adversely impacted Mississippi Power's financial condition.

As a result of the Court's decision and these financial impacts, on July 10, 2015, Mississippi Power submitted a supplemental filing with the Mississippi PSC that included a request for interim rates (Supplemental Notice) until such time as the Mississippi PSC renders a final decision on an additional alternative rate proposal (In-Service Asset Proposal). The In-Service Asset Proposal is based upon the test period of June 2015 to May 2016 and is designed to recover Mississippi Power's costs associated with the Kemper IGCC assets that are commercially operational and currently providing service to customers (the transmission facilities, combined cycle, natural gas pipeline, and water pipeline) and other related costs, and is designed to collect approximately \$159 million annually. On August 13, 2015, the Mississippi PSC approved the implementation of interim rates that became effective with the first billing cycle in September (on August 19), subject to refund and certain other conditions. In addition, the Mississippi PSC reserved the right to modify or terminate the interim rates based upon a material change in circumstances. The Mississippi PSC is scheduled to issue a final order on or before December 8, 2015 related to permanent rates for the In-Service Asset Proposal. See FUTURE EARNINGS POTENTIAL – "Integrated Coal Gasification Combined Cycle – Rate Recovery of Kemper IGCC Costs – 2015 Rate Case" herein for additional information.

As of September 30, 2015, Mississippi Power's current liabilities exceeded current assets by approximately \$1.3 billion primarily due to \$900 million of bank term loans scheduled to mature on April 1, 2016, the required refund of approximately \$369 million in Mirror CWIP, which includes associated carrying costs through September 30, 2015, and the likely repayment of the Phase II tax credits of \$235 million as of September 30, 2015. See FUTURE EARNINGS POTENTIAL – "Integrated Coal Gasification Combined Cycle – Rate Recovery of Kemper IGCC Costs – 2015 Mississippi Supreme Court Decision" and Note (G) to the Condensed Financial Statements under "Unrecognized Tax Benefits – Investment Tax Credits" herein for additional information. Mississippi Power is primarily dependent upon Southern Company to meet its financing needs. Mississippi Power intends to utilize operating cash flows and lines of credit (to the extent available) as well as loans and, under certain circumstances, equity contributions from Southern Company to fund Mississippi Power's short-term capital needs.

Table of Contents

MISSISSIPPI POWER COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Mississippi Power continues to focus on several key performance indicators, including the construction, start-up, and rate recovery of the Kemper IGCC. In recognition that Mississippi Power's long-term financial success is dependent upon how well it satisfies its customers' needs, Mississippi Power's retail base rate mechanism, PEP, includes performance indicators that directly tie customer service indicators to Mississippi Power's allowed return. In addition to the PEP performance indicators, Mississippi Power focuses on other performance measures, including broader measures of customer satisfaction, plant availability, system reliability, and net income after dividends on preferred stock. For additional information on these indicators, see MANAGEMENT'S DISCUSSION AND ANALYSIS – OVERVIEW – "Key Performance Indicators" of Mississippi Power in Item 7 of the Form 10-K. See FUTURE EARNINGS POTENTIAL – "Integrated Coal Gasification Combined Cycle" and 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 and the Court's decision that have negatively impacted Mississippi Power's actual performance on net income after dividends on preferred stock, one of its key performance indicators, for 2015, as compared to the target.

RESULTS OF OPERATIONS**Net Income (Loss)**

Third Quarter 2015 vs. Third Quarter 2014		Year-to-Date 2015 vs. Year-to-Date 2014	
(change in millions)	(% change)	(change in millions)	(% change)
\$174	89.2	\$367	N/M

N/M – Not meaningful

Mississippi Power's net loss after dividends on preferred stock for the third quarter 2015 was \$21 million compared to \$195 million for the corresponding period in 2014. The change was primarily related to lower pre-tax charges of \$150 million (\$93 million after tax) in the third quarter 2015 compared to \$418 million (\$258 million after tax) in the third quarter 2014 for revisions of the 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. The increase in net income was also related to an increase in retail revenue due to the implementation of interim rates that became effective with the first billing cycle in September (on August 19), partially offset by revenues associated with the Kemper IGCC cost recovery recognized in 2014, prior to the 2015 Mississippi Supreme Court decision. The change in net income was also related to a decrease in non-fuel operations and maintenance expenses, decrease in other income and deductions, a decrease in AFUDC, an increase in depreciation and amortization, and an increase in interest expense.

For year-to-date 2015, net income after dividends on preferred stock was \$62 million compared to a net loss of \$305 million for the corresponding period in 2014. The increase was primarily related to \$182 million in pre-tax charges (\$112 million after tax) in 2015 compared to \$798 million in pre-tax charges (\$493 million after tax) in 2014 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. The increase in net income was also related to an increase in retail revenue due to the implementation of interim rates that became effective with the first billing cycle in September (on August 19) and a decrease in interest expense primarily due to the SMEPA termination, partially offset by a decrease in Kemper revenues primarily resulting from the termination of the Mirror CWIP rate, a decrease in AFUDC equity, increases in non-fuel operations and maintenance expenses, and an increase in depreciation and amortization.

See Note 3 to the financial statements of Mississippi Power 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. Also see "Interest Expense, Net of Amounts Capitalized" herein for additional information.

Table of Contents

MISSISSIPPI POWER COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Retail Revenues

Third Quarter 2015 vs. Third Quarter 2014		Year-to-Date 2015 vs. Year-to-Date 2014	
(change in millions)	(% change)	(change in millions)	(% change)
\$16	7.0	\$(46)	(7.1)

In the third quarter 2015, retail revenues were \$244 million compared to \$228 million for the corresponding period in 2014. For year-to-date 2015, retail revenues were \$601 million compared to \$647 million for the corresponding period in 2014.

Details of the changes in retail revenues were as follows:

	Third Quarter 2015		Year-to-Date 2015	
	(in millions)	(% change)	(in millions)	(% change)
Retail – prior year	\$228		\$647	
Estimated change resulting from –				
Rates and pricing	24	10.5	15	2.3
Sales growth (decline)	1	0.4	(4)	(0.6)
Weather	—	—	1	0.2
Fuel and other cost recovery	(9)	(3.9)	(58)	(9.0)
Retail – current year	\$244	7.0 %	\$601	(7.1) %

Revenues associated with changes in rates and pricing increased in the third quarter 2015 when compared to the corresponding period in 2014, primarily due to \$28 million for the implementation of interim rates associated with the Kemper IGCC that became effective with the first billing cycle in September (on August 19), partially offset by \$5 million associated with the Kemper IGCC cost recovery recognized in the third quarter 2014, prior to the 2015 Mississippi Supreme Court decision.

Revenues associated with changes in rates and pricing increased year-to-date 2015 when compared to the corresponding period in 2014, primarily due to \$28 million for the implementation of interim rates associated with the Kemper IGCC that became effective with the first billing cycle in September (on August 19) and \$3 million of net revenues associated with the new energy efficiency cost recovery rate, which began in the fourth quarter 2014. These increases were partially offset by \$16 million associated with the Kemper IGCC cost recovery recognized in 2014, prior to the 2015 Mississippi Supreme Court decision.

See Note 3 to the financial statements of Mississippi Power under "Integrated Coal Gasification Combined Cycle – Rate Recovery of Kemper IGCC Costs" and "Retail Regulatory Matters – Performance Evaluation Plan" 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.

Revenues attributable to changes in sales increased in the third quarter 2015 when compared to the corresponding period in 2014. Weather-adjusted KWH sales to residential customers increased 0.4% in the third quarter 2015 due to an increase in customers and customer usage. Weather-adjusted KWH sales to commercial customers decreased 0.6% in the third quarter 2015 due to lower customer usage slightly offset by an increase in customers. KWH sales to industrial customers increased 0.8% in the third quarter 2015 due to increased usage by larger customers related to increased production.

Revenues attributable to changes in sales decreased year-to-date 2015 when compared to the corresponding period in 2014. Weather-adjusted KWH energy sales to residential customers decreased 0.6% due to lower customer usage, slightly offset by an increase in customers. Weather-adjusted KWH energy sales to commercial customers decreased 0.3% due to lower customer usage, slightly offset by an increase in customers. KWH energy sales to industrial customers increased 1.1% primarily due to increased usage by larger customers.

Table of Contents

MISSISSIPPI POWER COMPANY
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

In the first quarter 2015, Mississippi Power updated its methodology to estimate the unbilled revenue allocation among customer classes. This change did not have a significant impact on net income. The KWH sales variances discussed above reflect an adjustment to the estimated allocation of Mississippi Power's unbilled third quarter and year-to-date 2014 KWH sales among customer classes that is consistent with the actual allocation in 2015. Without these adjustments, third quarter 2015 weather-adjusted residential KWH sales decreased 0.3%, weather-adjusted commercial KWH sales increased 3.8%, and industrial KWH sales increased 0.9% as compared to the corresponding period in 2014. Also, without these adjustments, year-to-date 2015 weather-adjusted residential KWH sales decreased 2.1%, weather-adjusted commercial KWH sales decreased 1.8%, and industrial KWH sales increased 0.3% as compared to the corresponding period in 2014.

Fuel and other cost recovery revenues decreased in the third quarter and year-to-date 2015 when compared to the corresponding periods in 2014, primarily as a result of lower recoverable fuel costs. See "Fuel and Purchased Power Expenses" herein for additional information. Recoverable fuel costs include fuel and purchased power expenses reduced by the fuel portion of wholesale revenues from energy sold to customers outside Mississippi Power's service territory. Electric rates 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.

Wholesale Revenues – Non-Affiliates

Third Quarter 2015 vs. Third Quarter 2014		Year-to-Date 2015 vs. Year-to-Date 2014	
(change in millions)	(% change)	(change in millions)	(% change)
\$(7)			